

# New State Capital Partners

## Part 2A of Form ADV

### Brochure

March 30, 2020

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This firm brochure (this “Brochure”) provides information about the qualifications and business practices of New State Capital Partners LLC and New State Management LLC (hereinafter, “New State,” or the “Firm” or “our” or “us”). If you have any questions about the contents of this Brochure, please contact us at 212-675-1600 or [acipriani@newstatecp.com](mailto:acipriani@newstatecp.com). The information in this Brochure has not been approved nor verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Additional information about New State is also available on the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

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This Firm Brochure, dated March 30, 2020, provides you with a summary of New State Capital Partners LLC and New State Management LLC (collectively, “New State,” the “Firm” or the “Adviser”) advisory services and fees, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item 2 provides a summary of new and/or updated material information since the last annual update of the Brochure.

There have been no material changes to this Brochure since the Firm’s last annual update of it on March 29, 2019.

This summary of material changes is qualified in its entirety by reference to the full discussion in this Brochure. Clients are encouraged to read the Brochure in detail and contact their account representative with any questions. The Brochure can be accessed via the SEC Website at [www.sec.gov](http://www.sec.gov) or by requesting a copy by contacting [acipriani@newstatecp.com](mailto:acipriani@newstatecp.com), or by calling New State at 212-675-1600.

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#### **Item 4 - Advisory Business**

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New State Capital Partners LLC and New State Management LLC are investment advisers sharing a principal place of business located in Larchmont, New York. New State Management LLC is a relying adviser to New State Capital Partners LLC, and both advisers share a unified compliance program, advise only private funds, and conduct a single advisory business. References herein to “New State,” the “Firm” or the “Adviser” refer to both New State Capital Partners LLC and New State Management LLC. New State has been conducting business since 2013. The Firm is privately held and its principal owner is David Blechman.

New State provides investment advisory services to multiple private equity funds (“clients” or the “funds”).

New State tailors its advisory services to the needs of each fund, in accordance with the applicable investment objectives and the relevant prospectus, limited partnership agreement, offering memorandum or other applicable documentation of each fund (collectively, “Offering Documents”), where applicable. Any restrictions on investments are set forth in the relevant Offering Documents. New State does not tailor its investment advice to the individual investors in each fund that it manages. As such, investors cannot impose restrictions on the types of investments made through the funds.

As of December 31, 2019, New State managed \$646,175,980 of client assets on a discretionary basis.

#### **Item 5 - Fees and Compensation**

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##### **A. Fees**

New State collects management fees and performance fees relating to the funds as set forth in each applicable fund’s Offering Documents. Management fees are generally 2.00% per annum of the fund investors’ capital commitments during the investment period of the fund. A more detailed description of the specific Management fee calculation for each fund is included in the Offering Documents for each fund. Performance fees may vary by fund and are generally 20% of profits. Some or all of the companies that the private equity funds invest in also pay monitoring fees directly to New State for the provision of certain services. Under certain circumstances, New State offsets all or part of its management fee against these monitoring fees, as set forth in more detail in the applicable Offering Documents. In certain circumstances individuals associated with New State receive compensation from portfolio companies that are not subject to offset in accordance with the Offering Documents.

While monitoring and performance fees are subject to negotiation, they are not arms-length. These fees are generally calculated as a percentage of the budgeted EBITDA of the respective portfolio company.

New State or its affiliates, as applicable, reserve the right to waive, reduce, or rebate the management fee, administrative services fee, and/or performance fee with respect to any investor in a fund. New State may also arrange co-investment opportunities with certain investors in a fund to invest alongside the fund in a particular investment. That arrangement may or may not

include a management or performance fee that is higher or lower than the fees charged to the funds.

## **B. Billing**

New State generally receives management fees from the funds on a quarterly basis in advance and, where applicable, will earn a performance fee as set forth in each applicable fund's Offering Documents.

## **C. Additional Expenses**

Generally, the management fee and performance fee are exclusive of brokerage commissions, transaction fees and certain fund expenses, including but not limited to custodial expenses, service provider costs, litigation costs, operational costs, communications expenses, taxes and other related costs and expenses that are incurred by the fund, and each fund is responsible for the payment of these costs and expenses. The management fee is also exclusive of expenses related to organizing the fund, expenses related to negotiating fund documentation, placement agent fees, filing fees and other accounting and legal fees related to organization of the fund (collectively, "Organizational Expenses"). Such charges, fees and commissions are exclusive of, and in addition to, New State's management fees and performance fees (if applicable). Subject to a cap, Organizational Expenses of a fund reduce the amount of future management fees paid by that fund to New State, as set forth in more detail in the applicable Offering Documents. For a more complete discussion regarding fees and expenses applicable to a particular fund, please refer to the appropriate Offering Documents. Please see Item 12 – Brokerage Practices for more information.

Further, New State or its affiliate may allocate a portion of certain portfolio company investments to co-investors and may at times create separate vehicles for its principals, officers and employees, and any of their respective friends or family members, to invest alongside a fund. Generally, co-investors share broken deal expenses as negotiated between New State and such co-investors, and such arrangements, to the extent that they are not pro rata, will be disclosed to investors in the funds.

## **D. Conflicts of Interest and Allocations**

New State's investments on behalf of the funds generally consist of purchasing interests, often controlling, in portfolio companies. Further, the investment periods for funds managed by New State are generally not overlapping. However, to the extent New State is actively evaluating investments for more than one fund, it will seek to allocate investment opportunities for Funds on a fair and equitable basis over time, and taking into account a number of factors such as (but not limited to) the sourcing of the relative amounts of capital available for new investments and the investment programs and funds for which such participation is appropriate, the governing documents of each fund, and other relevant considerations.

Further, New State will determine that each investment opportunity is appropriate for a fund and consistent with the fund's investment objectives and with any investment guidelines or restrictions applicable to that fund. When it is determined that it would be appropriate for a fund to participate in an investment opportunity, New State will allocate to such fund consistent with the investment guidelines and provisions applicable to that fund.

New State may also allocate a portion of a portfolio company investment that it makes for a fund to co-investors, and consequently can exercise its discretion to do so for any investments that the fund makes or has made. New State intends to offer co-investments in its discretion to third parties or to fund investors, including when there is an interest from a particular investor in the funds or where New State identifies an opportunity that may be of interest to select fund investors. The terms under which such co-investments may be offered will be determined by New State or its affiliate and the relevant co-investor, unless otherwise provided for in the respective fund's Offering Documents. New State and its affiliate may (but are not obligated to) receive a carried interest or management fee in respect of co-investment opportunities. Further, New State may at times create separate vehicles for members of its investment team, any of their respective friends or family members, or employees of New State or certain of its affiliates to invest alongside an existing fund. Such vehicles, if established, shall invest a fixed percent alongside the relevant fund based upon elections that apply on a calendar year basis.

New State allocates certain expenses and transaction costs among its funds, and between the funds and itself, in a fair and impartial manner that takes into account a number of factors, including, among others, the provisions of the fund's Offering Documents, the amount of capital committed or invested by a fund, the number or percentage of transactions or investment opportunities in which a fund was eligible to participate, and the presence of any co-investment vehicles or direct investors investing (or proposing to invest) alongside a fund. New State will generally allocate all relevant expenses and transaction costs pro rata among its funds, including co-investment vehicles participating in an investment.

To the extent that New State offers co-investment opportunities to third parties, it will seek to enter into a letter of understanding with the prospective co-investor at the time that the co-investment opportunity is presented that states that the prospective co-investor will bear broken deal expenses on a pro rata basis with the fund(s).

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

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Performance fees are fees based on a share of capital gains on, or capital appreciation of, the assets of a fund. Performance fees can create an incentive for New State to recommend investments that are riskier or more speculative than would be the case if such arrangement were not in effect. New State and its employees may be perceived to have an incentive to devote more resources toward managing funds for which it charges a higher performance fee over other funds. New State addresses such potential conflicts through policies and procedures that seek to ensure that all clients are treated fairly and investment opportunities are allocated appropriately over time.

#### **Item 7 - Types of Clients**

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New State provides investment advisory services to private equity funds. Please note that New State's clients are the funds. Investors in such funds are not clients of New State. Minimum contributions for investments in a fund may vary for each fund and are subject to waiver by the general partner of the respective fund.

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

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### A. Methods of Analysis and Investment Strategies

Each fund advised by New State has its own strategies and risks which are described in its Offering Documents.

### B. Material Risk Factors

*Investing in securities involves risk of loss that investors should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of an investor's investment in a fund will fluctuate due to market conditions and other factors. The investment decisions made, and the actions taken in managing the funds, will be subject to various market, liquidity, currency, economic, political and other risks, and investments may lose value.*

**Coronavirus Outbreak Risks.** The recent global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting restrictions on travel and quarantines imposed, has meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is likely to contribute to market volatility and is also likely to lead to an economic slowdown given the disruption to supply chains across sectors and industries worldwide, which may reduce private equity activity more generally and materially and adversely affect the funds and their portfolio companies. The COVID-19 outbreak may adversely affect the funds' ability to dispose their investments as buyers retrench from pursuing investment opportunities due to the prolonged economic uncertainty. The applicability, or lack thereof, of force majeure provisions could also come into question in connection with contracts that the funds and their portfolio companies have entered into, which could ultimately work to their detriment. To the extent an epidemic, including COVID-19, is present in jurisdictions in which New State has offices or other operations or investments, it could affect the ability of the Adviser to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the funds' investment strategies and objectives. In addition, in response to the COVID-19 outbreak, several industry conference sponsors and venues have suspended or cancelled events due to concerns over the spread of COVID-19. Events have also been impacted by the implementation of U.S. federal and state and non-U.S. governmental actions, as well as voluntary and involuntary travel restrictions. Attendance by New State, its employees and affiliates at industry conferences and events is an important component of the Adviser's investment-sourcing strategy. Private and governmental efforts to prevent the further spread of COVID-19 through travel restrictions and cancellation or suspension of industry events may adversely affect the New State's ability to source potential investment opportunities for the funds and to gain meaningful insights in order to properly evaluate the risk/reward potential of investing in a particular industry sector or market. The funds and their portfolio companies may also suffer losses and other adverse impacts if travel and other COVID-19-related disruptions continue for an extended period of time. In addition, the Adviser's personnel and personnel of critical service providers to the Adviser or the funds may be directly impacted by the spread of COVID-19, both through direct exposure (the likelihood of which can increase due to the frequency of travel) and exposure to family members, which could impair New State's ability to satisfy its obligations to the funds, their investors, and pursuant to applicable law. The spread of COVID-19 among the Adviser's personnel has the potential to significantly affect New State's ability to properly oversee the affairs of the funds (particularly to

the extent such impacted personnel include key investment professionals or other members of senior management), resulting in the possibility of temporary or permanent suspension of a fund's investment activities or operation.

The information contained in this Brochure cannot disclose every potential risk associated with an investment strategy, or all of the risks applicable to New State or a particular security or investment. Investors should carefully read the Offering Documents before making an investment in a fund.

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**Item 9 - Disciplinary Information**

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Registered investment advisers are required to provide information about any legal or disciplinary events that would be material to your evaluation of New State or the integrity of its management.

New State has no reportable disciplinary events.

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**Item 10 - Other Financial Industry Activities and Affiliations**

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New State manages the funds and its affiliates act as general partner or sponsor of the funds. New State does not believe that these relationships create any material conflicts of interest with the funds.

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

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**Code of Ethics and Personal Trading**

New State has adopted a Code of Ethics for all supervised persons that describes, among other things, New State's standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to a prohibition on insider trading and personal securities trading procedures and reporting requirements, among other things. All supervised persons at New State must acknowledge the terms of the Code of Ethics annually and at any time the Code of Ethics is materially amended.

Subject to the Code of Ethics and applicable law, officers, directors and employees of New State and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for the funds. The Code of Ethics seeks to assure that the personal securities transactions, activities and interests of the employees of New State will not interfere with (i) making decisions in the best interest of the funds and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

In addition, the Code of Ethics requires pre-clearance of certain transactions, and may restrict trading in certain circumstances. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as the funds, there is a possibility that employees might benefit from market activity by a fund in a security held by an employee. Employee trading is monitored to detect and prevent conflicts of interest between New State and the funds.



New State's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting [acipriani@newstatecp.com](mailto:acipriani@newstatecp.com).

Principals, officers and employees of New State and its related persons and affiliates are or may be investors in its private equity funds. As such, it is possible that New State could cause a fund to buy or sell securities in which New State or one of its related persons has a financial interest. For example, New State could recommend that a fund invest in a portfolio company in which another fund previously invested. Because New State will have a nominal ownership interest in both funds, New State could have a potential conflict of interest in making such a recommendation. New State addresses this through disclosure to clients and fund investors. As New State typically will only invest in portfolio companies through fund vehicles, any New State employee will receive the same price as other investors in the fund.

At times, New State will allocate a portion of a portfolio company investment that it makes for a private equity fund to co-investors. New State and the relevant co-investor will determine the terms under which such co-investments are offered, unless otherwise provided for in the respective fund's governing documents. The general partner of the funds may receive a carried interest or management fee in respect of such co-investment opportunities. Further, New State has historically and will in the future create separate vehicles for its principals, officers and employees, any of their respective friends or family members, or employees of New State or certain of its affiliates to invest alongside an existing private equity fund. These vehicles may have terms that are different than those of the private equity fund that they invest alongside of. New State has historically and will continue to disclose to investors in its funds the terms under which these separate vehicles exist.

## **Item 12 - Brokerage Practices**

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### **Selection of Broker-Dealers**

New State's private equity funds invest in privately-offered portfolio company securities and do not use broker-dealers to execute trades on their behalf. New State does not receive research or other soft dollar benefits. New State does not receive investor referrals from broker-dealers. However, from time to time, New State may enter into arrangements with certain broker-dealers related to deal-sourcing. Such broker-dealers are compensated in varying ways, including without limitation by payment of a fixed fee or a percentage of the consummated investment. Such arrangements do not present a conflict of interest for New State in selecting broker-dealers because New State does not regularly execute trades with broker-dealers. New State does not have any directed brokerage arrangements.

## **Item 13 - Review of Accounts**

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Fund portfolios are reviewed by New State no less frequently than quarterly. Criteria in an portfolio review includes, but is not limited to, investment performance, market fluctuations, significant events, and fund investment objectives. New State may conduct more frequent reviews as the result of a triggering event (*i.e.*, market adjustment). All investors receive, at a minimum, a quarterly written report containing asset values and performance information, as applicable.

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

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New State does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the funds.

New State entered into agreements with third-party placement agents and pays compensation to the placement agents for referring investors to the funds. The placement agents receive a percentage of the capital commitments that depends upon specific circumstances and restrictions.

#### **Item 15 - Custody**

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New State does not have physical custody of client accounts, but is deemed to have custody by virtue of its related persons serving as general partner of the funds. New State will comply with the custody rule by obtaining an annual audit of a fund and distributing the audited financial statements to investors within 120 days of the end of the fund's fiscal year.

#### **Item 16 - Investment Discretion**

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New State manages each of the funds on a discretionary basis. Discretionary authority allows New State to select the identity, amount, time, and price at which securities are to be purchased and sold for the funds. New State is authorized to exercise discretion by the applicable Offering Documents of each fund.

#### **Item 17 - Voting Client Securities**

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As the funds' investments consist only of private transactions in portfolio companies, this item is not applicable.

#### **Item 18 - Financial Information**

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Registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. New State has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.