



# Form ADV Part 2A Disclosure Brochure

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March 31, 2019

**ACM MANAGEMENT COMPANY, LLC**  
1331 NW Lovejoy Street  
Portland, Oregon 97209  
(971) 420-0260

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

This brochure provides information about the qualifications and business practices of ACM Management Company, LLC. If you have any questions about the contents of this brochure, please contact us at (971) 420-0888 or at [belfiore@agriculturecapital.com](mailto:belfiore@agriculturecapital.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.

Additional information about ACM Management Company, LLC is available on the SEC's website at <http://www.adviserinfo.sec.gov>. You can search this site by a unique identifying number, known as a CDR number. The CRD number for ACM Management Company, LLC is 283037.

## ITEM 2. MATERIAL CHANGES

This brochure is being updated to provide you with a summary of material changes that were made since it was last updated on March 31, 2018. Specifically, since that date:

- Our net assets under management increased from \$424,500,000 as of December 31, 2017, to \$580,400,000 as of December 31, 2018.

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## ITEM 4. ADVISORY BUSINESS

ACM Management Company, LLC (referred to as “AC” or “firm” or “we”) was organized as a Delaware limited liability company in November 2015. We are owned by Equilibrium Capital Group, LLC, Thomas Avinelis, Robert Hurlbut, and Brooke Randall.

We are a SEC-registered investment adviser<sup>1</sup> with its principal place of business in Portland, Oregon. AC exclusively manages private investment vehicles that rely on Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940 (collectively referred to herein as “our clients”, “our Funds” or “the Funds”) and whose securities are not registered under the Securities Act of 1933, as amended. We provide no other investment advisory services.

Our discussion of the Funds in this brochure is required by the SEC. Nothing in this brochure is, or should be construed as, an offer or solicitation to invest in any of our Funds. All offers to invest are made only by delivery of a private placement memorandum for the particular investment to a specific prospective investor who is believed to be eligible or suitable to invest in the Fund.

As of December 31, 2018, AC had approximately \$580,400,000 in assets under management in the two pooled investment vehicles we advise. For purposes of this Form ADV Part 2A, assets under management are reported based on the net asset value of the Funds on December 31, 2018. We manage all the assets of the Funds on a discretionary basis. We do not currently manage any separate accounts for third parties.

## ITEM 5. FEES AND COMPENSATION

### ***Management Fees***

AC receives management fees for management of the Funds. AC may also receive performance-based fees. Management fees are typically 1.75% of either capital commitments or the cost basis of the assets. We deduct our fees from the assets of the applicable Fund on a quarterly basis in accordance with the Fund's governing documents. We may reduce or waive our management fee at our discretion.

If we were to terminate our management of one of our Funds that pays us a management fees in advance, we would refund to that Fund a pro rata portion of any prepaid management fees, based on the number of days between the termination and the end of the prepaid quarter.

### ***Transaction-Based Fees***

AC and its affiliates do not receive any transaction-based compensation for its services. Further, we do not sell any other products and do not hold ourselves out as advisers to prospective investors in our Funds. Accordingly, AC and its affiliates advise prospective Fund investors to discuss any proposed investment with their own advisers to ensure that the investment is suitable and is an appropriate addition to their other investments.

### ***Fees and Expenses Payable to Third Parties***

Our Funds pay expenses to unaffiliated third parties in addition to the fees we and our affiliated companies receive as discussed above. For example, our Funds pay fees and expenses to third parties, such as real estate brokerage commissions, transaction costs, audit fees, and fund administration fees. The Funds may also pay third parties other fees and expenses incurred in connection with certain portfolio transactions, such as for legal and accounting services. This is further outlined in each Fund's governing documents.

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<sup>1</sup> AC's registration with the SEC does not imply any level of skill or training by our firm or employees or that the SEC has endorsed our respective qualifications to provide investment advisory services

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

As outlined in a certain Fund's governing documents, AC and its affiliates may collect performance-based fees. A performance-based fee is an advisory fee based on a percentage of capital gains on the Fund's investments.

The calculation of performance-based fees currently is equal to no more than 15% of cash paid to investors after the investors of the Funds have received their return of capital and stated preferred return. All performance fees are pursuant to each Fund's governing documents which the investor receives prior to their subscription.

See Item 10 for information on side-by-side management and the potential conflicts that arise related to performance-based compensation.

## ITEM 7. TYPES OF CLIENTS

### ***Types of Clients***

Our only clients are our Funds, as discussed in Item 4 above. Investors in our Funds are accredited investors under Regulation D under the Securities Act of 1933, as amended.

### ***Fund Investor Limitations***

We limit the number and types of investors permitted to invest in our Funds. Our Funds offer their securities only in private placement transactions. Our Funds qualify for exemptions under the Investment Company Act of 1940 and the securities issued by our Funds qualify for exemptions under the Securities Act of 1933 and the Securities Exchange Act of 1934 and rely on Rule 506 under Regulation D.

### ***Minimum Investment Requirements***

We generally do not impose a minimum asset size on our Funds before they commence business. However, we may require a minimum investment by investors in our Funds, as specified in each Fund's governing documents. We reserve the right, in our discretion, to reduce the minimum investment requirement for any investor.

### ***Restrictions on Investment Withdrawals from Our Funds***

We impose substantial restrictions on investor withdrawals from our Funds, as described in the applicable Fund's governing documents. If we grant a waiver, we may require the withdrawing investor to pay any transaction and other costs that are incurred as a result of the early withdrawal. We may waive certain notice requirements in our sole discretion.

### ***Side Letters***

We allow investor side letters in our Funds.

## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

We manage each of our Funds in accordance with the investment objectives and guidelines specified in its governing documents. There can be no guarantee that any of our Funds will achieve their investment objectives.

### ***Our Principal Investment Strategies***

Our Funds invest in portfolio companies that grow, pack and market permanent crops, including citrus, table grapes, blueberries and tree nuts. Collectively, these businesses build consumer driven, vertically integrated, appropriately scaled and regenerative enterprises that support the communities in which they operate. Currently, the Funds have direct investments in the United States and Australia.

### ***Methods of Analysis and Strategies Used in Formulating Investment Advice.***

Through its owner- operator model, AC employs a value-added approach when selecting investments. Scale and talent are routinely leveraged across a Fund to drive operating efficiencies and increase a portfolio company's access to domestic and international markets.

AC is also organized around delivering a positive impact on the environment and the communities in which we work. Our commitment to land stewardship and sustainability is central to how we drive the Fund's success. Implemented correctly and at scale, regenerative farming and food processing can create multiple layers of value and help to avert risk. For example, the use of technology can minimize input use such as water and spray material. The use of cover cropping can enrich the soil. And the development of native pollinator habitat can support healthy ecosystems. All these strategies, in addition to many others used by AC, have a positive correlation to crop performance and lower operating costs while also improving the health of the land.

Because our firm invests in real assets, traditional securities analysis is not possible when formulating investment recommendations. Instead, we rely on a robust due diligence process of prospective portfolio companies in determining which to invest in on behalf of our clients.

Our due diligence investigation includes a 7 step process including (1) collecting basic information about the asset (size, location, crop type); (2) initial evaluation of assumptions around business strategies, crop performance and market opportunities; (3) letter of intent summarizing the proposed valuation and transaction structure based upon our refined analysis of the opportunities and risks of the investment; (4) purchase and sale agreement containing key negotiated terms; (5) due diligence, including review of prospective seller financial and operational statements, vendor and customer lists, existing contracts, and real estate and personal property title information; (6) investment committee approval, including presentation of a final investment summary and financial model and (7) post close, at which point the investment is transitioned to the operations team.

Our due diligence process ensures that each deal team benefits from the experience of our senior management and from additional AC colleagues who have devoted substantial portions of their careers to the business activity in which the prospective investment is engaged. In addition, AC has built a network of professionals and consultants with expertise in the real assets sector, who work in tandem with AC to advise on certain strategies from time to time.

### ***Risks of Long-Term Investing in Agricultural Assets.***

AC believes that risk management is critical to generating dependable long-term financial returns in permanent crop investing. To manage assets to better avoid, reduce and mitigate key risks, AC analyzes risk in four broad categories: access to water, environmental factors, markets, and food safety.

*Access to water:* Water prices in the western U.S. and Australia have increased significantly in recent history, and

much of the Funds' current geography routinely experiences drought like conditions. AC has invested considerable human capital into understanding water availability, the regulatory environment and access to water in our focus geographies. That said, the pace of climate change and its impact on the availability on water is simply not well understood and therefore, our steps to mitigate this risk may be ineffective.

*Environmental Factors:* Environmental factors include weather risk, which can be mitigated through geographic and crop diversification, crop insurance, and weather prediction and prevention technology. Other environmental factors include pest and disease risk which can be mitigated through integrated pest management systems including the introduction of beneficial species as well as spray applications. Labor availability is also vital to each successful harvest and relies upon AC's relationships with top labor contractors (seasonal worker providers) in the Fund's intended areas of operation as well as programs to foster full time employment and greater reliance on mechanization. That said, there can be no assurance that our methods for mitigating these risks will work.

*Markets:* Market risk deals with the potential for changing demand of the Funds' products and increased supply from the Funds' own operations and other agricultural operators that compete with us. In general, our Funds are owner-operators, which means they (and their investors) take operating risk and are exposed to those markets. Market risk can be managed through direct relationships with large food retailers and retail marketing programs, development and diversification of domestic and international market channels, investment in consumer-focused brands and the use of multiple sales avenues (fresh, frozen, freeze-dried and juice). That said, market risk is susceptible to factors beyond our control such as weather and geo-political policies and our efforts to reduce market risk may be ineffective.

*Food Safety:* Increasingly, AC believes that an effective food safety program is a required feature of the Funds' success, including a rigorous certification compliance, the use of Global Food Safety Initiative (GFSI) benchmarks and product traceability. Despite these mitigating standards, the Fund's quality control procedures could prove to be insufficient.

#### **Other Risks**

*Liquidity risk:* Our clients acquire interests in real assets and other agribusiness, which do not trade on a recognized market, but trade through private transactions. Timely liquidity is not assured. Any sale of such assets will typically take some time to complete. The investment, its competitors or its industry may behave in ways which were not, and in some cases could not, have been predicted, leading to significant losses and a lack of any attractive exit option.

In addition, as neither we nor our clients necessarily control the management of all portfolio assets, the management of these investments may act in ways which are contrary to our plans for their growth or profitability.

In general, financial returns on real asset investments are not guaranteed and you may lose money on your investments. Our Funds, and their investors or prospective investors, should carefully review the detailed explanation of the many risks associated with the Funds as provided in the appropriate offering memorandum.

#### **ITEM 9. DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither our firm nor our affiliated asset managers have reportable disciplinary events to disclose.

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

AC is the sponsor and manager of private investment vehicles. We also have the following affiliations.

### ***Other Financial Industry Affiliations under common ownership and control:***

- Equilibrium Capital Group, LLC; an investment firm that builds proprietary real asset strategies and products for institutional investors.
- Equilibrium Capital Services, LLC, a registered broker dealer, and past placement agent for the Funds.
- Equilibrium Capital Investment Management, LLC a registered investment adviser, a fund adviser.
- Equilibrium Capital Group Europe Limited, a foreign broker (UK)

### ***Other Owned Affiliates:***

AC owns 100% of the following affiliates:

- ACM Human Resources, LLC, an asset manager of agricultural businesses owned by the Funds.
- ACMA, Inc., a professional employer organization.
- Agriculture Capital Management Australia Pty Ltd, a professional employer organization.

### ***Private Fund and General Partner Affiliations:***

- AC is the manager of Agriculture Capital Management, LLC who is the General Partner of ACM Permanent Crops, LLC. AC owns 7.0% of the participating units of Agriculture Capital Management, LLC.
- AC is the manager of ACM Fund II GP, LLC who is the General Partner for ACM Fund II, LLC. AC owns 8.5% of the interests of ACM Fund II GP, LLC.

### ***Conflicts of Interest***

AC devotes a significant portion of its efforts to the Funds. We may also spend time in the development of new funds. As a result, we have noted a variety of conflicts that can arise in the course of managing our funds.

**Governance.** Each Fund has an Investment Committee and an Advisory Committee, both of which are charged with, and provide counsel to AC around, potential conflicts and compliance with the operating agreements of the Funds.

Investment Committee – The Investment Committee is appointed by the AC. All investments purchased and sold by our Funds, including any potential transactions with affiliated companies, are approved by the Investment Committee. Currently, the Investment Committee for both Funds consists of:

- Thomas Avinelis
- Robert Hurlbut
- Jay Pierrepont

Advisory Committee - The Advisory Committee is comprised of investors unaffiliated with AC or the General Partner. The Advisory Committee opines directly on potential conflicts between investment vehicles or exceptions to the guidelines in the operating agreement, as well as certain changes in the members of the Investment Committee and the General Partner.



### *Potential Conflicts.*

**Investment Allocation** - The Funds' are private investment vehicles with similar investment strategies. Each Fund has an Investment Committee, responsible for approving investments made by the Fund. As a result, AC and the members of these committees may face conflicts of interest in allocating investment opportunities among these affiliated investment vehicles.

**Performance-based compensation** - Our receipt of performance-based compensation presents a potential conflict of interest. Because both of our Funds pay performance-based compensation in the form of carried interest, we do not have an incentive to favor performance-based fee accounts over non-performance-based fee accounts. However, we could potentially be incentivized to favor a Fund paying higher aggregate performance-based compensation than one paying less, or a Fund in which officers and employees of the firm and General Partner may have more of their personal assets invested.

**Intra-fund commerce** - Because our Funds have similar investment strategies, portfolio companies owned by different funds often engage in routine commercial transactions. For example, a farming enterprise owned by one fund may have their fruit packed at packing enterprise owned by another fund. A conflict could arise if the terms of the transactions favored one portfolio company over the other. A conflict could also arise if competing business activities exist between Funds and both Funds are managed by the same asset manager.

**Asset management services** - Certain portfolio companies are operated by ACM Human Resources, LLC, a wholly owned affiliate of AC. A conflict could exist if ACM Human Resources were to unfairly profit from the services provided.

**Co-investment** - AC or a Funds' General Partner may make co- investment opportunities available to the investors in the Funds, and their affiliates, as appropriate and in the best interest of the client. Allocation of such opportunities creates a potential conflict of interest among the investors, as they are, by nature, limited and participation is not possible for all or even most investors in the Funds. As such, AC must determine which investors will be given the opportunity to co-invest while taking into consideration the Funds' stated policies or negotiated agreements with investors.

We take the following steps to address and mitigate these conflicts:

1. We manage this risk by only allowing qualified investors in the Funds that also understand our business strategies and the vertical (and sometimes competing) nature of our business.
2. We typically expect to have substantially (though not necessarily entirely) completed the investment phase for one fund before the close of a subsequent fund with similar investment goals and objectives. Also, earlier vintage funds with undeployed capital have priority over later funds.
3. Conflicts that pertain to an investment by a Fund are documented as part of the investment due diligence process
4. We will periodically compare holdings and performance of Funds with similar strategies, both for our own performance review and to detect any significant performance disparities indicative of possible favorable treatment.
5. With respect to intra Fund transactions or commerce, AC has adopted a methodology as to when such conflicts require the consent and approval of the applicable Fund's Advisory Committee.
6. All conflicts are logged and disclosed to the Advisory committee annually.
7. We educate the AC team on the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.

8. ACM Human Resources, LLC makes no profit on the asset management services provided to portfolio companies owned by the Funds. Their services are bill at cost.
9. With respect to Funds managed in parallel and those other limited situations where an “add-on” or other investment may be appropriate for more than one of the currently-investing Funds, we will follow the Fund's capital allocation as a means of allocating co-investment or parallel opportunities (if any arise) among the Fund's investing members.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our firm has adopted a Code of Ethics (the "Code") which sets forth high ethical standards of business conduct that we require of our directors, officers and employees and those directors, officers and employees of our affiliated companies (collectively, "Associated Persons"), including compliance with applicable federal securities laws. The Code also provides rules for personal securities transactions of our Associated Persons. We and our Associated Persons owe a duty of loyalty, fairness and good faith to our Funds and the investors in the Funds. We and our Associated Persons must adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code covers a range of topics that include 1) general ethical principles, 2) internal controls to identify and address conflicts of interest, 3) limitations on, or preapproval requirements for, outside business activities, 4) reporting requirements for personal securities trading, 5) restrictions on purchasing securities in certain types of transactions, and 6) requirements for reporting ethical violations, distributing the Code, and reviewing and enforcing the Code. Personal trading restrictions and preclearance requirements, as well as securities reporting requirements, apply to our Access Persons (our management personnel and others who have access to nonpublic investment recommendations or decisions). In addition, Access Persons obtain prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering.

No Access Person may buy a security from, or sell a security to, an affiliated company without prior approval of the CCO. We are not precluded from causing an affiliated company to buy or sell a security owned by a Fund in which an Access Person is interested if the applicable Investment Committee approves the transaction and reports the conflict to the Advisory Committee.

It is the express policy of AC that no person employed by AC may usurp an investment opportunity which may be appropriate for one or more of our clients without first presenting the opportunity to that client, or where appropriate to more than one, particularly when there is limited availability for participation in the opportunity.

As these situations represent a conflict of interest, we have established the following restrictions in order to ensure its fiduciary responsibilities:

1. No officer or employee of AC may prefer his or her own interest to that of an advisory client
2. All supervised persons must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
3. Any individual not in observance of the above may be subject to disciplinary action up to and including termination.

The Investment Advisers Act of 1940 makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, to knowingly sell any asset to, or purchase any asset from, a client without disclosing to the client in writing the capacity in which the adviser is acting and obtaining the client's consent to the transaction. This rule may apply to certain transactions involving investments in which Associated Persons have interests, called principal trades.

Without obtaining the consent of the applicable Advisory Committee established for each Fund, neither AC nor any other affiliated person shall engage in a principal trade with any client that is purchase from, or sale of securities to,

a Fund from a proprietary or personal account other than through side-by-side investments as provided for in the respective operating agreement.

A copy of the Code may be obtained by contacting the Chief Compliance Officer at (971) 420-0888 or the address specified on page 1 of this brochure.

## **ITEM 12. BROKERAGE PRACTICES**

AC is responsible for all parts of the investment cycle including deal sourcing and origination, investment decision-making, deal negotiation and transaction structuring, portfolio management (the act of overseeing the investments that we have made) and exit strategies. AC will typically make direct investments on behalf of the clients in agricultural businesses, typically held in special purpose vehicles. Rarely, if ever, will a Fund acquire securities of publicly traded companies.

Each direct investment is carefully structured through negotiations by persons reporting to members of the applicable client's manager, and by others designated by AC, as well as various professionals engaged by the firm to facilitate a deal, as appropriate. These professionals may include bankers, attorneys, accountants, consultants, information technology and due diligence professionals, among others. AC will use the expertise of these professionals in evaluating each deal, including negotiating the most favorable pricing and other terms for the transaction under the circumstances. Transactions for the purchase or sale of assets made by AC for clients, therefore, are generally separately negotiated deals which may involve the participation of an investment bank or asset broker (hereinafter collectively "Broker"). AC does not engage AC's affiliated broker-dealer Equilibrium Capital Services, LLC, in the purchase or sale of investments on behalf of the Funds.

The initial factor considered by AC in determining whether to work through a Broker in a transaction on behalf of a Fund is whether the Fund seeks to acquire assets or exit a position. If a Broker is involved in a Fund transaction involving an acquisition or other new investment, it is typically because the seller has engaged the Broker to advise them in the deal.

When selling a Fund asset, in order to obtain the best possible selling price, and depending on the particular circumstances of the proposed deal, AC may engage a Broker to assist in the sale if AC determines that such third party has a broader reach than our firm alone and that engaging the third party will be in the best interests of the Fund.

If, consistent with our goal of seeking best execution, AC determines that it will engage a Broker to assist with the structuring of a transaction, such Broker will be selected based on the following, as applicable:

- expertise in the particular market and asset type;
- market reach and liquidity
- history of similar transactions;
- the fees and other cost associated with its services;
- its reputation;
- our past experience with the firm, including any past deal flow or ideas provided, if any;
- our anticipation of future deal flow, if any;
- willingness and ability to commit capital to complete the deal, if necessary; and
- responsiveness of staff.

It should be noted that the use of brokers by AC in the acquisition or sale of assets on behalf of a client has been infrequent.

AC does not have any formal or informal soft-dollar arrangements nor do we receive any soft-dollar benefits from any broker, dealer or other counterparty.

### **ITEM 13. REVIEW OF ACCOUNTS**

Portfolio investments made by our Funds are monitored by members and attendees of an Investment Committee. Investment Committees meet regularly to review investment opportunities, portfolio performance, asset allocation, portfolio diversification, and valuations. All investments purchased or sold by our Funds are approved by an Investment Committee.

For fulfillment of its responsibilities to clients, AC typically commit to supply (i) audited annual reports within 90 after the end of each fiscal year, (ii) quarterly reports with unaudited financial statements within 60 days after the end of each fiscal quarter, and (iii) annual tax information necessary to complete the investors' income tax returns. AC prepares these reports and is responsible for their dissemination to the investors in each Fund.

### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

We do not compensate others for developing new collective investment vehicles for us to manage or advise. However, we or our affiliated companies have entered into an arrangement with our broker/dealer affiliate Equilibrium Capital Services, to provide compensation for the referral of investors into the Funds. Compensation paid to our registered broker affiliate is based on the capital committed by the investor, or the value of the services provided.

AC does not compensate or allow its owners or employees to accept any form of compensation, including cash, sales awards or other prizes in conjunction with the advisory services we provide to each Fund.

### **ITEM 15. CUSTODY**

As the manager of our Funds, we are deemed to have custody of our Funds' assets. We place our Funds' cash and certificated securities with a bank, registered broker-dealer or other "qualified custodian." The annual financial statements of each Fund are audited by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB) and distributed to the investors in each Fund.

### **ITEM 16. INVESTMENT DISCRETION**

The Funds have an Investment Committee with discretionary authority to determine which assets, and what amounts of assets, are to be bought or sold on behalf of the Funds.

## ITEM 17. VOTING CLIENT SECURITIES

Our proxy voting policy only applies to publicly traded securities. As of the date of this brochure, none of our Funds hold any public securities and our private company investments do not allow for proxy voting.

If we were to invest in public securities, investors in our Funds could obtain a copy of our proxy voting policy or information on how we voted securities in a Fund by sending a written request to:

**ACM Management Company, LLC**

Attn: Investment Committee

1331 NW Lovejoy Street

Portland, Oregon 97209

## ITEM 18. FINANCIAL INFORMATION

We must disclose any financial condition that could impair our ability to meet our contractual obligations to our Funds. We must also describe if we have been the subject of any bankruptcy proceeding within the last 10 years.

We have no financials matters to disclose applicable to Item 18 and we have never been the subject of a bankruptcy proceeding.