

# FORM ADV, PART 2A

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## FIRM BROCHURE

October 30, 2019

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Gapstow

CAPITAL PARTNERS

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This brochure provides information about the qualifications and business practices of Gapstow Capital Partners, L.P. ("Gapstow" or "the Firm"). Additional information about Gapstow also is available on the United States Securities and Exchange Commission's (the "SEC") website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). If you have any questions about the contents of this brochure, please contact us at 1-646-735-3455.

Gapstow is a registered investment adviser with the U.S. Securities and Exchange Commission. Registration of an investment adviser does not imply that the firm or any of its principals or employees possesses a particular level of skill or training in investment advisory or any other line of business. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

## ITEM 2: MATERIAL CHANGES

Gapstow Capital Partners was registered with the Securities and Exchange Commission on June 22, 2011. Since the filing of its last Form ADV on March 30, 2018, the firm has changed the auditor of three of its managed funds from KPMG LLP to CohnReznick LLP, effective October 21, 2019.

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## ITEM 4: ADVISORY BUSINESS

### Description of the Firm

Gapstow Capital Partners LP (“Gapstow”) is a limited partnership organized under the laws of New York in December 2010. In January 2011, Gapstow was assigned all of the investment management duties of Christopher J. Acito & Associates LLC, which had been advising pooled private investment vehicles since June 2009. In January 2011, Christopher J. Acito & Associates, LLC became the General Partner to Gapstow. Christopher J. Acito is the 100% owner of the General Partner and sole limited partner of Gapstow.

As of June 30, 2019, Gapstow manages approximately US\$135,946,107 of regulatory assets for eight funds (both “master” and “feeder” investment vehicles), on a discretionary basis.

### Description of Advisory Services

Gapstow provides investment advisory services to pooled private investment vehicles (“the Funds”) that are offered to investors on a private placement basis. These Funds include offshore funds generally organized as Cayman corporations or limited partnerships and domestic funds generally organized as Delaware limited partnerships.

Gapstow has full discretion in all investment decisions made on behalf of the Funds. Gapstow Funds invest in a mix of private open-end and closed-end investment vehicles or third-party investment adviser-managed accounts, affiliated vehicles managed by Gapstow and directly in public or private securities. A brief description of each master Fund’s investment objectives and strategy are summarized as follows.

Gapstow also provides limited duration business advisory services compensated through project-based fees.

#### CJA Public-Private Multi-Manager Fund Ltd (“PPMM”)

PPMM was formed in December 2009 primarily to invest in non-agency mortgage securities through private investment vehicles managed by third party investment managers participating in the U.S. Treasury’s Public-Private Investment Program (“PPIP”). After the PPIP program wound down in 2013, PPMM’s mandate expanded to include mortgage securities, such as, legacy and new-issue non-investment-grade RMBS and CMBS, non-securitized real estate debt (such as non-performing and re-performing loans), and other forms of structured credit.

#### CJA Private Equity Financial Restructuring Fund I Ltd (“PEFR”)

PEFR was formed in July 2010 to capture the investment opportunities that Gapstow believed were created in the financial services industry in the aftermath of the economic crisis of 2008-2009. PEFR focused on two fundamental investment themes: (1) Recapitalization of the financial services industry and (2) Asset purchases from financial institutions looking to de-lever their balance sheets.

#### Gapstow Real Estate Yield Fund Ltd (“GREY”)

GREY was formed in July 2011 with an investment objective to provide investors with a consistent quarterly cash distribution while preserving capital. GREY sought to achieve this objective by investing in yield-oriented securities, such as, agency and performing and non-performing residential mortgages, performing and non-performing commercial mortgages, mezzanine real estate finance, and whole loans such as mortgage notes or other debt instruments, as well as securitized forms of real estate debt, such as RMBS and CMBS.

#### Gapstow Structured Credit Fund Ltd (“SCF”)

SCF was formed in October 2013 to invest in the mezzanine and subordinate tranches of collateralized loan obligations (“CLOs”).

## ITEM 5: FEES AND COMPENSATION

### Management Fees

Gapstow is compensated for its advisory services with a management fee equal to an annual percentage within the range of 0.25% to 1.5% of a Fund's assets under management or committed capital.

Gapstow is authorized under the governing documents to charge and deduct advisory fees and operational expenses directly from the Funds. Each Fund sets forth its specific fee and expense structure (including how and when fees and expenses are calculated, charged, and paid) in each offering memorandum. In accordance with the offering memorandum, the management or performance arrangements may be waived or reduced for any investor, principal, employee or related persons at the sole discretion of the directors or general partners of the Funds.

### Additional Fees and Expenses

The Funds' investors indirectly pay for certain fees and expenses borne by the Funds including, without limitation: administrator fees; legal, accounting, administrative expenses; third-party valuation services expenses; auditing, tax preparation and other professional expenses; directors and officers insurance and any other insurance costs incurred in connection with the business of the Funds or Gapstow's advisory services to the Funds; filing fees and expenses; custodial fees; cost of brokerage services and bank services fees; transaction fees incurred in connection with the Funds' investments, including, but not limited to commitment fees resulting from the Funds' line of credit facilities, hedging costs, or interest expense on any indebtedness and other borrowing charges; the costs of printing and distributing periodic and annual reports and statements; expenses in connection with the ongoing offering of the shares, including the cost of producing, updating and distributing offering memoranda; expenses paid to third-party vendors and professional consultants, including travel and the cost of producing and delivering offering materials; regulatory and compliance expenses directly related to the Funds (including the Funds' reasonable share of Gapstow's costs related to completing regulatory reporting obligations directly relating to the Funds); administration and operational expenses of separate accounts or any acquisition vehicles utilized by the Funds.

Operational expenses include the expenses of paying third party vendors who assist the Funds in the areas of internal accounting, administration, compliance, operations, operational due diligence, trade order management and risk management functions.

In addition, operational expenses may also include costs and expenses relating to locating, evaluating, consummating, and monitoring investment and potential investments (whether or not such investment is consummated), including legal, travel, research and research-related costs relating to specific or potential transactions, investments or asset types. Research-related costs may include publications, conferences and memberships related to making investments relevant to the Funds' strategies; and software, hardware, databases and other technical and telecommunications services and equipment used in the investment management process related to the Funds.

In connection with researching specific transactions, investments or asset types, Gapstow may engage third-party consultants, accountants, attorneys or other experts and services, and in connection therewith incur initial and ongoing specialized research, travel, due diligence and monitoring related expenses. Travel expenses may include, but are not limited to, premium air-fare and accommodations, in accordance with Gapstow's internal policies.

The Funds' investors will indirectly bear the expenses and fees charged by investment vehicles managed accounts or securities managed by third party managers or affiliated investment vehicles managed by Gapstow. These expenses vary, but typically include such items as management and performance fees, (except for vehicles managed by Gapstow) organizational costs, custody arrangements, fund-related research, administration, accounting, auditing, legal counsel, and other operational expenses.

## Other Compensation

Neither Gapstow nor any of its employees accepts additional compensation such as brokerage commissions or director fees for board of director services rendered to certain portfolio companies of the Funds. Any expense reimbursements related to board service will be credited to the relevant funds.

Gapstow may cause a Fund to invest all or a portion of its assets in another Gapstow managed investment vehicle or Fund. When this occurs, a Fund will not pay an additional layer of performance-based fees or management fees to Gapstow. Funds that invest in other Gapstow-managed investment vehicles or Funds will bear their share of the entity's organizational and operational expenses.

## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

### Performance-based Fees

In addition to management fees, certain Gapstow entities may be entitled to a performance allocation up to 15% of net capital appreciation, either annually or in line with a distribution waterfall.

The fact that Gapstow receives performance-based compensation may create an incentive for the Firm to make investments in the Funds that are more risky or more speculative than would be the case in the absence of such compensation. In addition, this performance-based compensation received is based on realized and unrealized gains and losses. As a result, the performance based fees or allocation earned could be based on unrealized gains that the Funds and its investors may never realize.

The structure and calculation of performance-based compensation varies for each of the Gapstow Funds. This fact may create an incentive for Gapstow to favor certain accounts. In the event investment opportunities are suitable for more than one Fund, Gapstow attempts to address this potential conflict of interest by maintaining trade allocation policies and procedures designed to ensure that the Funds are treated fairly. To the extent within its control, Gapstow will not favor itself over a Fund and will act in a manner it believes is fair and equitable to the Funds.

## ITEM 7: TYPES OF CLIENTS

Gapstow's investment advisory clients are the Funds listed in Item 3. Investment advice is provided to the Funds and not individually to the investors in the Funds. Gapstow may in the future serve as investment adviser to additional Funds or managed accounts other than those described herein. Gapstow also provides investment research and credit industry research to other investment advisers.

The Funds are offered to "accredited investors", as that term is defined under Regulation D of the Securities Act of 1933, and not the general public. Funds may also require that investors be "qualified purchasers", as that term is defined under the Investment Company Act of 1940. In addition, the prospective investors of each Fund must meet certain eligibility and minimum investment requirements, as set forth in each Fund's offering memorandum (along with any relevant supplements and subscription documents). Investors are required to make various representations, including those regarding their eligibility to invest in the Funds, as a condition of acceptance of their subscription or commitment.

Gapstow also has a dual relationship with Pawson Capital Management, LLC, an investment advisor based in Connecticut. Pawson acts as a sub-advisory to one of Gapstow's funds and Gapstow receives compensation for certain services it provides Pawson. Christopher J. Acito, Gapstow's CEO, is a member of the general partnership of one of the investment funds that Pawson advises.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENTS STRATEGIES AND RISK OF LOSS

### Methods of Analysis and Investment Strategies

Gapstow creates portfolios of investment vehicles and/or securities in accordance with each Fund's investment objectives.

Gapstow uses multiple methods to identify investment vehicles and securities appropriate for its Funds, the primary method of sourcing investment opportunities for the Funds is through Gapstow's professional and personal relationships, which include investors, consultants, prime brokers, service providers, and other industry contacts.

*Third Party-Managed Investment Vehicles.* Once a third party investment vehicle is identified as prospective investments, Gapstow uses quantitative and qualitative due diligence analyses to evaluate investment vehicles for inclusion in the Funds' portfolios:

- Quantitative factors may include an assessment of a third party investment manager's performance on both an absolute basis and relative to various benchmarks and peer groups.
- Qualitative factors may include a review and assessment of the skills of the investment manager's investment team and the quality of the manager's operational infrastructure. To develop these opinions, Gapstow performs due diligence by using methods, such as in-person meetings with the investment managers, background checks, service provider review, review of the investment vehicles offering materials and reference checks.

*Other Assets.* To date, the Funds' investments in securities have focused on private and public equity investments in smaller financial institutions, primarily U.S. community banks, and direct participations in the subordinated or mezzanine debt of CLOs. Certain Funds have also invested in the financing facility of a CLO before securitization (i.e. a CLO "warehouse"). Gapstow analyzes each potential security for investment by performing various analysis such as financial modeling, outside legal counsel review of the security's offering memoranda, business assessment, and interviews with the management team.

In the future, Gapstow may implement other processes of investment analysis or criteria and may modify existing practices.

### Material Risks

The following is a summary of some of the material risks associated with the investment strategies of the Funds. This summary does not attempt to describe all of the risks associated with investing in the Funds.

*Potential Loss of Investment.* Investment in securities, hedge funds, private equity and real estate entail a significant degree of risk and is suitable only for experienced and sophisticated investors. A potential investor should only invest if able to withstand a total loss of investment and if able to accept the limited liquidity of the investment. Return of capital and realization of gains may not occur for several years after the initial investment and may never occur at all. Redemptions and distributions are unpredictable and may occur earlier or later than expected or not at all.

*Failure to Achieve Investment Objectives.* Gapstow may not be able to achieve the investment objectives mandated by the Funds' offering memoranda. Nor is there any assurance that past results will be or can be duplicated.

*Full Discretion to the Advisor.* Because of the full discretionary authority granted to Gapstow in making investments, the Funds must rely solely on the judgment of Gapstow's personnel and the Funds' advisers' to identify and structure such investments appropriately. There can be no assurance that such judgment will be accurate, achieve profits or avoid losses.

*Market Risks.* Gapstow's Funds may be sensitive to economic and market risks, such as general downswings in the overall economy or in specific industries or geographies. Factors affecting economic conditions include, but are not limited to, inflation rates, interest rates, credit market uncertainty, capital market instability, currency devaluation, exchange rate fluctuations, industry conditions, competition, technological developments, domestic and worldwide political, military and diplomatic events and trends and innumerable other factors, none of which will be in Gapstow's or the Funds' control and all of which can substantially and adversely affect the Funds' prospects.

*Third Party Investment Manager Risk.* Although Gapstow will seek to select third party investment managers who act with the highest level of integrity, the investment selection process cannot ensure that selected managers will perform as desired. Gapstow has no control over the day-to-day operations of its selected managers and therefore may have limited insight into a manager engaging in unreported risks, investment style drift, or even regulatory breach or fraud. The investment vehicles may also be susceptible to operational risks, such as counterparty insolvency, service provider error, and settlement failures. Moreover, the third party investment managers may not be registered as investment advisers under the Investment Advisers Act of 1940. This lack of regulatory oversight may enhance the risk of misconduct or operational error of these investment managers.

*Limited Transferability.* A limited market exists for the sale of the Funds interests and the transferability of such interest is restricted; investors may never be able to transfer or sell their interests.

*Leverage.* Some of the Funds have the ability to use a line of credit facility for short-term financing. While leverage presents potential opportunities for increasing total return, it also has the effect of magnifying losses. In addition, the third investment vehicles held with the Funds' portfolios may employ high degrees of leverage on a short or long-term basis.

*Non-Controlling Investments.* The Funds may hold a non-controlling interest in portfolio companies or may co-invest with third parties through joint ventures and other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on investments, have economic or business interests or goals which are inconsistent with the Funds, or be in a position to take or block actions in a manner contrary to a Funds' investment objectives.

*Foreign Investments.* The Funds may make investments in multiple countries and currencies, which may give rise to risks of loss associated with currency exchange, local economic and political risks, and the risk of adverse changes to tax matters.

*Legal, Tax and other Regulatory Risks.* Legal, tax and regulatory changes, as well as judicial decisions, could adversely affect Gapstow, its affiliates or any of its Funds. Such changes may affect the value of the Funds' investments or the ability of the Funds to implement their strategies. The effects of any regulatory changes or developments on the Funds may substantially and adversely affect the manner in which the Funds are managed.

*Conflicts of Interest.* Gapstow is subject to various conflicts of interest as a result of its investment advisory services to more than one Fund. The existence of these conflicts may influence the independence and judgment of Gapstow. Gapstow seeks to mitigate these conflicts through various internal policies and procedures.

*Third Party Investment Valuation.* The Funds' investments in third party investment vehicles will generally be valued with statements provided by their respective investment manager or their administrators. For non-calendar year end reporting period, these valuations will be based on unaudited financial records and be subject to adjustment. Furthermore, there can be no assurance that the investment manager will follow the valuation policy depicted to Gapstow during its due diligence review of the investment manager's procedures.

## ITEM 9: DISCIPLINARY INFORMATION

Gapstow, its owner, employees or affiliated entities and persons have never been subject to any disciplinary action in any jurisdiction, whether criminal, civil, administrative or regulatory.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Registered Broker Dealer

None of Gapstow or its employees are registered as a broker-dealer or a registered representative of a broker-dealer.

### Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser

Gapstow is registered as a commodity pool operator with the Commodity Futures Trading Commission (CFTC) and is a member of the National Futures Association, but has filed an exemption notice with respect to the Funds under CFTC Rule 4.7.



## Affiliations

Gapstow and its employees do not have relationships or arrangements with other financial service companies that pose material conflicts of interest. Certain employees may hold advisory board or corporate board seats related to the Funds' third party investment vehicles or portfolio companies; such individuals do not receive direct compensation for this service, but may have been required by regulation to purchase equity shares in order to hold such board seats.

Gapstow is affiliated with entities that serve as the general partner of the Funds. Christopher Acito is the sole owner, Chief Executive Officer and Chief Investment Officer of Gapstow. He is also the managing member of each Funds' general partnership and a member of the board of directors of each "feeder" Fund. For all Funds except one, Mr. Acito is the sole member of the Funds board of directors.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

### Code of Ethics

Gapstow's Code of Ethics is designed to comply with the requirements under the Investment Advisers Act of 1940, Rule 204A-1. Among other things, the Code of Ethics (i) requires that employees comply with federal securities laws, (ii) requires that employees submit to Gapstow's Chief Compliance Officer reports containing their personal securities holdings and transactions in reportable securities, (iii) prohibits employees from trading securities on the firm's "Watch List" for their personal accounts, (iv) requires employees to obtain pre-approval of certain personal investments and (v) contains policies and procedures designed to prevent the misuse of material, non-public information. Generally, employees are subject to multiple restrictions in connection with personal securities trading and private fund investing. Should a situation arise where an employee wishes to transact in the same securities recommended to clients, the Chief Compliance Officer will examine the transaction and determine if there is a risk of a conflict with adverse consequences to the Funds.

Annually, employees of the firm are required to certify their compliance with the Code of Ethics. A copy of Gapstow's Code of Ethics is available to investors or prospective investors upon request.

### Participation in Client Transactions and Personal Trading

Gapstow, its employees, affiliates or related persons may have financial interest either directly or indirectly in any one, some or all of the Funds, causing a potential conflict in that they could cause the Funds to make different investment decisions had they not had such financial ownership interests.

Additionally, Gapstow, its employees, affiliates or related persons may have conflicts of interest in allocating their time and activities and in allocating investments among the Funds, and in effecting transactions between the Funds, including those where Gapstow, its principals and employees may have a greater financial interest. Gapstow may give advice to or take action for one Fund that differs from other Funds.

Gapstow or an affiliate may engage in principal transactions with the Funds, but this has not occurred to date. Gapstow must determine that the principal transaction is in the best interest of the participating Fund. Gapstow will conduct all principal transactions according to the disclosure and client consent requirements of the Advisers Act.

Gapstow also may cause a transaction to be effected between and the Funds or any of its affiliates, i.e. a "cross trade." Cross trades will be conducted in accordance with Gapstow's fiduciary responsibility to each participating Fund.

## ITEM 12: BROKERAGE PRACTICES

The Funds will occasionally utilize broker-dealers to participate in the initial offering of a CLO or to purchase equity securities in a private placement transaction. In these instances, the Funds will not pay a commission to the broker-dealer to participate in the transaction.

The Funds may be issued securities in-kind from an underlying investment vehicle or choose to transact in a security in the secondary market. In these instances, the Funds may engage a broker-dealer to transact in these positions and pay a commission.

When selecting broker-dealers to effect portfolio transactions, Gapstow will consider the financial stability, reputation, execution capabilities and reasonableness of commissions charged for the value of the brokerage services provided. Gapstow currently has no soft dollar arrangements in place with any broker-dealers.

## ITEM 13: REVIEW OF ACCOUNTS

### Portfolio Management

Gapstow's Investment Committee makes investment decisions for the Funds. The Investment Committee is responsible for (i) sourcing and evaluating an investment's merits and risks of the Funds' investments; (ii) assessing the macro-economic environment; (iii) developing overall investment themes; and, (iv) monitoring the performance and risk of each portfolio, both on a formal and informal basis. The Investment Committee meets weekly and constructs portfolios consistent with each Fund's investment objectives and constraints.

### Reporting

Gapstow actively manages the Funds valuation and reporting error risks through its Valuation Committee.

Investors in the Funds receive periodic written unaudited reports, which include market commentary, Fund performance information, portfolio allocations and ending account balances, although Gapstow may provide certain investors with information on a more frequent basis. The Funds' administrator sends investors a monthly or quarterly statement showing their ending net asset value or capital balance. In addition, each Fund issues audited financial statements to investors within 180 days of its fiscal year end.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Gapstow and the Funds it advises have entered into agreements with independent marketing agents in the past and they each may do so in the future. Any compensation or costs associated with these relationships will ultimately be payable by Gapstow or its affiliates, either directly or through an offset of the management fees or performance fees paid by the investors in the Funds. Fund investors will not pay any additional fees to Gapstow or any agent as a result of these arrangements. Any such agreements will comply with Rule 206(4)-3 of the Advisors Act.

## ITEM 15: CUSTODY

Under the "custody rule" within the Advisers Act, Gapstow is deemed to have custody of the assets and securities of its Funds, even though Gapstow does not physically hold the assets and securities, and such assets and securities are not registered in Gapstow's name. Gapstow is exempt from certain provisions of the rule because the Funds are audited in accordance with U.S. generally accepted accounting principles by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The Funds audited financial statements are distributed to investors in accordance with the requirements of the rule.

## ITEM 16: INVESTMENT DISCRETION

Gapstow has full discretionary authority over the Funds pursuant to an investment management agreement with each Fund. These agreements allow Gapstow to enter into transactions, appoint service providers, manage the portfolio and make other operational and administrative decisions on behalf of the Funds without obtaining investor permission to do so.

## ITEM 17: VOTING CLIENT SECURITIES

Gapstow accepts the authority to vote securities held by a Gapstow Fund and has adopted policies and procedures that are designed to ensure that Gapstow complies with the requirements of Rule 206(4)-6 and Rule 204-1(c)(2) under the Adviser's Act. Should Gapstow have an obligation to make a proxy vote, Gapstow will vote proxies in the best interests of the Funds.

The procedures require Gapstow to identify and address conflicts of interest between Gapstow, its related parties and the Funds. If a material conflict of interest exists, Gapstow will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interests of the Funds or whether taking some other action may be more appropriate.

Generally, Gapstow will vote in favor of routine corporate housekeeping proposals where no corporate governance issues are implicated, including the election of directors. For other proposals, Gapstow, via its Investment Committee, will make a best efforts attempt to determine whether a proposal is in the best interests of the Funds.

Clients may request a copy of the Firm's proxy voting policies and procedures and information about how the Funds securities were voted by contacting Gapstow's Chief Compliance Officer.

#### **ITEM 18: FINANCIAL INFORMATION**

Gapstow is not aware of any financial condition reasonably likely to impair its ability to meet contractual and fiduciary commitments to the Funds. Neither Gapstow nor any of its related entities has ever filed for bankruptcy.