

## Item 1: Cover Page



### **ESTANCIA CAPITAL MANAGEMENT, LLC**

Form ADV Part 2A: Firm Brochure

March 30, 2020

Estancia Capital Management, LLC

20865 N 90<sup>th</sup> Place, Suite 200

Scottsdale, AZ 85255

Phone: 480-448-5001

Fax: 480-998-7103

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

This brochure provides information about the qualifications and business practices of Estancia Capital Management, LLC and its affiliates. If you have any questions about the contents of this Brochure, please contact us at 480-448-5001 or [info@estanciapartners.com](mailto:info@estanciapartners.com).

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

Estancia Capital Management, LLC is registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940 (the "Advisers Act"). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

Since Estancia last filed its brochure on March 30, 2019 the following item(s) have been amended:

Item 4 “Advisory Business” was revised to reflect the managed Regulatory discretionary assets as of December 31, 2019.

Item 10 “Other Financial Industry Activities and Affiliations” was amended to reflect portfolio investments acquired or realized since March 30, 2019. These portfolio investments and realizations include the following:

On April 2, 2019, Estancia Capital Partners Fund II, L.P. closed the PMA management-led buy-out of PMA Financial Network, Inc., PMA Securities, Inc., and Prudent Man Advisors, Inc. (collectively, the PMA companies)

On March 12, 2020 Estancia Capital Partners Fund II, L.P.’s portfolio company NSI Holdco, LLC’s subsidiary, CSM Advisors, LLC, a registered investment adviser, acquired the business assets of C.S. McKee, L.P.

On March 17, 2020 Estancia Capital Partners Fund II, L.P. acquired a minority interest in Geneva Capital Management, LLC, a registered investment adviser, as part of a management-led buyout.

### **Item 3: Table of Contents**

Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation .....	5
Item 6: Performance Based Fees and Side-by-Side Management.....	7
Item 7: Types of Clients .....	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9: Disciplinary Information.....	18
Item 10: Other Financial Industry Activities and Affiliations.....	19
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...	21
Item 12: Brokerage Practices.....	22
Item 13: Review of Accounts .....	23
Item 14: Client Referrals and Other Compensation .....	23
Item 15: Custody .....	24
Item 16: Investment Discretion .....	24
Item 17: Voting Client Securities .....	24
Item 18: Financial Information.....	25

## Item 4: Advisory Business

Formed in 2009, Estancia Capital Management, LLC (alternatively “Estancia” or “Advisor”) is organized as a limited liability company under the laws of the State of Arizona. Estancia is beneficially owned by Michael Mendez, Takashi Moriuchi, Danny Kang and Darrin Jeffries (each, a “Managing Director” and, collectively, the “Managing Directors”).

Estancia serves as an investment manager and provides discretionary advisory services to a private investment partnerships, Estancia Capital Partners, LP ( “Fund I”) and Estancia Capital Partners Fund II, LP (“Fund II”) (collectively, “the Funds”). Estancia GP, LLC serves as Fund I’s general partner (“General Partner I”), while Estancia GP II, LP serves as Fund II’s General Partner (“General Partner II”) (collectively, the “General Partners”. The General Partners are controlled by their managing member, Estancia Managing Directors, LLC for General Partner I and Estancia UGP II, LLC for General Partner II (collectively, “the Managing Member”), which itself is controlled by a board comprised of Messrs. Mendez, Moriuchi and Kang. The General Partners delegate management of the day-to-day affairs of the Funds to Estancia Capital Management, LLC, the investment adviser. Unless and only to the extent that the context otherwise requires, **references to Estancia include the Advisor, the General Partners and the Managing Member.**

The Funds were established for the purpose of making equity investments in businesses that manage assets on behalf of their clients or in businesses that provide asset management related business services (each, a “Portfolio Company” and, collectively, the “Portfolio Companies”). Estancia’s investment advice is generally limited to these types of Portfolio Company investments.

In providing services to the Funds, Estancia executes on each Fund’s investment objectives, directs and manages the investment and reinvestment of that Fund’s assets, and provides periodic reports to investors. Investment advice is provided directly to each Fund and not individually to the limited partners of either Fund (the “Investors” or “Limited Partners”). Estancia manages the assets of each Fund in accordance with the terms of that Fund’s Limited Partnership Agreement as may be amended from time to time (“LPA”), and other governing documents applicable to that Fund (collectively, the “Governing Fund Documents”). All terms were generally established at the time of the formation of a Fund, and are only terminable once the applicable Fund is dissolved, wound up, and terminated.

Individual Investors may not restrict investments by a Fund in any capacity, and except in limited circumstances, Limited Partners are not permitted to withdraw from a Fund prior to that Fund’s dissolution. However, a Fund may enter into separate agreements, commonly referred to as “side letters,” or other similar agreements with a particular Limited Partner in connection with its admission to that Fund, which could have the effect of establishing rights under or supplementing the terms of that Fund’s LPA with respect to such Limited Partner in a manner more favorable to such Limited Partner than those applicable to other Limited Partners.

Limited partnership interests in both Funds are offered pursuant to exemptions under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and neither Fund is registered under the

Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests or shares in each Fund are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements.

As of December 31, 2019, Estancia managed \$320,233,000 of Regulatory discretionary assets on behalf of the Funds. Estancia does not manage any assets on a non-discretionary basis.

## **Item 5: Fees and Compensation**

### General

The Advisor provides investment advisory services to each Fund pursuant to a management agreements with each Fund respectively (the “Management Agreements”). The Management Agreements, along with specific organizational documents, set forth in detail the fee structure relevant to each Fund.

The Advisor generally receives compensation from fees based on a percentage of assets under management (capital commitments to a Fund), an administrative fee, and certain other fees or expenses related to transactions (see below).

Under the terms of each Fund’s LPA and each Fund’s management agreement with the Advisor, Estancia is authorized to deduct management fees and carried interest directly from the Funds. In addition, the Funds may pay organizational and other expenses as described below. Estancia’s services may be terminated by the Funds at any time as provided in each Fund’s Management Agreement with Estancia. Upon termination of the agreement, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### Management Fee

Fund I pays the Advisor an annual management fee of up to 2.0% per annum of committed capital during the commitment (investment) period which terminates on the fifth (5<sup>th</sup>) anniversary of the initial closing date; thereafter the fee is reduced ratably (by 12.5 basis points) over the next four years to a fee of 1.5% per annum (the “Fund I Management Fee”).

Fund II pays the Advisor an annual management fee of up to 2.0% per annum of committed capital during the commitment (investment) period which terminates on the fourth (4<sup>th</sup>) anniversary of the final closing date; thereafter the fee is reduced to a fee of 1.75% per annum of the sum of Investment Contributions plus debt incurred with respect to Fund II’s investments (the “Fund II Management Fee”).

The Fund I Management Fee and the Fund II Management Fee are generally payable quarterly in advance and typically based upon *committed capital* during the commitment (investment) period and on *net invested capital* thereafter, in each case in accordance with the respective Fund’s LPA. Estancia reserves the right to waive or reduce management fees for certain investors, pursuant to the terms of the relevant Fund’s LPA.

### Carried Interest Allocations

A portion of each Fund’s net investment profit may be allocated to the capital account of its General Partner and pursuant to a side letter to any Limited Partner (collectively, “Carry

Partners”) as “carried interest.” The manner of calculation of such carried interest is disclosed in the LPA. Generally, however, 20% of the investment profits of the Fund are allocated as carried interest to such Carry Partners with a preferred return of 8% per annum, subject to catch-up and clawback provisions. Carried interest is generally payable when there is a distribution of distributable proceeds reflecting profits as a result of an investment in a Portfolio Company together with any dividend or interest income with respect to such investment. Carried interest allocations are separate and distinct from the Management Fee paid to the Advisor. In accordance with the terms of each LPA, the General Partner reserves the right to waive or reduce carried interest for certain Investors.

#### Administrative Fee

Pursuant to an administrative services agreement between the Advisor and the General Partner, the Advisor has agreed to provide administrative, support, and consulting services to each General Partner relating to that General Partner’s management of the relevant Fund. In exchange for these services, the Advisor receives an administrative fee (“Administrative Fee”). This may create a conflict of interest because some of the costs and expenses may be reimbursed by the Funds. To mitigate this potential conflict, each LPA identifies costs and expenses that may be charged to the relevant Fund.

#### Other Fees

Estancia may receive director’s fees, commitment fees, transaction fees, investment, consulting or advisory fees, management fees or break-up fees (including, without limitation, proceeds from the disposition of any options, warrants or other equity securities) and other similar fees associated with investments or proposed investments or commitments made by either Fund from Portfolio Companies or their respective affiliates (“Other Fees”). Eighty percent (80%) of these Other Fees are applied to reduce the annual Management Fee.

#### Organizational Expenses

Subject to the terms of each LPA, the Limited Partners will indirectly bear the costs and expenses incurred by the Funds and related entities in connection with the organization and formation of the Funds and the offering and sale of limited partnership interests, including attorneys’ fees, accountants’ fees, data site creation and maintenance, printing and mailing costs, charges of agents and depositories, costs of filings for, registration and qualification of the limited partnership interests under applicable securities laws, and reimbursements of reasonable out-of-pocket expenses associated with the formation of the Funds and the sale of limited partnership interests; provided, however, that it is acknowledged that the Funds will not pay, and thereby organizational expenses shall not include, (a) any investment banking or private placement fees in connection with the offering or (b) any organizational expenses in excess of \$1,250,000 for Fund I and \$1,750,000 for Fund II. Organizational expenses that are the common expense of both Funds, or common to one or both Funds and any affiliate investment vehicle, shall be allocated between such entities based on the respective capital commitments of each entity.

#### Other Expenses Charged to the Funds

Subject to the terms of each LPA, each Fund’s Limited Partners will also indirectly bear the costs and expenses relating to that Fund’s activities, investments and business (to the extent not borne or reimbursed by a Portfolio Company), including (a) all costs and expenses attributable to

acquiring, holding, monitoring and disposing of that Fund's investments (including interest on money borrowed by that Fund, registration expenses and brokerage, finders', custodial and other fees), (b) third-party legal, accounting, auditing, consulting and other fees and expenses (including expenses for such third parties associated with negotiating, consummating, monitoring and disposing of that Fund's particular portfolio investments and the preparation of that Fund's financial statements, tax returns and Schedules K-1), (c) expenses of that Fund's advisory committee and its members, (d) extraordinary expenses of that Fund (including, but not limited to, litigation and indemnification costs and expenses incurred in accordance with the terms of the relevant LPA), and (e) all out-of-pocket fees and expenses relating to investment and disposition opportunities for that Fund whether consummated or not consummated (including legal, accounting, consulting, printing and other fees). All costs and expenses that are the common expense of both Funds, or common to one or both Funds and any affiliate investment vehicle, shall be allocated among such entities based on the respective capital commitments of each entity.

The Funds will not bear any costs and expenses associated with regulatory compliance of the Funds and Estancia under the Advisers Act.

*Please see Item 12. Brokerage Practices* for further information on the factors that Estancia considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

## **Item 6: Performance Based Fees and Side-by-Side Management**

As described above, Estancia (its General Partners, Managing Member and other professionals of Estancia) receives performance-based compensation and return on investment in the form of carried interest. Calculation of such carried interest is based on the profits generated on the sale or disposition of a Fund's assets. Carried interest is calculated on an investment-by-investment basis. The fact that a significant portion of the potential profit of Estancia and other professionals is computed on the basis of profits generated by the sale or disposition of a Fund's assets, an incentive could exist for Estancia to make investments on behalf of a Fund that are riskier or more speculative than would be the case in the absence of such compensation.

## **Item 7: Types of Clients**

Estancia provides discretionary management and advisory services to the Funds directly, subject to the direction and control of the General Partners, and not individually to the Limited Partners. Investors in the Funds may include, but are not limited to, pension and profit sharing plans (corporate and governmental entities), endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), charitable organizations, corporate or business entities, individuals, trusts and estates.

Subscriptions for capital commitments may be accepted or rejected on behalf of a Fund by its General Partner (which may refuse to admit any Limited Partners for any reason whatsoever). The minimum capital commitment for any person that is an individual shall be \$1,000,000 and the minimum capital commitment for any other person and/or entity shall be \$5,000,000; provided, however, that the General Partners may accept capital commitments of a lesser amount in their sole discretion.

Investors will be required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act. Limited Partners will also be required to make certain representations when investing in a Fund, including, but not limited to that (i) the Limited Partner has been given access to information regarding that Fund and the risks associated with an investment therein, and has utilized such access to the Limited Partner’s satisfaction for the purpose of obtaining information about that Fund; particularly, the Limited Partner has either attended or been given reasonable opportunity to attend a meeting with the relevant General Partner for the purpose of asking questions of, and receiving answers from, that General Partner concerning the terms and conditions of the offering of the interest in that Fund and to obtain any additional information, to the extent reasonably available, necessary to verify the accuracy of information provided to the Limited Partner about that Fund, (ii) the Limited Partner is acquiring an interest for his own account, (iii) the Limited Partner is a sophisticated investor, (iv) the investment in a Fund is suitable for the Limited Partner, (v) the Limited Partner has obtained to the extent it deemed necessary professional advice with respect to the risk(s) inherent in the investment in a Fund, (vi) the Limited Partner has the ability to bear the economic risk of an investment in a Fund, and (vii) the Limited Partner recognizes that an investment in a Fund involves a high degree of risk. Details concerning applicable Limited Partner suitability criteria are set forth in the respective Fund’s Governing Documents and subscription materials, which are made available to each Limited Partner.

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

### Investment Strategies and Methods of Analysis

The Funds will make and manage investments in the asset management industry, including businesses that manage assets on behalf of, or provide advice to, their clients and businesses that provide other products or services related to asset management. The Funds will make investments primarily in smaller to lower middle-market firms, including established investment teams seeking a new platform from which to provide their services. Investments may facilitate a wide range of strategic development transactions, including management buyouts from larger financial firms, private firm ownership transitions, growth initiatives, recapitalizations and investment team lift-outs. The investment objective of each Fund is to generate long-term capital appreciation through such investments. For a description of each Fund’s investment restrictions, Limited Partners are requested to refer to the relevant Fund’s LPA.

Estancia’s investment analysis typically follows a **four step process**, which may vary depending on the particular investment opportunity: Preliminary Review, Preliminary Due Diligence, Execution of Term Sheet, and Confirmatory Detailed Diligence. During the **first step**, Estancia typically analyzes potential investments based on various factors that typically include: length of track record, absolute performance, relative performance to peer universe and benchmark, tracking error, sharp ratio, up/down capture ratio, style drift and performance pattern analysis, asset growth by product and channel type, and client concentration. In addition, Estancia meets with management and prepares an investment opportunity summary. During the **second step**, Estancia typically creates a preliminary due diligence request list, develops a financial model and proposed investment structure and capital structure, and creates a term sheet, which is reviewed and approved by Estancia’s investment committee (“Investment Committee”). During the **third step**, Estancia typically executes the term sheet. During the **final step**, Estancia and its retained advisors conduct a full confirmatory due diligence process and prepare definitive agreements.



Estancia established the following qualitative investment criteria to evaluate potential investments that typically include: “institutional quality” investment process; annuity-type fee-based, recurring revenue models; experienced, goal-oriented, cohesive management team; investment offerings aligned with long-term market (macro) trends; scalable investment products possessing capacity and growth potential; alignment of equity ownership interests with management; receptivity and desire to implement value creation initiatives; reasonable valuation parameters; acceptable control rights if not majority shareholder; and pre-determined viable exit opportunities/options.

Identifying and participating in Portfolio Company investments and assisting in building successful enterprises is challenging. Many investment decisions made by Estancia will be dependent upon the ability of Estancia to obtain relevant information predominantly from non-public sources, and reliance upon information provided by third parties that is impossible or impracticable to verify. The marketability and value of each investment will depend upon many factors beyond the control of Estancia.

#### Alternative Investment Vehicles

Subject to the terms of each Fund’s LPA, if Estancia determines in good faith it is desirable that an investment be made through an alternative investment structure, upon written notice to the Limited Partners, Estancia may direct any Limited Partner to make their investment either directly or indirectly through an alternative investment vehicle. Limited Partners are requested to refer to the relevant Fund’s LPA for further details on any alternative investment vehicle established to invest on a parallel basis with or in lieu of a Fund.

#### Follow on Investments

Either Fund may make investments to preserve, protect or enhance the value of then existing Portfolio Companies (“Follow-On Investments”) during the life of that Fund. Limited Partners are requested to refer to the relevant Fund’s LPA for a further description of Estancia’s authority relating to Follow-On Investments.

#### Co-Investment Opportunities

Estancia may offer the right to participate in investment opportunities of a Fund to other private investors, groups, partnerships or corporations (including one or more of the Limited Partners or their affiliates or related persons). Such co-investment opportunities could exist when and if Estancia determines that such co-investment would be in the best interest of a Fund, would be beneficial to the consummation of the investment by a Fund and would be made on terms generally no better than those made available to a Fund. Limited Partners are requested to refer to the relevant Fund’s LPA for further details on co-investment activities.

#### Investments Outside of a Fund

Subject to the terms of each Fund’s LPA, prior to the end of the commitment (investment) period or such time as a Fund is fully invested, any investment suitable for a Fund that is presented to Estancia or the Managing Directors is generally required to be offered first to the Funds. To the extent that an investment is offered to a Fund and that Fund declines to invest in such opportunity, the Managing Directors generally shall not invest in such opportunity without prior disclosure to

that Fund's Advisory Committee, which consists of select Limited Partners of each Fund who are not affiliated with Estancia ("Advisory Committee"). Limited Partners are requested to refer to the relevant Fund's LPA for further details on investments outside of a Fund and the role of the Advisory Committee.

### **Certain Risk Factors**

All investing involves a risk of loss and illiquidity. The investment strategy offered by Estancia could lose money over short or even long periods. An investment in a Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of their investments in a Fund. Estancia expects that an investment in the Funds does not represent all of an investor's assets. No guarantee or representation is made that a Fund will achieve its investment objective or that Limited Partners will receive a return of their capital.

An investment in a Fund involves a significant amount of risk and is suitable only for investors of substantial means who have no immediate need for liquidity in the amount invested and who can afford to lose all or a substantial portion of their investment. A Limited Partner may not receive a return of any of its capital contributions. The representative risks and uncertainties below are not the only ones faced by the Funds. In addition, potential investors should be aware that there will be occasions when Estancia and its affiliates may also encounter potential conflicts of interest in connection with a Fund.

The descriptions contained below are a brief overview of representative risks related to the Funds' investment strategy and valuation; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Funds. Limited Partners are requested to refer to the relevant Fund's Governing Documents for complete information on the investment strategies employed by that Fund and the representative risks associated with such strategies.

The following potential *risks* and *conflicts of interest* related to an investment in a Fund remain subject to and may or may not be qualified in their entirety by that Fund's final LPA and, as to any Limited Partner, the subscription agreement and any other agreement entered into between the Fund's General Partner and such Limited Partner relating to the purchase of interests. Such agreements may include terms that differ materially from the terms contemplated in the original offering memorandum, and accordingly should be reviewed carefully prior to making an investment decision.

*Forward Looking Statements:* Information that the Funds and Estancia have provided investors may contain forward-looking statements relating to future events or the future performance of the Funds or their Portfolio Companies. In some cases, prospective investors can identify forward-looking statements by terminology such as may, will, should, expect, plan, intend, anticipate, believe, estimate, predict, potential or continue, the negative of such terms or other comparable terminology. These statements are only forecasts. Actual events or results may differ materially. In evaluating these statements, prospective investors should specifically consider various factors, including the representative risks outlined in this section. These factors may cause actual events or results to differ materially from any forward-looking statement. Although Estancia believes

that the expectations reflected in any forward-looking statements are reasonable, future results, levels of activity, performance or achievements cannot be guaranteed. Moreover, neither Estancia, the Funds, the Managing Directors nor any of their affiliates assume responsibility for the accuracy and completeness of forward-looking statements. Estancia, the Funds, the Managing Directors and their affiliates are under no duty to update any forward-looking statements previously delivered to investors to conform such statements to actual results or to changes in expectations.

*Investments in Private Companies Are High-Risk:* The Funds investment portfolios will consist primarily of equity securities issued by early stage private companies engaged in the asset management and related business services industries. Investments in such companies involve greater business and financial risk than that generally associated with investments in more established companies. Less established companies tend to have lower capitalization and fewer resources and, therefore, often are more vulnerable to financial failure. Typically there is an illiquid market for the securities of such companies. Such companies also may have shorter or no operating histories on which to judge future performance. Estancia may rely upon its own or a Portfolio Company's projections concerning the Portfolio Company's future performance as well as certain factors beyond the control of Estancia and the Portfolio Company. The marketability and value of any such investments will depend upon many factors beyond the control of Estancia. These Portfolio Companies may have new or unproven business models that ultimately may not be successful. These Portfolio Companies can experience failures or substantial declines in value at any stage and may face intense commercial competition from other companies, including established companies with significantly greater resources. Accordingly, there can be no assurance that a Fund's Portfolio Companies will be profitable, will be able to obtain liquidity for the holders of their securities (including the Funds) or that any distribution as a result of a Fund's investments in Portfolio Companies will be made to the Limited Partners.

*Valuation of Assets:* It is anticipated that the Funds' investments will typically be in privately held Portfolio Companies. Fair values of such investments are estimated by Estancia based on guidance promulgated under ASC 820-10. When estimating fair value, Estancia will apply methodologies including, but not limited to, market-based valuation, consideration of public as well as private comparables and, if appropriate, cash-flow based valuation, and in all cases its estimates will be based on its best judgment in light of the nature, facts and circumstance of the investments. Securities that are not freely tradable will be valued pursuant to methodologies set forth in each Fund's "Valuation Policy" as approved by that Fund's Advisory Committee, which has the ability to object to Estancia's valuation of a Fund's securities.

*Economic and Equity Markets Risks:* The public and private equity markets have experienced significant volatility in recent years. Investments in private companies involve inherent and significant risks. Companies in which the Funds invest may be sensitive to general downward swings in the overall economy or in particular industries, none of which will be within the control of Estancia, and which may in turn negatively impact a Fund's investments in such companies and thereby reduce or eliminate returns to a Fund's investors and could result in a complete loss of an investor's capital contributions. These risks are increased given that the Portfolio Companies in which the Funds will invest are involved in the management of equity investments. Accordingly, fees and income earned by such companies will be directly affected by these conditions. Limited

Partners are requested to refer to the respective Fund's Governing Documents for a further description of economic and equity markets risks.

*Possible Lack of Diversification:* Although Estancia expects that no portfolio investment will constitute more than 20% of a Fund's final committed capital except as set forth in that Fund's LPA, a Fund may participate in a limited number of portfolio investments focused on a limited sector of the economy. Consequently, a Fund may not enjoy the reduced risks of a broadly diversified portfolio. A specific investment focus is inherently more risky and could cause a Fund's investment to be more susceptible to particular economic, political, regulatory, technological, or industry conditions or occurrences compared with a Fund, or a portfolio of companies, that is more diversified or has a broader industry and geographic focus.

*Economic Interest of General Partner:* The capital contributions of the General Partners and the Managing Member will represent only a fraction of a Fund's capital, however, the income and gain distributed to the relevant General Partner may be proportionately greater than its capital contributions. The existence of a General Partner's Carried Interest may create an incentive for Estancia to make riskier and more speculative investments on behalf of a Fund than it would otherwise make in the absence of such a performance-based arrangement.

*Reliance on the General Partners and Key Individuals:* Subject to the control of the General Partners, Estancia will have exclusive responsibility for each Fund's activities and, other than as may be set forth in the relevant LPA (e.g., co-investment opportunities), Limited Partners will not generally be permitted to evaluate investment opportunities or relevant business, economic, financial, or other information that will be used by Estancia in making decisions. The Funds will be particularly dependent on the Managing Directors. If a Managing Director were to resign from Estancia or become unable to perform his duties on behalf of the Funds, including the ability to identify future investment opportunities for the Funds, Estancia, the General Partners, the Funds and the Funds' Portfolio Companies may be negatively impacted, which in turn may have a negative impact upon returns to the Limited Partners. Furthermore, the resignation or withdrawal of a Managing Director may result in a termination of a Fund's investment activities as set forth in the relevant LPA.

*Reliance Upon Portfolio Company Management:* Although Estancia may seek representation on the board of directors of its Portfolio Companies or otherwise provide management, strategic planning and other operational assistance, the Funds generally will not have an active role in the day-to-day management of the companies in which it invests. To the extent that the management of a Portfolio Company performs poorly, or if a key manager of the Portfolio Company terminates employment, a Fund's investment in such company could be adversely affected.

*Follow-On Investments:* Following an initial investment in Portfolio Companies, Estancia anticipates that each Fund will be called upon to provide additional contributions to Portfolio Companies or will have the opportunity to increase its investment in a successful Portfolio Company. An economic recession or adverse developments in the securities markets or particular industries might have a negative impact on the ability of Portfolio Companies to access additional capital necessary to sustain growth or conduct operations. Although Estancia may use capital commitments or any reserves to make follow-on investments, there is no assurance that a Fund or

its co-investors (if any) will be able or willing to make necessary follow-on investments. Accordingly, third-party sources of financing may be required, but there is no assurance that such additional sources of financing will be available, or, if available, will be on terms beneficial to the relevant Fund. In addition, each Fund's capital is limited and may not be adequate to protect that Fund from dilution resulting from multiple rounds of Portfolio Company financings. If a Fund does not have capital available to participate in subsequent rounds of financing, failure to participate may have a substantial negative impact on Portfolio Companies in need of such an investment, which in turn may negatively impact that Fund's investments in such companies and reduce or eliminate returns to that Fund's investors and could result in a complete loss of an investor's capital contributions.

*Noncontrolling Investments:* Either Fund may hold a noncontrolling interest in a Portfolio Company and, therefore, may have a limited ability to direct the actions of such company's board of directors in order to better protect or manage its investment in such a Portfolio Company. As a condition of investment in a Portfolio Company, Estancia expects that appropriate security holder rights, including special rights and protective provisions concerning material company decisions, will be negotiated to protect, to a limited degree, a Fund's interests in a Portfolio Company. There can be no assurance that a Fund will be able to obtain such equity owner rights or protective provisions or that, if such rights and protective provisions are obtained, that they will be effective.

*Leverage:* Early-stage companies may be highly leveraged and the Funds' investments in such companies may be made at levels in the capital structure subordinate to senior equity or debt securities of such companies. The leveraged capital structure of such Portfolio Companies will increase the exposure of these companies to adverse economic factors such as rising interest rates, downturns in the economy, or deterioration in the condition of the Portfolio Company or its industry. Because the securities in which the Funds will invest will be junior to all company indebtedness and may be junior to later equity financing rounds in what typically will be a complex capital structure, these securities are subject to the substantial risk of loss.

Further, while the Funds' strategy is not necessarily dependent upon the use of leverage (debt financing) at the Fund or Portfolio Company level, in certain circumstances leverage may be employed subject to the investment restrictions found in the relevant Fund's Governing Documents.

*Highly Competitive Market for Investment Opportunities:* The private equity business is intensely competitive and involves a high degree of uncertainty. The Funds and Estancia will be competing with other established investors and companies with substantial resources and experience. The number of appropriate investment opportunities for the Funds is limited, and intense competition for such opportunities may result in an increase in the price of such investments for the Funds, may adversely affect the terms upon which investments can be made or may even adversely affect the ability of a Fund to receive investment opportunities in certain companies. There can be no assurance that the Funds will successfully identify appropriate and attractive investments for all or any portion of that Fund's committed capital or that any or all of such capital will be invested within a specified period.

*No Market for Limited Partner Interests:* A Limited Partner's investment in a Fund will be illiquid and subject to substantial restrictions upon transferability. There is no public market for interests in the Funds and none is expected to develop. A Limited Partner will not be permitted to assign, transfer, pledge, mortgage, or otherwise dispose of its interest without the prior written consent of the relevant General Partner. A Limited Partner generally will not be permitted to withdraw from a Fund. Consequently, an Investor may not be able to fully liquidate its investment prior to the end of a Fund's term as it may be extended by that Fund's General Partner.

*Reinvestment/Recycling of Proceeds:* The General Partners are under limited obligations to make distributions to their Limited Partners and may have the discretion to reinvest certain proceeds from the sale of portfolio securities pursuant to the relevant Fund's Governing Documents.

*Illiquid and Long-Term Investments:* Investment in the Funds require a long-term commitment, with no certainty of return. The Funds do not expect to generate cash flow distributions to their Limited Partners in the near-term. Although portfolio investments by a Fund may generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While a portfolio investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment is made, if at all. It is unlikely that there will be a public market for the securities held by the Funds at the time of their acquisition. The Funds will invest in securities of privately held companies, which are not traded on any organized exchange, making the timing and ability to liquidate these securities uncertain. The Funds generally will not be able to sell its securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the Funds may be prohibited by contract from selling securities for a period of time. Thus, this illiquidity may result in an inability to sell these securities at all. Because the Funds may only make a limited number of investments and because the Funds investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the Funds' Limited Partners.

*Distributions in Kind:* The Funds may distribute the proceeds of their investments in securities or other non-cash property. Any such distribution could put downward pressure on the price of the issuer's securities. In addition, the Limited Partners may incur costs and delays in converting securities into cash. Such securities also may be subject to restrictions on transfer.

*Dilution to Existing Limited Partners as a Result of Adding Limited Partners:* Limited Partners may have their economic interest in any investments of the Funds diluted as a result of additional Limited Partners gaining an interest in a Fund's investments through additional closings. Any such dilution may have a negative impact on any returns received by those Limited Partners who invested in the relevant Fund prior to other Limited Partners. Fund I conducted its final closing in April, 2014, following which time no additional Limited Partners were admitted to Fund I. Fund II's final closing is anticipated to occur on or before the 18<sup>th</sup> month anniversary of Fund II's first closing.

*Penalty for Failure to Make Capital Contributions:* In the event a Limited Partner fails to make an installment payment of its capital commitment when due (other than as the result of laws or

regulations applicable to certain employee benefit plan Limited Partners), the Limited Partner's interest in the relevant Fund will be subject to a variety of penalties including (a) that Fund's General Partner having the right to cause the transfer of the Limited Partner's interest at a transfer price less than its contributed capital in that Fund; or (b) restricting the Limited Partner from participating in any further capital contributions to that Fund and (c) limiting the Limited Partner's ability to participate in the future profits and distributions from that Fund.

*Legislative and Regulatory Risk:* Abuses within the investment management businesses have resulted in a number of recent and ongoing legislative and regulatory initiatives affecting such business practices. New or proposed laws and regulations may result in significant and costly burdens being placed on the Funds or their Portfolio Companies, and may impede their ability to go public and/or be acquired by an existing public company.

*Certain Litigation Risks:* The Funds will be subject to a variety of litigation risks, particularly due to the substantial likelihood that one or more Portfolio Companies will face financial or other difficulties during the term of a Fund. The Funds may also participate in Portfolio Company financings at implicit valuations lower than the valuations implicit in preceding rounds of financing. Legal disputes, involving any or all of Estancia, the Funds, the Managing Member or their affiliates including Portfolio Companies and/or their principals, may arise from the foregoing activities (or any other activities relating to the operation of Estancia, the Funds, the Managing Member or a Portfolio Company) and could have a significant adverse effect on the Funds.

*Service on Boards of Directors, Etc.:* The Funds may seek to obtain observation or visitation rights or the right to designate directors to serve on the boards of directors of such Fund's Portfolio Companies. The foregoing rights and activities, especially in light of new statutes and regulations relating to corporate governance and increased scrutiny of corporate boards, could expose Estancia, the Managing Member, its affiliates and the assets of a Fund to regulatory action and/or claims by a Portfolio Company, its security holders and its creditors. In addition, either Fund may be prohibited from selling publicly traded securities of a Portfolio Company if Estancia is in possession of material non-public information relative to such company. While Estancia intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims or adverse regulatory action cannot be eliminated, and such events may have a significant adverse effect on the Funds.

*Material Non-Public Information:* By reason of their responsibilities in connection with their other activities, certain of Estancia's personnel may acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. The Funds may not be free to act upon any such information. Due to these restrictions, the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

*Indemnification:* Estancia, the General Partners, the Managing Member and their respective members, managing directors, partners, officers, directors, shareholders, employees, advisors, agents, affiliates and personnel, will be entitled to indemnification from the Funds, except in certain limited circumstances. The assets of each Fund, separately, will be available to satisfy the indemnification obligations of that Fund.

*Taxation; Unrelated Business Taxable Income:* The Funds are characterized as partnerships for US and state income tax purposes and it is anticipated that most Portfolio Companies of the Funds will be similarly structured. Accordingly, investors in the Funds will be treated as partners of the relevant Fund and must report, each year, their respective allocable share of the relevant Fund and Portfolio Company net income or loss and pay any tax liabilities associated with such taxable income. Furthermore, while the Funds are obligated to make distributions to satisfy taxes to the extent of available cash, there is no certainty that such cash will be available or that the amounts reported by such Portfolio Companies will be accurate and not subject to challenge by the IRS. Accordingly, Investors may recognize in any year a tax cost associated with their investment that exceeds the amount of cash distributed to them.

Furthermore, it is possible that taxable income realized by a Fund and allocated to its Limited Partners will be treated as unrelated business taxable income for tax exempt entities (including any charitable foundation) and effectively connected income for foreign investors. Accordingly, tax exempt and foreign investors may be required to file tax returns and pay tax associated with their investment in a Fund. Any Investor whose tax status is dependent on not recognizing such unrelated business taxable income or effectively connected income, should consult with such investor's tax advisers and not invest in a Fund prior to obtaining such advice.

*Diverse Limited Partner Group:* The Limited Partners may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests of individual Limited Partners may relate to or arise from, among other things, the nature of investments made by that Fund, the structuring or the acquisition of investments, and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by Estancia, including with respect to the nature or structuring of investments that may be more beneficial for some Limited Partners than for others, particularly with respect to Investors' individual tax situations.

*Consequences of Default:* In the event that a Limited Partner fails to pay any of its commitment when called, such Limited Partner's capital account in a Fund may be substantially reduced and such Limited Partner will be precluded from voting consistent with the applicable Fund's Governing Documents. The applicable General Partner may also exercise other remedies against such a defaulting Limited Partner, all of which can be expected to adversely affect the defaulting Limited Partner's interest in that Fund.

*Confidential Information:* Each Fund's LPA will contain confidentiality provisions intended to protect proprietary and other information relating to that Fund and its Portfolio Companies. To the extent that such information is disclosed publicly, competitors of a Fund and/or competitors of its Portfolio Companies, and others, may benefit from such information, thereby adversely affecting that Fund, its Portfolio Companies and its General Partner, and the economic interests of the Limited Partners.

*Legal, Tax and Regulatory Risks:* The legal, tax, and regulatory considerations affecting the ability of the Funds to achieve their investment objectives are complicated and subject to change.



For a discussion of certain of these considerations, see the “Certain Potential Conflicts of Interest” section (immediately below) and the relevant Fund’s Governing Documents.

### **Certain Potential Conflicts of Interest**

Investors should be aware that there will be occasions when Estancia and its affiliates may encounter potential conflicts of interest in connection with the Funds, either jointly or separately. Accordingly, Limited Partners should carefully consider the following potential conflicts of interest before making an investment in a Fund.

*Managing Directors’ Commitment to the Funds and their Operations:* Until such time as a Fund is “fully invested,” Estancia, the Fund’s General Partner, the Managing Member and each Managing Director will devote substantially all of its or his respective business time to the activities of that Fund and its affiliates. Thereafter, Estancia, the Fund’s General Partner, the Managing Member and each Managing Director will devote such portion of its or his respective time as is necessary and appropriate for managing and liquidating that Fund’s remaining portfolio securities consistent with their fiduciary obligations to that Fund and its Investors.

In addition to the foregoing, Estancia, the General Partner, the Managing Directors, the Managing Member and their affiliates may be prohibited from taking action for the benefit of a Fund (i) due to confidential information acquired or obligations incurred in connection with an outside activity of such party; (ii) due to the fact that the Managing Director or affiliate may serve as an officer or director of a Fund’s Portfolio Company or by being treated as an affiliate or insider of such Portfolio Company; or (iii) in connection with activities undertaken by a Managing Director or affiliate prior to the initial closing date.

*Successor Funds:* The formation and operation of future investment funds managed by the Managing Directors may conflict with their duties and obligations to a Fund and its Limited Partners. Accordingly, no key person will be authorized to do any of the following, without the prior consent of the Limited Partners except as expressly permitted by that Fund’s LPA: (x) organize or act as general partner or manager of, or have an employment or advisor role with respect to, investment funds with investment objectives similar or competitive with that Fund or any competitive business; (y) solicit investors of that Fund to invest in any fund with such investment objectives; or (z) engage in any of the foregoing activities with other Managing Director that have withdrawn from that Fund.

*Related-Party Transactions:* Subject to the terms of each Fund’s LPA, the fact that Estancia, the Fund’s General Partner, the Managing Member, any Managing Director or any affiliate or related person thereof are directly or indirectly interested in or connected with any company or person with which or with whom a Fund may have dealings shall not by itself preclude such dealings or make them void or voidable, and neither a Fund nor any of the Limited Partners shall have any rights in or to such dealings or any profits derived therefrom.

Estancia generally exercises its discretion when recommending to the Funds, or to a portfolio company thereof, that the Funds or Portfolio Company, as the case may be, contract for services with (i) Estancia or a related person of Estancia (which may include a Portfolio Company of the Fund), (ii) an entity with which Estancia or its affiliates or current or former managers, members, employees or contractors has a relationship or from which Estancia or its affiliates or their

personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. This discretion subjects Estancia to potential conflicts of interest, because although Estancia selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance, Estancia may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Estancia, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to a Fund or Estancia), may favor such retention or continuation even if a better price could be obtained from another person. For example, an Estancia employee is a board member of a law firm used by Estancia and the Funds, and continues to receive compensation from the law firm relating to his tenure there, rather than to the amount of business referred. Whether or not Estancia or its affiliates has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Estancia may, with the approval of a Fund's Advisory Committee, cause that Fund to make investments in companies whose shareholders, officers or directors, or advisors include the Advisor, the General Partners, the Managing Member, any Managing Director or their affiliates or related persons thereof even though such investments may be on terms less favorable than investments previously made by such persons.

Estancia may cause a Fund to enter into dealings with third parties having a financial or other relationship with any member or manager of Estancia, so long as such dealings are approved by the relevant Fund's Advisory Committee and are on terms no less favorable to that Fund than are afforded to unrelated third parties having similar expertise and experience in comparable transactions.

*Lack of Separate Representation:* DLA Piper LLP (US) is acting as U.S. legal counsel for Estancia, Fund I, and the General Partner I. Kirkland & Ellis, LLP is acting as U.S. legal counsel for Estancia, Fund II and the General Partner II. Other than for portfolio company acquisitions/transactions on a case by case basis, it is not anticipated that separate counsel for Funds will be engaged in connection with the organization or operation of each respective Fund. To the extent DLA Piper LLP (US) represents Estancia, Fund I, the General Partner I, and/or the Managing Member, it shall not be deemed to represent, or otherwise owe any obligations or duties to Fund I's Limited Partners. DLA Piper LLP (US) has not passed upon the adequacy of this Form ADV Part 2A or the fairness of the disclosure herein. To the extent Kirkland & Ellis, LLP represents Estancia, Fund II, the General Partner II, and/or the Managing Member, it shall not be deemed to represent, or otherwise owe any obligations or duties to Fund II's Limited Partners. Kirkland & Ellis, LLP has not passed upon the adequacy of this Form ADV Part 2A or the fairness of the disclosure herein. Prospective investors must consult with their own counsel with regard to those matters.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or

the integrity of the adviser's management. Neither Estancia nor any of its officers, directors, employees or other management persons, have been involved in any government and/or regulatory legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

### General Partners

Estancia organized and sponsored the Funds, each of which is a private investment company. Each Fund is controlled by its General Partner, which in turn is controlled indirectly by the Managing Directors. Estancia will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of each Fund's investment activities.

Each Fund's Advisory Committee may be constituted by Estancia to act with respect to various matters, including, but not limited to, the conflicts of interest discussed below.

### Portfolio Related Activities

Certain of Estancia's Managing Directors may serve as officers, advisers, directors or in comparable management functions for Portfolio Companies in which a Fund invests, or provide other services to Portfolio Companies. In their capacities as directors or officers of Portfolio Companies, they will be required to make decisions that consider the best interests of the Portfolio Companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a Portfolio Company, actions that may be in the best interests of the Portfolio Company may not be in the best interests of a Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such Managing Director(s) duties as a Managing Director(s) of Estancia and duties as a director or officer of such Portfolio Company. The Managing Director(s) may spend a substantial portion of their time with these related activities. To mitigate these potential conflicts, each Fund maintains an Advisory Committee that may be consulted to address conflicts of interest. In addition, Estancia evaluates its staffing on an ongoing basis to ensure that it has sufficient staff or resources to enable its Managing Director to provide services to the Portfolio Companies as well as to Estancia.

### Virtus Investment Partners, Inc.

Fund I is controlled by its General Partner, which in turn is controlled indirectly by the Managing Directors. However, Virtus Investment Partners, Inc. ("Virtus"), a Limited Partner of Fund I, has a passive ownership interest in General Partner I and accordingly receives a percentage of the carried interest as a Carry Partner. This may create a conflict of interest if General Partner I chooses to enter into transactions with Virtus. To mitigate this potential conflict, Fund I's LPA requires General Partner I to notify Fund I's Advisory Committee of transactions with Virtus. Virtus is not a member of Fund I's Advisory Committee.

### Fund I Portfolio Companies

Apex Fund Services ("Apex") is an administrator for private pooled investment vehicles. Estancia's common equity interests in Apex followed the merger of former portfolio company Equinox Alternative Investment Services ("Equinox") with Apex, which was completed in August of 2017. As an administrator, Apex also provides private fund accounting services to its

clients. Fund I sold its equity interest in Apex in July of 2018. Estancia does not believe that its relationship with Apex created a material conflict of interest with Fund I.

Snowden Capital Advisors LLC and Snowden Account Services, Inc. (together with Snowden Insurance Services, LLC, collectively “Snowden”) are an investment adviser and a broker-dealer, respectively, each registered with the SEC. Snowden provides wealth advisory services to individuals and institutions. Fund I owns an equity interest in Snowden and one or more of the Managing Director(s) serve as directors for Snowden. Estancia does not believe that its relationship with Snowden creates a material conflict of interest with Fund I.

Resolute Investment Holdings, LLC (“Resolute”) (formerly Astro AB Holdings, LLC) is the owner of American Beacon Advisors, Inc. (“AB”), a Manager-of-Managers sub-advisory asset management platform providing equity, fixed income and cash management solutions to the retail and institutional channels. The company offers a diversified suite of multi-and single-manager mutual funds. Fund I owns equity interest in Resolute and one or more of the Managing Director(s) serve as directors for AB. Estancia does not believe that its relationships with Resolute or AB create a material conflict of interest with Fund I.

Redwood Investments, LLC (“Redwood”) is an independent investment management boutique, specializing in managing Large and Small Capitalization Equity portfolios for public and private pension and retirement plans, foundations, endowments and private clients. Fund I owns equity interest in Redwood and one or more of the Managing Director(s) serve as directors for Redwood. Estancia does not believe that its relationship with Redwood creates a material conflict of interest with Fund I.

Sapience Investments, LLC (“Sapience”), launched September 26, 2016, is an institutional quality investment management team managing both Small and SMID Cap Value Strategies on behalf of institutional clients. Fund I owns equity interest in Sapience and one or more Managing Director(s) serve as directors for Sapience. Estancia does not believe that its relationship with Sapience creates a material conflict of interest with Fund I.

Abel Noser Holdings LLC combined with Abel Noser LLC (broker dealer) and Abel Noser Solutions LLC (financial technology), (collectively “Abel Noser”) brings an industry-leading business services company and an agency-only broker to the portfolio. Abel Noser provides commission management, trade analytics and transition management services in addition to broker-dealer services to over 400 asset management clients. Fund I owns equity interest in Abel Noser and one or more Managing Director(s) serve as directors for Abel Noser. Estancia does not believe that its relationship with Abel Noser creates a material conflict of interest with Fund I.

The Portfolio Companies listed above reflect all of the Portfolio Companies held by Fund I as of the time of this filing.

Fund II Portfolio Companies On April 2, 2019, Estancia Capital Partners Fund II, L.P. closed the PMA management-led buy-out from the founding owners of PMA. PMA Financial Network, Inc., PMA Securities, Inc., and Prudent Man Advisors, Inc. (collectively, the PMA companies) work to

provide integrated financial solutions to primarily public entities. The PMA companies currently serve over 2,400 public entities in twelve (12) states and offer a full range of products and solutions for public funds management and the public finance manager. With services ranging from investment advisory work with Prudent Man Advisors to public finance work with PMA Securities, among others, the PMA companies are focused on achieving long-term financial success for its clients. For more information, go to [www.pmanetwork.com](http://www.pmanetwork.com).

North Square Investments, launched July 18, 2018, is an institutional quality investment platform offering a diversified range of actively-managed investment strategies to independent broker-dealers, registered investment advisers and other intermediaries. Fund II owns a majority equity interest in North Square and one or more Managing Director(s) serve as directors for North Square. As part of this transaction, NSI Holdco also acquired a minority interest in Oak Ridge Investments, LLC (“ORI”). On March 12, 2020, Estancia Capital Partners Fund II, L.P.’s portfolio company NSI, through a newly formed registered investment advisor subsidiary, CSM Advisors, LLC, completed the majority add-on of C.S. McKee. C.S. McKee is an institutional quality asset management firm focused primarily on fixed income securities. Estancia does not believe that its relationship with North Square creates a material conflict of interest with Fund II.

On March 17, 2020, Estancia Capital Partners Fund II, L.P., together with the management team of GCM, successfully completed the management buy-out of 100% of the equity of GCM from Janus Henderson. GCM is an institutional quality asset management firm focused primarily on growth equity securities. GCM currently offers U.S. Small Cap, SMID Cap and Mid Cap Growth equities strategies.

The Portfolio Companies listed above reflect all of the Portfolio Companies held by Fund II as of the time of this filing. Fund II may make investments in other Portfolio Companies subsequent to this filing.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Pursuant to Rule 204A-1 of the Advisers Act, Estancia has adopted a written code of ethics (“Code”) predicated on the principal that an investment adviser owes a fiduciary duty to the Funds. The Code is designed to address and avoid potential conflicts of interest and is applicable to any partner, officer, director or employee of Estancia (or other person occupying a similar status or performing similar functions), as well as to any other person who may provide investment advice on behalf of Estancia and is subject to the supervision and control of Estancia (collectively, “Supervised Persons”). Estancia requires its Supervised Persons to act in the Funds’ best interest, abide by all applicable regulations and avoid any action that is, or could appear to be, legally or ethically improper.

Estancia generally prohibits the purchase or sale of securities that are held by a Fund and requires Access Persons (defined generally as those Supervised Persons who also have access to non-public information regarding the Funds' trading and/or holdings or who make or have access to non-public securities recommendations) to pre-clear investments in IPOs or limited offerings (e.g., private placements). Estancia also requires periodic reporting of access persons' personal securities transactions and holdings and requires prompt internal reporting of Code violations. Estancia endeavors to maintain current and accurate records of all personal securities accounts of its Access Persons in an effort to monitor all such activity. A copy of Estancia's Code is available upon request.

As a General Partner or Managing Member of a Fund, Estancia and its related persons have indirect beneficial interests in the investments owned by the Funds and will share in any profits and losses generated by the Funds' investments. This may create a conflict of interest because Estancia receives performance-based compensation in the form of carried interest and may have an incentive to recommend investments that are more risky than it would otherwise recommend if Estancia did not receive carried interest. To mitigate this potential conflict, all investment decisions must be vetted by the Investment Committee. Also, the fact that the General Partners have invested in the Funds serves to mitigate this conflict.

## **Item 12: Brokerage Practices**

Estancia focuses on making investments in private securities, and does not ordinarily deal with any financial intermediary such as a broker-dealer; therefore commissions are not ordinarily payable in connection with such investments. Moreover, pursuant to the terms of each Fund's respective LPA, the Funds are generally prohibited from investing in any publicly traded securities without the approval of the relevant Fund's Advisory Committee and from investing more than five percent of its commitments in publicly traded securities.

To the limited extent that Estancia transacts in public securities, Estancia will seek to obtain best execution. In selecting broker-dealers, Estancia's primary consideration will be to obtain the most favorable net result for the Funds under the circumstances, which may not constitute the lowest possible commission cost. In selecting broker-dealers to effect securities transactions, Estancia will seek to obtain best execution by considering factors including, but not limited to, execution quality, price, the level of service offered, reliability, experience in liquidating distributions from private equity funds, research services (such as reports and analyses of markets, industries, companies and economic trends) and such other factors as Estancia considers relevant and beneficial to the Funds. The applicability of the factors will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple brokers or dealers.

Estancia does not participate in any soft dollar arrangements with third parties, including broker-dealers. However, Estancia may receive products or services, including research, from third parties that are to the best of Estancia's knowledge made available to the third parties' institutional clients or prospective institutional clients. These products and services are made available to Estancia on an unsolicited basis and without regard to transaction costs paid by the Fund or the volume of business the Funds direct to these third parties. Estancia does not generally compensate such third parties for these unsolicited products and services and will not knowingly

“pay-up” for such products and services. Estancia may have an incentive to select a third party based on its interest in receiving the products or services, rather than on a Fund’s interest in receiving the most favorable execution. Any research products or services that Estancia receives from third parties are supplemental to Estancia’s proprietary research efforts.

Third parties that seek to do business with Estancia may from time to time refer investors or investment opportunities to Estancia. To the extent that these third parties make successful referrals, Estancia may or may not select them to provide services to the Funds. This could conceivably create a potential conflict of interest as Estancia may have an incentive to select the third parties based on Estancia’s interest in receiving referrals, rather than on a Fund’s interest in receiving the most favorable service. To mitigate this potential conflict, Estancia will evaluate these third parties’ costs/service levels against other service providers’ costs/service levels consistent with its goal to achieve best execution for the Funds.

Estancia will seek to place any combined order for Funds engaged in the purchase/sale of the same security if, in its good faith determination, a combined order would be consistent with its duty to seek best execution and otherwise in the best interest of the Funds. If an investment opportunity is suitable for more than one Fund, Estancia will allocate the investment opportunity in a manner that is fair and equitable to each Fund, taking into account all relevant facts and circumstances as well as the terms of each Fund’s organizational agreements.

### **Item 13: Review of Accounts**

The Investment Committee, which consists of the Managing Directors, approves all of the Funds’ initial investments and follow on investments. It meets as necessary in person (or via conference calls) to discuss investment ideas, economic developments, industry outlook and other issues related to the Funds’ investments or potential investment opportunities.

The Investment Committee reviews each Fund at least quarterly. During this review, the Investment Committee reviews each Fund’s financial performance as well as the operational and financial performance of that Fund’s Portfolio Companies. Factors such as economic conditions and material financial or operational changes at the Portfolio Company level may trigger more frequent reviews or monitoring.

Estancia or its designee provides each Limited Partner with the following reports for each Fund in which it invests: (i) quarterly unaudited financial statements containing the assets and liabilities of the Fund, the net income or net loss of the Fund, the changes in cash flow of the Fund, and statements of the capital accounts of the Limited Partners; (ii) annual audited financial statements containing the assets and liabilities of the Fund, the net income or net loss of the Fund, the changes in cash flow of the Fund, and statements of the capital accounts of the Limited Partners; and (iii) annual tax information necessary to complete any applicable tax returns, including each Limited Partner’s Schedule K-1. Estancia may also provide additional reports or certifications to Limited Partners as it deems necessary or as requested by a Fund’s Advisory Committee.

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

Estancia does not have solicitation agreements with any third parties, including placement agents. However, Estancia is generally not prohibited from engaging a third party placement agent (e.g., a

solicitor) to introduce prospective investors to the Funds. The fees and expenses of any third party placement agent will not be paid by the Funds.

### **Item 15: Custody**

Estancia will generally be deemed to have custody of the Funds' assets because of its position as an affiliate of the General Partners. Limited Partners will not receive any statements from the Funds' custodian. Instead, they will receive audited financial statements with the time frame specified in each Fund's LPA, but no later than 120 days after a Fund's fiscal year end. An independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, will conduct the audit. The audited financial statements will be prepared in accordance with generally accepted accounting principles.

### **Item 16: Investment Discretion**

Subject to the terms of each Fund's LPA and the management agreement between Estancia and that Fund, Estancia generally has discretionary authority to determine, without obtaining specific consent from the Limited Partners, the type, amount and price of securities and investments to be bought and sold on behalf of a Fund, including the selection of, and commissions paid to, broker-dealers.

### **Item 17: Voting Client Securities**

Estancia acknowledges that, in its capacity as investment adviser to the Funds, Estancia is responsible for voting any proxies that might be solicited by issuers of securities held by the Funds. As the Funds invest primarily in private equity ventures, however, Estancia anticipates that the solicitation of proxy votes will be a rare occurrence.

Nevertheless, Estancia may periodically exercise proxy voting authority respect to securities held by the Funds. It may also exercise "voting" authority with respect to investments held by a Fund, e.g., Estancia (or a designated person) may make a vote as a member of the board of directors of a Portfolio Company. In those instances, Estancia (or its designated person) will vote in the best interest of the relevant Fund and in accordance with Estancia's fiduciary duty to that Fund.

Estancia (or its designee) reviews each proposal submitted for a vote on a case-by-case basis to determine whether it is in the best interest of the applicable the relevant Fund. In some instances, Estancia may determine that it is in a Fund's best interest for Estancia to "abstain" from voting or not to vote at all, and will do so accordingly.

In situations where Estancia is required to vote for a company in which Estancia (or a designee) serves on the board of directors, Estancia has determined that this does not inherently present a conflict of interest, as the purpose of this representation is to maximize the return on a Fund's investment in the company. If Estancia detects a material conflict of interest in connection with a prospective vote, Estancia will take steps to ensure that its voting decision is based on the best interests of the applicable Fund and is not a product of the conflict. Estancia may, at its discretion seek the advice of the Fund's Advisory Committee in voting such security and/or take such other action in good faith (in consultation with Estancia's outside counsel) which would serve the best interest of that Fund.



The Investment Committee for the Funds will determine on a case-by-case basis whether a Fund will participate in class actions. The CCO will maintain documentation to substantiate any decision taken with respect to class actions.

The Funds and Limited Partners can contact the CCO to obtain a copy of these policies and procedures.

### **Item 18: Financial Information**

A balance sheet is not required to be provided as Estancia (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.