

Item 1 – Cover Page

Sun Mountain Capital

301 Griffin Street

Santa Fe, NM 87501

505-954-5474

[www.sunmountaincapital.com](http://www.sunmountaincapital.com)

March 27, 2015

This Brochure provides information about the qualifications and business practices of Sun Mountain Capital. If you have any questions about the contents of this Brochure, please contact us at 505-954-5474 and/or [leslie.shaw@sunmountaincapital.com](mailto:leslie.shaw@sunmountaincapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Sun Mountain Capital is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Sun Mountain Capital also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There are no material changes from our Brochure dated August 1, 2014. We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Leslie Shaw, CCO at 505-954-5474 or [leslie.shaw@sunmountaincapital.com](mailto:leslie.shaw@sunmountaincapital.com).

Additional information about Sun Mountain Capital is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Sun Mountain Capital who are registered, or are required to be registered, as investment adviser representatives of Sun Mountain Capital.

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Brian Birk

Sally Corning

Mark Hollis

Lee Rand

#### **Item 4 – Advisory Business**

Sun Mountain Capital (“SMC”), based in Santa Fe, New Mexico, is a private equity and venture capital investment firm that provides fund investment advisory services for public and private entities as well as manages pooled investment vehicles (referred to herein as “Funds”). SMC was founded in 2006 by Brian Birk, Sally Corning, and Leslie Shaw, a team of senior investment professionals with over 80 years of private equity experience.

At SMC, we work as partners to program sponsors to develop an investment strategy and a set of services tailored to the investment goals of the program. SMC’s experience base ranges from program set-up activities such as establishing the investment and allocation strategy and goals of the program, to developing and implementing processes and procedures. In addition, SMC provides administrative functions such as monitoring and reporting and can design custom reports to ensure that the requisite data is captured for all of the relevant constituencies. SMC acts in an investment advisory capacity helping, on a discretionary or non-discretionary basis, to identify, access and negotiate with potential fund investment sponsors and general partners. SMC also represents its clients on limited partnership advisory committees. SMC’s regional advisory services are geared towards helping programs achieve significant financial returns as well as material economic development progress in the case of state-based programs.

SMC currently manages \$432.1 million of assets on a nondiscretionary basis, and \$306.8 million of assets on a discretionary basis.

#### **Item 5 – Fees and Compensation**

Fees for nondiscretionary advisory services are subject to negotiation and are typically fixed fees. The specific manner in which fees are charged by SMC is established in a client’s written agreement with SMC. SMC will generally bill its fees for nondiscretionary advisory services on a quarterly basis in arrears or in advance. With respect to discretionary assets in Funds, SMC charges an annual management fee, typically ranging from 1% to 2% of capital committed, which is payable quarterly in advance or in arrears depending on the client. In the case of prepaid fees, refunds may be available and will be determined under the terms of the advisory contract.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

In addition to management fees, SMC enters into performance-based fee arrangements with its Funds. These arrangements provide SMC with a carried interest of up to 20% of profits of the Funds it manages after the investors have received certain hurdle rates of return on invested capital.

## **Item 7 – Types of Clients**

SMC currently provides nondiscretionary investment advisory services to state-based programs and discretionary investment advisory services to Funds.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Whether advising nondiscretionary programs or discretionary funds with respect to fund and direct investments, SMC's approach to developing goals, strategy, objectives, and policy begins with taking industry best practices and then working closely with the client to develop a customized solution. The output from this close working relationship will be a set of goals for the client that are objective and measureable; a clearly articulated investment strategy and allocation plan; detailed return objectives with the associated risk tolerances; and a set of policies and procedures to help ensure the successful achievement of the client's goals and strategy.

The development of the client's goals, strategies and objectives is a multi-step, iterative process that starts with a review of existing policies within the context of interim program changes/growth and culminates in capturing the client's long term goals and objectives. In assisting with this process, we leverage our experience working with clients across the spectrum, from long tenured private equity programs to clients starting a program from scratch.

SMC employs a deep and rigorous due diligence process. Any investment opportunity that receives a commitment from SMC has been validated through exhaustive diligence from senior level personnel including a detailed analysis of its investment theses, track record, and principals, as applicable. Internally, unanimous support of SMC's Investment Committee is regularly sought for investments to continue through the diligence process to ensure that all partners' opinions are included in the process and that only the best Investments are recommended.

No investment commitment will be made without the prospective investment first passing through an established investment criteria checklist and rigorous due diligence derived from U.S.-based institutional best practices. Specifically, SMC seeks funds that generally possess the following characteristics:

- Successful completion of at least one full investment cycle with a demonstrable history of returns to their limited partners;
- Sound investment strategy capable of generating strong returns;
- Proven track record, including evidence of an ability to source attractive deal flow, attract co-investors to their portfolio investments, and effectively grow their portfolio companies; and
- Transparent and audited financial returns and investor reporting practices.

Direct investments pass through a similar criteria screen and rigorous due diligence process. The direct investments are screened for the following characteristics:

- Innovative company;
- Global market opportunity;
- Clear growth potential;
- Experienced management team;
- Good ratio of risk and return potential; and
- Viability of exit opportunities.

A robust and rigorous institutional investment process from investment sourcing to monitoring is critical to making sound investment decisions, mitigating manager strategy drift, and being able to proactively address challenges in funds before they become irreparable. This is particularly important as partnerships evolve over time, key investment professionals change firms, strategies shift, or market conditions change. These issues underscore the need for a thorough and institutional-level due diligence process. The following is an illustration of the typical multi-stage fund investment process which SMC believes is an industry best practices approach to evaluating private equity partnerships and direct investment opportunities:

- **Investment Sourcing and Introduction:** All Sun Mountain investment personnel, from partners to analysts, participate in collecting information about new investment opportunities for consideration for inclusion in our client's portfolios. For investments meeting certain minimum qualifications, members of the Sun Mountain team will meet with the fund manager or management team, as applicable.

- **Initial Assessment:** After the initial meeting, members of the team that met with the fund manager or management team prepare a document outlining the proposed investment and a recommendation for further investigation. This recommendation is then discussed by the Investment Advisory Committee. Unanimous approval is required by the Investment Advisory Committee to move the investment opportunity past the Initial Assessment stage. After an affirmative vote, an Investment Team with two SMC team members, usually one senior and one junior professional, are assigned to the relationship as it moves into the Active Review stage of SMC's investment process.
- **Active Review:** During the Active Review stage, the Investment Team's findings are discussed at weekly working meetings and, at the conclusion of the Active Review stage, a unanimous vote of the Investment Advisory Committee allows the Investment Team to move forward in the investment process and produce a Request for Due Diligence report.
- **Request for Due Diligence:** Upon completion of the Active Review stage, the Investment Team produces a Request for Due Diligence report. The Investment Advisory Committee must vote unanimously at this point to move the investment forward at which point it is discussed with our client during our weekly working sessions. With the client's feedback and consent, the investment is then moved into Full Due Diligence.
- **Full Due Diligence:** During the Full Due Diligence stage, the Investment Team's findings are discussed at weekly working meetings internally and with the client. At the conclusion of the Full Due Diligence stage, a unanimous vote of the Investment Advisory Committee allows the Investment Team to move forward in the investment process and produce an Investment Memorandum.
- **Investment Memorandum:** The results of the Investment Team's findings are formalized into an Investment Memorandum that is presented to the Investment Advisory Committee to determine if the investment warrants consideration for commitment. If the Investment Advisory Committee is unanimous in moving the investment forward, the client will be presented with the Investment Memorandum and the investment opportunity will again be discussed with the client at the regular update meetings to discuss fit and potential next steps.
- **Investment Decision:** With respect to nondiscretionary investments, if the client desires to move the investment opportunity forward, SMC pursues a lengthy review of all proposed terms and compares these with reasonable and customary terms

across the industry. Upon the conclusion of this review, and in consultation with the client, the Investment Advisory Committee will formally approve the recommendation of commitment to the client.

- **Client and Legal Approval:** In the case of nondiscretionary investment opportunities, after SMC and the client have indicated that the investment should be presented to the client's investment committee, SMC and the fund sponsor will make a formal presentation of the fund and the proposed commitment to the client's investment committee for approval. After this approval is given, SMC will oversee the legal review and negotiation with the fund regarding final terms.
- **Commitment:** In the case of nondiscretionary investment opportunities, assuming the satisfactory conclusion of all legal negotiations, the client makes a commitment to the fund and the fund enters into SMC's monitoring and reporting system.

In addition to fund and direct equity investments, SMC has significant experience investing in late stage, venture capital-backed companies and is comfortable customizing debt financing solutions to the needs of the situation. SMC applies the same rigorous due diligence process to these investment opportunities.

While many advisors prescribe a 'one size fits all' approach, SMC prides itself on providing customized solutions to our clients to address the unique challenges that each of our clients face. In addition, we offer the ability to customize all aspects of investment programs to meet the client's unique needs, from allocation to investment pacing to reporting.

Investing in securities is inherently risky. The investment opportunities recommended by SMC are suitable only for experienced and sophisticated clients and investors who can bear the economic risk of loss of their investment and who have limited need for liquidity in their investment. There can be no assurance that clients will achieve their investment objectives. Clients are referred to their contracts with SMC for more complete information on the investment strategies employed by SMC and the corresponding risks associated with such investment strategies.



## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that would be material to your evaluation of SMC or the integrity of its management.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Because SMC has multiple clients, there is a risk that a client might seek to invest in a portfolio company of another client. In that event, SMC would bring the conflict of interest to the attention of the relevant parties and seek their consent before consummating the investment.

In addition, one of the clients of SMC is a direct co-investment fund. This fund is included in the state based fund of funds program for which SMC is the investment adviser. This potential conflict has been acknowledged by all parties to the arrangement.

## **Item 11 – Code of Ethics**

SMC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SMC must acknowledge the terms of the Code of Ethics annually, or as amended.

SMC's employees and persons associated with SMC are required to follow SMC's Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SMC will not interfere with (i) making decisions in the best interest of advisory clients, and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of SMC's clients. In addition, the Code requires pre-clearance of certain transactions, and restricts trading in close proximity to client trading activity. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest

between SMC and its clients.

SMC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Leslie Shaw at [leslie.shaw@sunmountaincapital.com](mailto:leslie.shaw@sunmountaincapital.com).

## **Item 12 – Brokerage Practices**

As the Funds invest in private securities whose purchase or sale does not require brokerage services, SMC is generally not in the business of selecting or recommending brokerages or broker-dealers to clients. However, in the case of temporary investments or securities of portfolio companies that go public or are acquired by publicly traded entities, SMC would be in the position of selecting brokerages on behalf of clients. In such circumstances, SMC would likely consider those brokerages that make a market in the security, among other factors.

## **Item 13 – Review of Accounts**

SMC issues written quarterly and annual reports to its clients. The content of these reports is customized to the needs of the client and memorialized in the contract with the client.

## **Item 14 – Client Referrals and Other Compensation**

SMC does not currently compensate any person, directly or indirectly, for client referrals, but has done so in the past, and may do so in the future. However, presently, there are no plans to do so.

## **Item 15 – Custody**

The Funds have custody of cash pending investment or distribution. These funds are held in bank accounts at national banks. Stock certificates evidencing investments made by the Funds are held on behalf of the Funds by SMC.

## **Item 16 – Investment Discretion**

SMC has discretionary authority from the Funds to select the identity and amount of securities to be bought or sold. In all cases, however, discretion is exercised in a manner consistent with the stated investment objectives for the Funds. When selecting securities and determining amounts, SMC observes the investment policies, limitations and restrictions contained in the Fund's documentation.

## **Item 17 – Voting Client Securities**

The Funds own the securities acquired by SMC. As the investment adviser to the Funds, SMC votes the securities on all corporate issues using its best judgment and observing its fiduciary duty to the Funds.

## **Item 18 – Financial Information**

SMC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds.

Brian Birk

Sun Mountain Capital

301 Griffin Street  
Santa Fe, NM 87501

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March 27, 2015

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**Additional information about Brian Birk is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2- Educational Background and Business Experience**

Mr. Birk was born in 1959. He received a master's degree in business administration from Northwestern University's Kellogg School of Management and Bachelor of Science degree in Economics from Carlton College.

Brian Birk has over 20 years experience as an operating executive and investor. Mr. Birk was a founder or senior executive at several high profile start-ups, including MetaWeb (acquired by Google), Applied Minds and BiosGroup. In addition, Mr. Birk has held a senior manager position at the Boston Consulting Group and finance manager positions at General Electric and GE Capital. Mr. Birk co-founded Sun Mountain Capital in 2006. Prior to forming Sun Mountain Capital, Mr. Birk was a Vice President and Director of Private Equity at Fort Washington Capital Partners where he helped the firm establish and manage a number of private equity direct investment funds, secondary investment funds, and fund of funds programs.

**Item 3- Disciplinary Information**

There are no legal or disciplinary events that would be material to your evaluation of Brian Birk.

**Item 4- Other Business Activities**

Mr. Birk is not engaged in any other investment related business or occupation.

**Item 5- Additional Compensation**

Mr. Birk does not receive any compensation for investment related activities other than his duties at Sun Mountain Capital.

**Item 6 - Supervision**

As a managing member of Sun Mountain Capital, Mr. Birk is supervised by the other managing members of Sun Mountain Capital.

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Sally Corning  
Sun Mountain Capital

301 Griffin Street  
Santa Fe, NM 87501

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March 27, 2015

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**Additional information about Sally Corning is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2- Educational Background and Business Experience**

Ms. Corning was born in 1960. She received a master's degree in finance from Columbia University Graduate School of Business and a Bachelor of Science in Business Administration degree in finance from Georgetown University.

Sally Corning has over 20 years experience evaluating investment opportunities, conducting due diligence, structuring transactions and raising equity and debt capital in both the public and private markets. She has worked in investment banking at Dean Witter Reynolds, Morgan Stanley and Credit Suisse First Boston. Prior to forming Sun Mountain Capital in 2006, Ms. Corning worked for 13 years in Credit Suisse First Boston's Private Placement Group, where she led the evaluation of numerous companies and fund sponsors and structured, marketed and executed over 40 private transactions.

**Item 3- Disciplinary Information**

There are no legal or disciplinary events that would be material to your evaluation of Sally Corning.

#### **Item 4- Other Business Activities**

Ms. Corning is not engaged in any other investment related business or occupation other than serving as a Trustee of the Thornburg Investment Trust, which position and the Trust's business are unrelated to Sun Mountain Capital's business.

#### **Item 5- Additional Compensation**

Ms. Corning does not receive any compensation for investment related activities other than her duties at Sun Mountain Capital and as a Trustee of the Thornburg Investment Trust.

#### **Item 6 - Supervision**

As a managing member of Sun Mountain Capital, Ms. Corning is supervised by the other managing members of Sun Mountain Capital.

Mark Hollis

Sun Mountain Capital

301 Griffin Street

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**Additional information about Mark Hollis is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2- Educational Background and Business Experience**

Mr. Hollis was born in 1980. He has received a Bachelor of Commerce, with First Class Honours from the University of Adelaide, in Australia.

From July 2007 until May 2011, Mr. Hollis was an investment banker in the leveraged finance team in Merrill Lynch & Co's and, upon being acquired by Bank of America, Bank of America's, New York City offices. Mr. Hollis' role immediately prior to his time in New York City, was as an investment banker in Merrill Lynch & Co.'s office in Sydney, Australia.

**Item 3- Disciplinary Information**

There are no legal or disciplinary events that would be material to your evaluation of Mark Hollis.

**Item 4- Other Business Activities**

Mr. Hollis is not engaged in any investment-related businesses other than Sun Mountain Capital.



**Item 5- Additional Compensation**

Mr. Hollis does not receive any compensation for investment advisory related activities other than his duties at Sun Mountain Capital.

**Item 6 - Supervision**

Mr. Hollis is supervised by the managing members of Sun Mountain Capital.

Lee Rand

Sun Mountain Capital

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**Additional information about Lee Rand is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2- Educational Background and Business Experience**

Mr. Rand was born in 1973. He received a master's degree in business administration from Harvard University and a dual Bachelor of Arts degree in Computer Science and Mathematics from Cornell University.

Lee Rand has over 16 years experience starting and managing technology businesses at both startups and large corporations. Prior to joining Sun Mountain in 2009, Mr. Rand founded Knogee, a semantic search company, ran business development for Intel's consumer electronics group, launched and managed the product marketing and standards team for Intel's blade based server initiatives, and led product management at semiconductor start-up Netboost, which was acquired by Intel in 1999. Mr. Rand also has extensive business consulting experience having worked at Ernst and Young early in his career and more recently as an independent consultant brought in by investors and the board to work with start-ups on strategy and operations.

**Item 3- Disciplinary Information**

There are no legal or disciplinary events that would be material to your evaluation of Lee Rand.

**Item 4- Other Business Activities**

Mr. Rand is not engaged in any other investment related business or occupation.

**Item 5- Additional Compensation**

Mr. Rand does not receive any compensation for investment related activities other than his duties at Sun Mountain Capital.

**Item 6 - Supervision**

As a managing member of Sun Mountain Capital, Mr. Rand is supervised by the other managing members of Sun Mountain Capital.