

# **ADVANTAGE**

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# **C A P I T A L**

## **Advantage Capital Management Corporation**

### **Part 2A of Form ADV**

### **Investment Adviser Brochure**

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This brochure provides information about the qualifications and business practices of Advantage Capital Management Corporation (“ACMC”). If you have any questions about the contents of this brochure, please contact Michael T. Johnson, Chief Compliance Officer, at 504-522-4850 or at [mjohnson@advantagecap.com](mailto:mjohnson@advantagecap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

ACMC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration of an investment adviser does not imply any level of skill or training. Additional information about ACMC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

This section addresses changes made to APMC's Brochure since the last annual amendment was filed on March 29, 2019. Material changes include: (i) the addition of details about APMC's third solar investment tax credit fund that closed in October 2019; (ii) information about the end of the Agribusiness Fund's investment period and (iii) updates to Item 8 to reflect changes to the Investment Committee for the Solar Funds. Additional changes made since the last amendment are limited to routine items such as the update of the value of the Client Funds.

*APMC's current Form ADV Brochure may be requested any time at no charge by contacting Michael T. Johnson at [mjohnson@advantagecap.com](mailto:mjohnson@advantagecap.com) or Cara Schiffman at [cschiffman@advantagecap.com](mailto:cschiffman@advantagecap.com).*

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## **Item 4. Advisory Business**

### **General**

Since the early 1990s, ACMC and its affiliates, which operate under the names Advantage Capital and Advantage Capital Partners (ACMC and its affiliates are collectively referred to herein as “Advantage Capital” or “AC”), have utilized public-private partnerships with state and federal economic development organizations to bring investment capital to communities that are underserved by traditional capital providers. Using tax credits offered under the federal and state New Markets Tax Credit Programs (the “NMTC Programs”) and other state sponsored investment programs (“State Programs”), AC has partnered with some of the nation’s leading insurance companies and commercial banks to create proprietary accounts that target investments to these areas. Two such proprietary accounts, which operate under the BizCapital brand, use funds provided through the NMTC Programs to make small business loans, many of which are guaranteed by the U.S. Small Business Administration (7(a) loan guarantee program) or the U.S. Department of Agriculture (B&I loan guarantee program). To date, AC has invested more than \$3.0 billion in small to mid-sized businesses through its proprietary accounts. See Item 10 “Other Financial Industry Activities and Affiliations” for more information with respect to these activities.

AC’s investment advisory business is conducted through ACMC and four relying advisers: Texas ACP Venture Partners I, L.L.C. (“Texas Manager”), Advantage Capital Texas Ventures GP, L.L.C., the managing member of Texas Manager (“Texas GP”), Advantage Capital Agribusiness GP, L.L.C. (“Agribusiness GP”) and Advantage Capital Agribusiness Manager, L.L.C. (“Agribusiness Manager,” and collectively with Texas Manager, Texas GP and Agribusiness GP, the “Relying Advisers”). References to ACMC throughout this Brochure refer to ACMC and its Relying Advisers, unless the context otherwise requires.

ACMC, together with its Relying Advisers, conducts a single advisory business subject to a unified compliance program. ACMC currently provides investment advisory services to five clients. The first is a separate account created by an agreement between the Texas Department of Agriculture (the “Department”) and Texas Manager entitled “Performance Agreement, Jobs for Texas Venture Capital Program” (the “Performance Agreement”). The separate account created by the Performance Agreement is referred to throughout this Brochure as the “Texas J4T Account.”

ACMC also provides investment advisory services to four private funds. Advantage Capital Agribusiness Partners, L.P. is a Delaware limited partnership that was formed in 2013 and closed on October 3, 2014 (the “Agribusiness Fund”). Advantage Capital Solar Partners I, L.L.C. (“Solar Fund I”), Advantage Capital Solar Partners II, L.L.C. (“Solar Fund II”) and Advantage Capital Solar Partners III, L.L.C. (“Solar Fund III”), are all Delaware limited liability companies that closed on October 11, 2017, October 26, 2018 and October 22, 2019, respectively (collectively referred to as the “Solar Funds”). The Agribusiness Fund and the Solar Funds are private equity

funds that qualify for exclusion from the definition of an investment company under Section 3(c)(1) of the Investment Company Act of 1940. The Texas J4T Account, the Agribusiness Fund and the Solar Funds are collectively referred to throughout this brochure as the “Client Funds.”

It is possible that ACMC or a Relying Adviser will manage and advise additional private equity funds in the future. Where applicable, the Client Funds referenced throughout the brochure could also include these new funds and any other entities to whom ACMC may provide investment advisory services. Any such entities would become a part of ACMC’s existing advisory business and be subject to the same unified compliance program. ACMC will update the Form ADV as necessary should ACMC begin providing investment advisory services to a new Client Fund.

### **The Texas J4T Account**

Pursuant to the Texas Small Business Venture Capital Program, also known as the “Jobs for Texas Venture Capital Program,” the State of Texas dedicated a portion of the capital it received under the federal State Small Business Credit Initiative Act (the “SSBCI Act”) to a venture capital program to be administered by the Department. In November 2011, the Department selected ACMC (through Texas Manager and Texas GP) to manage \$17 million of this capital and entered into the Performance Agreement with Texas Manager. Pursuant to the Performance Agreement, Texas Manager agreed to identify and make equity and debt investments in companies located in the State of Texas that meet certain criteria set forth by the Department, such as size of the investment, activities of the business, character of the business’ principals and use of funds invested. The Department must approve each proposed investment in order to ensure satisfaction of these criteria. All committed funds have been drawn and invested, and ACMC does not anticipate making any further investments from the Texas J4T Account.

### **The Agribusiness Fund**

The Agribusiness Fund is structured to comply with the statutes and regulations of the Rural Business Investment Company (“RBIC”) Program, a venture capital program administered by the U.S. Department of Agriculture for the purpose of promoting economic development in rural areas and the creation of wealth and job opportunities for individuals living in such areas. Pursuant to the RBIC Program, Farm Credit System institutions, such as farm credit banks (“FCS Institutions”), are permitted to purchase equity interests in an RBIC such as the Agribusiness Fund.

On July 11, 2014, the Agribusiness Fund was licensed by the Department of Agriculture as an RBIC and closed on October 3, 2014, with capital commitments from nine FCS Institutions (\$150 million) and Agribusiness GP (\$4.5 million). The Agribusiness Fund endeavors to create a diversified portfolio of investments in businesses that are agriculture related and/or located in rural America, with a view to improving rural economic prosperity, producing long-term returns for investors and bringing awareness of rural investing to a broader investor base. As an RBIC, Agribusiness Fund investments are subject to substantial restrictions, such as size and location of

investment, industry sector, and use of investment proceeds. See Item 8. “Methods of Analysis, Investment Strategies and Risk of Loss—The Agribusiness Fund.”

The investment period for the Agribusiness Fund ended on October 3, 2019. As such, ACMC is no longer sourcing new investments for the Agribusiness Fund and will use the remaining uncalled capital to pay expenses of the Agribusiness Fund, including management fees, and to make follow-on investments in existing portfolio companies.

### **The Solar Funds**

Solar Fund I closed with two insurance company investors that made capital commitments totaling \$35 million (“Solar I Class A Members”). Solar Fund II closed with two insurance company investors that agreed to make capital commitments totaling \$32.5 million (“Solar II Class A Members”). Solar Fund III closed with five investors that agreed to make capital commitments totaling \$60.3 million. This included three insurance companies and one banking institution (“Solar III Class A Members”) that committed \$54.3 million and Advantage Capital Solar Tax Equity Investor, LLC, an ACMC-affiliated investor (“Solar III Class C Member”) that committed \$6 million. Advantage Capital Solar Holdings, LLC, an affiliate of ACMC, is the Class B Member of each of the Solar Funds, committing only a nominal capital amount.

The Solar Funds focus on equity investments in flow-through entities owning solar energy production facility developments that are expected to generate Federal Investment Tax Credits pursuant to Internal Revenue Code Section 48, other tax benefits and cash flows that may be allocated to each fund’s Class A Members and the Solar III Class C Member. The Solar Funds are designed to generate tax credits for their Class A Members that may be utilized in the year of investment. Thus, because the tax credits are issued by the underlying projects in the year such projects are placed into service, the Solar Funds have an extremely short investment period.

### **Principal Owners**

ACMC is 100% owned by the Advantage Capital Employee Stock Ownership Plan and Trust (the “ESOP”). No person or entity beneficially owns 25% or more of the ESOP. However, Steven T. Stull, AC’s Chief Executive Officer, has the right to vote the number of shares of ACMC common stock necessary to elect up to 50% of the directors of ACMC. Such voting rights were granted to Mr. Stull as a secured creditor of the ESOP and terminate upon the earlier to occur of repayment of the debt owed to Mr. Stull by the ESOP or December 24, 2024.

Texas GP is the sole owner of the Texas Manager. ACMC owns approximately 10% of Texas GP, with the remainder owned by current and former principals, employees and consultants of ACMC. Only Mr. Stull owns more than 25% of Texas GP.

Agribusiness GP, the general partner of the Agribusiness Fund, has delegated management responsibility for such Fund to Agribusiness Manager, which is 100% owned by ACMC.

Agribusiness GP is beneficially owned by APMC (less than 10%) and principals, employees and consultants of APMC. Only Mr. Stull owns more than 25% of Agribusiness GP.

The Solar Funds have delegated all management responsibility to APMC. The Class B Member for all of the Solar Funds is beneficially owned by Mr. Stull and other members of AC management, with only Mr. Stull owning more than 10% of the equity of the Class B Member. Additionally, the Solar III Class C Member is 100% owned by AC Managing Director Carl Weatherley-White.

Mr. Stull founded the group of entities known as Advantage Capital Partners in 1992 and has served as CEO since that time. He directs the firm's investment policy, fundraising and strategic planning and has over 25 years of experience in all stages of the investment life-cycle, from identifying investment opportunities to structuring investment exits.

### **Investment Advisory Activity**

Investment advice to each Client Fund is provided on a discretionary basis and is tailored to the investment criteria and needs of each such Client Fund. As discussed above, each Client Fund is subject to strict investment parameters, including, in the case of the Agribusiness Fund and the Texas J4T Account, federal or state law mandates regarding, among other things, the types and sizes of investments and the kind and character of businesses into which investments may be made and in the case of the Solar Funds, investments that are expected to generate Federal Investment Tax Credits under Section 48 of the Internal Revenue Code.

AC's investment advisory services are principally conducted through its offices located in Louisiana, Missouri, Nevada, Illinois, New York, New Hampshire and Texas. AC has additional offices in California, Washington, D.C., and Mississippi and contractual relationships with outside firms responsible for locating investments in three additional states where it has no physical presence. Because of the geographic focus of the Texas J4T Account, substantially all of its operations are conducted from AC's offices in Austin, Texas. The majority of the operations of the Agribusiness Fund and the Solar Funds are conducted in the Illinois, Texas, Missouri, New Orleans and New York offices. All of AC's accounting, compliance and fund administration is conducted at, and substantially all of its books and records are located in, its offices in New Orleans, Louisiana.

A total of \$17 million of discretionary assets was originally committed to the Texas J4T Account. All of this committed capital has been called. The Performance Agreement was scheduled to terminate on December 31, 2018 (the "Agreement Termination Date"). AC anticipated that the active investments would remain in place after the Agreement Termination Date. As such, on November 26, 2018, the Department and the Texas Manager executed an amendment to the Performance Agreement to clarify that the parties' rights and obligations under the agreement would remain in effect for all active investments after the Agreement Termination

Date. As of December 31, 2019, the Texas J4T Account had three active investments valued at \$7.26 million.

At closing of the Agribusiness Fund on October 3, 2014, \$154.5 million of capital was committed to the Agribusiness Fund. As of December 31, 2019, approximately \$130.6 million of the commitments had been called and paid into the Agribusiness Fund. Taking into account \$1.93 million that was distributed by the Agribusiness Fund and is now subject to be recalled, the Agribusiness Fund has access to \$23.87 million in capital. Assets of the Agribusiness Fund totaled \$95.6 million as of December 31, 2019.

The Solar I Class A Members committed a total of \$35 million of capital to Solar Fund I, all of which had been called and paid as of December 31, 2019. Solar Fund I had assets valued at \$8.2 million as of December 31, 2019. The Solar II Class A Members agreed to commit a total of \$32.5 million of capital. As of December 31, 2019, approximately \$26 million of their commitments had been called and paid into Solar Fund II, which had assets at year-end totaling \$7.0 million. The approximate \$6.5 million of remaining unfunded capital commitments for Solar Fund II will not be called. When Solar Fund III closed on October 22, 2019, the Solar III Class A Members and Solar III Class C Member committed a total of \$60.3 million of capital, \$20.18 million of which had been called and paid as of December 31, 2019. All but \$48,707.20 of the remaining uncalled capital was called and paid by March 2020. This small amount of remaining unfunded commitments for Solar Fund III will not be called. Solar Fund III had assets totaling \$20.14 million as of December 31, 2019.

## **Item 5. Fees and Compensation**

### **The Texas J4T Account**

The Texas Manager does not receive a management fee from the Texas J4T Account but is entitled to reimbursement by the Department (up to \$340,000 annually) for expenses related to identifying, evaluating and monitoring investments and certain other direct costs of operating the Texas J4T Account. Such reimbursements are only payable out of available cash flow from investments or returns from an investment exit. The terms and conditions of these reimbursements were negotiated by the Texas Manager and the Department.

The Texas Manager receives a carried interest allocation from the Texas J4T Account (See Item 6. “Performance-Based Fees and Side-by-Side Management”).

### **The Agribusiness Fund**

During the first five years of its life the Agribusiness Fund paid an annual management fee to Agribusiness Manager (as designee of Agribusiness GP) equal to 2% of capital committed by its limited partners. Thereafter, the annual fee will be calculated as 2% of the aggregate cost of the Agribusiness Fund’s investments less any investment written down by more than 90%. Such



fee will be paid quarterly in advance from capital commitments of its limited partners. The Agribusiness Fund also reimbursed the Agribusiness GP for certain organizational costs (\$500,000 cap) and reimburses the GP for certain specified operating expenses.

Agribusiness GP is entitled to a carried interest allocation from the Agribusiness Fund (See Item 6. “Performance-Based Fees and Side-by-Side Management”).

### **The Solar Funds**

ACMC earned an initial management fee from Solar Fund I with respect to the capital committed by the Solar I Class A Members to be paid as follows: (i) 1% of the total amount of capital commitments payable on a pro rata basis in connection with each capital call from the Solar I Class A Members and (ii) with respect to each of 2018 through 2023, inclusive, an annual fee of 1.5% of capital committed by the Solar I Class A Members, payable only after all priority distributions and if applicable, priority distribution shortfalls have been paid to the Solar I Class A Members.

Solar Fund II paid ACMC an initial management fee equal to 1% of the total amount of capital called payable on a pro rata basis in connection with each capital call from the Solar II Class A Members. After this initial fee, ACMC is entitled to an amount equal to (i) 1.25% of called capital in each of 2019 and 2020 and (ii) 0.20% of called capital in each of 2021 through 2024, inclusive.

Solar Fund III will pay ACMC an initial management fee equal to 1.25% of the total amount of capital called payable on a pro rata basis in connection with each capital call from the Solar III Class A Members and Solar III Class C Member. After the initial fee, ACMC is entitled to an amount equal to (i) 1.25% of called capital in each of 2020 and 2021 and (ii) 0.20% of called capital in each of 2022 through 2025, inclusive.

The Class B Member is entitled to a carried interest allocation from all the Solar Funds (See Item 6. “Performance-Based Fees and Side-by-Side Management”). In addition, the Class B Member is entitled to receive a junior return from the Solar Fund II and the Solar Fund III via distributions equal to 1.05% of committed capital during the applicable years, as stated in each fund’s Limited Liability Company Agreements (“LLC Agreements”).

### **General**

On rare occasions, ACMC may earn compensation directly from portfolio companies of the Client Funds or in connection with transactions involving Client Fund portfolio companies. Any such compensation received by ACMC or the Relying Advisers will be returned to the Client Funds or used to reduce any fee owed to ACMC or the Relying Advisers by the Client Funds. Further, its employees also serve on the boards of directors or similar governing bodies of Client Fund portfolio companies. Any board fees or other compensation received as a result of such

service are returned to the appropriate Client Fund. In the event one or more proprietary accounts co-invest with a Client Fund, the amount of any ACMC or employee board compensation or fee required to be returned (as described above) will be reduced proportionately.

As part of their overall compensation, AC employees may also participate directly in the gains achieved by the Client Funds through an ownership interest in one or more Relying Advisers. Such an ownership interest may create an incentive for AC employees to recommend riskier or more speculative investments for the Client Funds in order to further their own economic interests.

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

### **The Texas J4T Account**

Texas Manager is entitled to a profits interest from the Texas J4T Account equal to 28% of the profits generated by the Account's investments after repayment to the Department of 100% of its capital contributions. The Performance Agreement negotiated between the Department and the Texas Manager contains the method by which such performance-based compensation is calculated. Although the interests of the Texas Manager are generally aligned with those of the Department, the Texas Manager has not made a significant capital contribution to the Texas J4T Account; accordingly, the performance-based compensation structure may create an incentive for the Texas Manager to invest in riskier or more speculative instruments.

### **The Agribusiness Fund**

Agribusiness GP has committed to make capital contributions to the Agribusiness Fund equal to 3% of limited partners' contributions when and as called and will receive a corresponding percentage of each Agribusiness Fund distribution. With the exception of certain distributions described below, the remaining portion of all distributions will be made (i) 100% to the limited partners (including the Agribusiness GP to the extent of its 3% match) until they have received (a) 100% of their capital contributions made to date and (b) a preferred return of 6% per annum on such capital contributions from the date of contribution, compounded annually; (ii) 100% to Agribusiness GP until it has received an amount equal to (x) 20% of cumulative distributions made to the limited partners in respect of their preferred return, plus (y) 20% of amounts distributed to Agribusiness GP pursuant to clause (x); and (iii) 80% to the limited partners and 20% to Agribusiness GP. Notwithstanding the foregoing, on an annual basis, Agribusiness GP is entitled to distributions in amounts sufficient to allow it and its members to discharge any Federal, state and local tax liabilities arising from the Agribusiness GP's interest for the current fiscal year, adjusted downward as necessary to take into account any allocations of net taxable loss or deduction allocated with respect to prior fiscal years. Any such tax distribution to Agribusiness GP will be credited against future distributions to which it would otherwise be entitled as described above.

The performance-based portion of the Agribusiness GP's compensation (i.e., distributions set forth in clauses (ii) and (iii) above) are referred to as "Carried Interest Distributions." These Carried Interest Distributions may be subject to claw-back pursuant to the terms of the Agribusiness Fund's Partnership Agreement. Specifically, if upon liquidation of the Agribusiness Fund, the limited partners have not received distributions at least equal to their total capital contribution plus their Preferred Return, the Agribusiness GP is required to contribute back to the Agribusiness Fund an amount necessary to make up the shortfall in limited partner distributions; provided that the Agribusiness GP shall not be required to contribute any amount in excess of the difference between (i) Carried Interest Distributions received by the Agribusiness GP and (ii) the Agribusiness GP's cumulative tax liability with respect to its ownership in the Agribusiness Fund. Funds contributed by the Agribusiness GP will then, after any provision for reserves, be distributed to the limited partners.

The interest of Agribusiness GP in distributions of the Fund may create an incentive for Agribusiness GP and Agribusiness Manager to invest in riskier or more speculative instruments, although the contribution of capital by Agribusiness GP will, to a certain extent, serve to align the interest of the Agribusiness Fund and Agribusiness GP and reduce this incentive.

### **The Solar Funds**

The Class B Member is entitled to 20% of all cash distributions from the Solar Funds, after the Solar I Class A Members and Solar II Class A Members have received cash distributions, as well as allocations of tax credits and net tax benefits, that result in the Solar I Class A Members and Solar II Class A Members achieving an agreed upon internal rate of return ("Target IRR") and multiple ("Target Multiple") on cash invested in Solar Fund I and Solar Fund II, as defined in each fund's Limited Liability Company Agreements ("LLC Agreements"). Cash distributions will be made as follows: (i) Until the Flip Point (date upon which both the Target IRR and Target Multiple have been achieved), (a) 100% to the Solar I Class A Members and Solar II Class A Members in accordance with their pro rata shares in an amount equal to the cumulative unpaid priority distribution (i.e., 3% annually on the cumulative capital contributions made by Solar I Class A Members and the Solar II Class A Members) as of the distribution date, and (b) 99.9% to the Solar I Class A Members and the Solar II Class A Members in accordance with their pro rata shares and 0.1% to the Class B Member and (ii) after the Flip Point, (a) first, to the Class B Member in an amount up to the Carried Interest Balance (20% of cash distributions made prior to the Flip Point less any such distributions made to the Class B Member) and (b) then, 80% to the Solar I Class A Members and the Solar II Class A Members in accordance with their pro rata shares and 20% to the Class B Member.

The cash distributions for Solar Fund III are to be made as follows: (i) Until the Cash Flip Point (the sooner of the date upon which the Solar III Class C Member achieves a return of its capital or December 31, 2023), 100% to the Solar III Class C Member as of the distribution date, (ii) after the Cash Flip Point until the Flip Point, (a) first to the Solar III Class A Members in

accordance with their Pro Rata Shares in an amount equal to the Priority Distribution Amount (i.e., 2.5% annually on the cumulative capital contributions made by Solar III Class A Members) for such Distribution Date, (b) to the Solar III Class A Members in accordance with their Pro Rata Shares, in an amount equal to any Priority Distribution Shortfall, (c) to the Class B Member in an amount equal to the Junior Return and any applicable Junior Return Shortfall, and (d) 99.8% to the Solar III Class A Members in accordance with their pro rata shares, 0.1% to the Class B Member and 0.1% to the Solar III Class C Member and (iii) after the Flip Point (a) first, to the Class B Member in an amount up to the Carried Interest Balance (20% of cash distributions made prior to the Flip Point less any such distributions made to the Class B Member) and (b) then, 80% to the Solar III Class A Members and the Solar III Class C Member in accordance with their pro rata shares and 20% to the Class B Member.

The Class B Member made an insignificant capital contribution to the Solar Funds; therefore, the interest of the Class B Member in distributions of the Funds may create an incentive for ACMC to invest in riskier or more speculative instruments. However, any such incentive is mitigated by the effective subordination of ACMC's fees, and of the Class B Member's profit, to achieving the Class A Members' Target IRR and Target Multiple.

### **Parallel Investments**

The Performance Agreement entered into between the Department and the Texas Manager required that AC, through its two proprietary accounts focused on investments in the State of Texas, invest in any portfolio company in which the Texas J4T Account made an investment a minimum of 20% of the amount invested in any such company by the Texas J4T Account. All such investments were required to be in the same class of securities as the Texas J4T Account's investment and must remain in place until the Texas J4T Account has exited such investment.

The Agribusiness Fund has an Investment Advisory Committee (the "IAC") made up of representatives of its seven founding limited partners. ACMC has agreed to present the IAC with all potential investments it is considering for its proprietary accounts that also meet the Agribusiness Fund's investment criteria and objectives, together with a recommendation on the amount that the Agribusiness Fund should invest. This also includes providing a recommendation and explanation if ACMC determines that the Agribusiness Fund should not pursue the investment opportunity. This recommendation will be based on several factors, including, among others, the investment objectives, available capital and diversification needs of the Agribusiness Fund. The IAC will have the authority to approve on behalf of all limited partners any such co-investment or decision not to invest by the Agribusiness Fund. The IAC will also have the authority to grant (i) approvals required under the Advisers Act, including any approvals required under Section 206(3) thereof, and (ii) any consent to a transaction that would result in the "assignment" (within the meaning of the Advisers Act) of the Agribusiness GP's interest in the Partnership.

Although ACMC does not anticipate an overlap between the investment objectives of its current Clients or Proprietary Accounts with those of the Solar Funds, ACMC has agreed that any solar-related projects presented to ACMC or its affiliates during the Solar Funds' investment periods will first be evaluated for investment by the Solar Funds and shall only be offered to an affiliate of ACMC if the project does not satisfy the Solar Funds' investment objectives.

If necessary, ACMC will establish requirements that are similar to those discussed above to ensure compliance with the mandates and restrictions on investor approvals included in the organizational documents of Client Funds that ACMC may advise in the future. Additionally, subject to the restrictions for each Client Fund, if ACMC determines that it would be appropriate for more than one Client Fund or one or more Client Funds and proprietary accounts to participate in an investment opportunity, ACMC will seek to allocate the investment opportunity to all of the participating Client Funds and proprietary accounts on a fair and equitable basis taking into account such considerations as portfolio limitations, availability of capital and liquidity, remaining investment term, diversification, other Client Funds and proprietary account limitations, and other such considerations as ACMC may deem appropriate at the time. In such situations, ACMC may consult with counsel or compliance consultants.

Certain employees and affiliates of AC may have the opportunity to co-invest in the Client Funds' portfolio company investments. Any such investment is subject to the prior approval by the Chief Compliance Officer. See Item 11. "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," below. Neither AC nor any affiliated entity will receive any fee as a result of any such co-investing.

## **Item 7. Types of Clients**

ACMC, the Texas GP and the Texas Manager provide investment advisory services directly to the Texas J4T Account. Investments for the Texas J4T Account are determined by the Texas Manager subject to certain prior approvals by the Department designed to ensure all investments meet the requirements of the Performance Agreement and the SSBCI Act. Investments for the Agribusiness Fund will be determined by the Agribusiness Manager. The IAC will have the right to vote on certain major events but will not have investment approval authority. Subject to the satisfaction of their investment objectives, ACMC has the authority to make all investment decisions for the Solar Funds and has been vested with full responsibility for managing them.

The sole investor in the Texas J4T Account is the Department. The Texas J4T Account is closed to new investors. As of December 31, 2018, all \$17 million of the capital committed by the Department had been called. Initial investors in the Agribusiness Fund were nine financial institutions, all of which are FCS institutions, and Agribusiness GP. Additional FCS institutions and select non-FCS investors may be admitted with the approval of the IAC, but it is not anticipated that the Agribusiness Fund would open to new investors. Initial investors in the Solar Funds were

insurance companies, a bank and an AC affiliated entity. Additional investors may be added with the prior written consent of all investors, which consent may be withheld in each investor's sole discretion, but it is not anticipated the Solar Funds will open to new investors.

The Texas J4T Account is classified as a separate account. The Agribusiness Fund and Solar Funds are considered as private funds that qualify for the exclusion from the definition of investment company under Section 3(c)(1) of the Investment Company Act of 1940.

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

### **The Texas J4T Account**

Investments made by the Texas Manager on the Texas J4T Account's behalf are generally subject to the due diligence, analysis and internal approvals that AC applies in identifying investments for its proprietary accounts. Although locating investments is a firm wide endeavor, because of the Texas J4T Account's focus on investments in the State of Texas, AC's team headquartered in Austin, Texas, led by Damon Rawie, a Managing Director, has taken the lead on identifying investments for the Texas J4T Account.

As investments are identified, the underwriting process is commenced, including due diligence, confirmation that the investment meets the specific criteria of the Texas J4T Account and preparation of an initial investment summary for presentation to the AC Investment Committee. The Investment Committee consists of all AC investment professionals and other senior members of AC. If preliminarily approved, final due diligence is performed and a full investment review memorandum is prepared for final consideration by the Investment Committee.

While the Texas J4T Account has broad authority to provide capital in different forms to businesses located in the State of Texas or with projects in Texas, the Texas Manager has chosen to limit the Fund's investments to equity investments in private companies located in Texas. Investments range in size from \$1 million to \$5 million and are made in private companies without regard to size or location within the State of Texas. As of December 31, 2017, the Texas J4T Account had invested all \$17 million allocated to it by the Department. All portfolio companies and their use of the proceeds from such investments were required to comply with the SSBCI Act and the terms of the Performance Agreement.

### **The Agribusiness Fund**

Investments identified by Agribusiness Manager for the Agribusiness Fund are subject to due diligence, analysis and internal approval protocols similar to those described under "The Texas J4T Account," above, except that the Agribusiness Fund's Investment Committee currently consists of five members of AC senior management, Steven T. Stull, M. Scott Murphy, Damon L. Rawie, Louis T. Dubuque and Donn Tyler Mayoras. Timothy Hassler was the sixth voting member, but he left AC at the beginning of 2019 to pursue other business ventures.

The overall investment goals of the Agribusiness Fund include improving rural economic prosperity, producing long term returns for investors and bringing awareness of rural investing to a broader investor base.

As an RBIC, the Agribusiness Fund's portfolio investments must comply with the requirements and limitations of the RBIC Program and the regulations thereunder, which among other things, require the Agribusiness Fund to maintain certain investment levels (measured by percentage of portfolio companies and funds invested) in rural business concerns, small business concerns, and urban area investments. The regulations further restrict investments in any single company to 10% of the Agribusiness Fund's capital without the prior approval of the USDA and prohibit financing (i) passive enterprises, (ii) re-lenders or re-investors, (iii) real estate enterprises, (iv) project financing, (v) farmland purchases, (vi) foreign investments, (vii) gaming establishments, (viii) for 100% financing of a change of control for a business and (ix) which may constitute a conflict of interest.

Because contributions by FCS Institutions constitute more than 25% of committed capital, investments will also be limited to businesses that are eligible for financing by the Farm Credit System.

Within these limitations, the Agribusiness Fund has endeavored to build a diversified portfolio of junior capital investments in qualifying agriculture related businesses and other qualifying businesses located in rural areas of the United States. Junior capital investments include loans, debt securities (defined as a loan with the right to acquire equity or which by its terms converts to equity) and equity securities. The Agribusiness Fund's portfolio includes investments in companies with established business models and positive cash flow or the potential for positive cash flow within 12 months of investment, as well as investments in earlier stage companies that are consistent with the Agribusiness Fund's investment objectives. As of December 31, 2019, the Agribusiness Fund had invested approximately \$122 million from the \$154.5 million in capital committed to the Agribusiness Fund.

Any investment proceeds received by the Agribusiness Fund during the first five years following the initial closing (the "Reinvestment Period") may be reinvested in additional portfolio investments. Such proceeds may be distributed to partners until reinvestment, in which case such funds will be added to unfunded capital commitments and remain subject to draw down again by the Agribusiness Fund during the Reinvestment Period. As of December 31, 2019, the Agribusiness Fund was beyond the Reinvestment Period.

### **The Solar Funds**

Investments made by APMC on behalf of the Solar Funds are subject to analysis and internal approval protocols by the Solar Funds' Investment Committee which currently consists of the following members of AC management: Carl Weatherley-White, Jeremy Degenhart, Steven T. Stull, M. Scott Murphy, Jonathan I. Goldstein, Louis T. Dubuque, Tom Bitting and Maurice E.

Doyle. Although locating investments is a firm wide endeavor, because of the Solar Funds' specialized focus on investments in solar projects that generate federal tax credits, select members of AC's investment team with specific knowledge about these types of tax credit transactions have taken the lead to identify these investments.

The overall investment goal of each of the Solar Funds is to build a diversified portfolio of tax equity investments (the "Project Investments") in solar development project entities (the "Projects") that generate an overall attractive rate of return to investors through the allocation of Federal Investment Tax Credits pursuant to Internal Revenue Code Section 48 (the "ITC") and flow-through taxable losses, as well as profit distributions. The ITC is equal to 30% of the value of qualified, eligible property at the facility and is available immediately in the year the facility is placed in service. The Project Investments must, at a minimum, (i) be eligible for the investment tax credit; (ii) be structured as a yield-based partnership flip transaction (as opposed to the partnership flip transactions in which the flip occurs on a predetermined fixed date); (iii) have no project level debt other than construction debt, unless the terms of such project level debt contain certain acceptable protective provisions; (iv) provide an annual priority return of cash from net operating income of not less than two percent (2%) of the Solar Funds' investment in the Project; (v) be completed by a developer with a demonstrable track record of completing past solar development projects that are similar to the proposed investment project; and (vi) have a financial model or projections that are consistent with the investing Solar Fund achieving its Target IRR and the Target Multiple (each as defined in the Solar Funds' LLC Agreements).

### **Risk of Loss**

An investment in the Client Funds involves a significant degree of risk relating both to the types of investments contemplated by the Client Funds and each Client Fund's ability to achieve its investment objectives. There can be no assurance that the Client Funds' investment objectives will be achieved or that an investor will receive any return of capital. An investment in a Client Fund requires a long-term commitment with no certainty of return, and an investor should have the ability to sustain the loss of its entire investment. Since the Client Funds may only make a limited number of investments, and since the Client Funds' investments generally will involve some degree of risk, poor performance by only a few of the investments could adversely affect the total returns to an investor. There can be no assurance that the Client Funds will be able to generate returns or that returns will be commensurate with the risks of the investments within the Client Funds' investment objectives. For more information regarding the risks associated with investing in the Client Funds, investors in the Agribusiness Fund are urged to refer to its Private Placement Memorandum and the RBIC Act, the investor in the Texas J4T Account is urged to refer to the Performance Agreement and the SSBCI Act and investors in the Solar Funds are urged to refer to their respective LLC Agreements and applicable provisions of the Internal Revenue Code.



## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary event that would be material to an evaluation of APMC or the integrity of its management. None of AC, APMC, the Relying Advisers or their collective supervised persons has been subject to any legal or disciplinary events required to be discussed in this Brochure.

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

AC, through its affiliates, engages in other business activities in addition to managing the Client Funds. Such activities include managing proprietary accounts and ventures.

Through its proprietary accounts, AC participates in state and federal NMTC Programs, which are designed to bring investment capital to low-income communities across the nation. The federal New Markets Tax Credit Program is administered and regulated by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury, while state New Market Tax Credit Programs are administered and regulated by various state governmental agencies. As an allocatee of credits under the NMTC Programs, AC enters into agreements with banks and insurance companies to place these credits into commerce.

Through its proprietary accounts, AC also manages funds raised pursuant to State Programs that are designed to use state tax credits to generate investments in targeted businesses in such state. Each such program has strict statutory restrictions regarding the types of businesses in which AC may invest.

AC also provides assistance to third parties in structuring financings under the NMTC Programs, both to businesses in need of capital and NMTC Program participants seeking investments in or loans to qualifying businesses. Additionally, AC sells and/or otherwise monetizes state tax credits that it obtains in connection with certain equity investments it makes in affordable housing projects and also participates in federal and state tax credit programs that provide funding for developers to rehabilitate certified historic structures. Information on how APMC addresses any potential conflicts that may arise through APMC's participation in proprietary accounts and other ventures is addressed below in Item 11. "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

Mr. Stull also owns a controlling interest in a commercial banking operation, First Bank of the Lake, a Missouri state-chartered bank. The nature of Mr. Stull's relationship with this bank does not present any current or foreseeable material conflicts of interest with APMC's Client Funds.

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

In accordance with Rule 204(A)-1 under the Advisers Act, ACMC has adopted a Code of Ethics (the “Code”) that sets forth ethical standards of business conduct required of its employees, directors and others providing investment advice that are under ACMC’s control (“Access Persons”). Adherence to the Code and the related restrictions on personal investing is considered a basic condition of employment at ACMC.

The Code reflects ACMC’s view that its long-term business interests are best served by adherence to the principle that investors’ interests come first. The Code explicitly recognizes that ACMC has a fiduciary duty to its clients, which requires that Access Persons act solely for the benefit of its clients and their investors. The Code also reminds Access Persons of their responsibilities under federal and state securities laws and of the sanctions that can be imposed on them by ACMC, the SEC and law enforcement officials for their failure to strictly adhere to the provisions of such laws.

Specifically, the Code contains provisions designed to (i) identify conflicts of interest, (ii) provide a means to resolve any actual or potential conflict in favor of investors, (iii) prevent improper personal trading by Access Persons, and (iv) prevent improper use of material, non-public information. In the case of doubt as to the propriety of any action, Access Persons are directed to consult the Chief Compliance Officer. The Code will be reviewed and revised periodically, but in no event less frequently than annually.

As discussed in Item 10. “Other Financial Industry Activities and Affiliations,” above, ACMC participates in proprietary accounts and other ventures in addition to managing the Client Funds. Although each such proprietary account is subject to strict restrictions on eligible investments, because of the number of these accounts, investment criteria are likely to overlap and conflicts of interests may be unavoidable. Accordingly, the Code emphasizes awareness of the potential for conflicts and the importance of disclosing the possibility of such conflicts to the relevant Client Funds. The Code advises Access Persons that ACMC will disclose to the Client Funds and their investors that it works with multiple accounts and that conflicts may arise.

The Code also prohibits ACMC and its Access Persons from stating or implying that ACMC has the ability to use or access non-public information of one Client Fund, account or venture or its investments for the benefit of another, and from divulging confidential information concerning Client Funds, proprietary accounts and ventures or their investments.

ACMC’s Client Funds are subject to requirements regarding the allocation of investments among each such account and fund and other proprietary accounts of ACMC, as described above in Item 6. “Performance-Based Fees and Side-by-Side Management—Parallel Investments.”

In addition, any co-investment by an Access Person of AC in a Client Fund portfolio company investment must be approved in advance by the Chief Compliance Officer after full disclosure of any potential conflict of interest.

Additionally, ACMC has adopted inside information policies and procedures to provide for the proper handling of confidential information in order to prevent violations of laws and regulations prohibiting the misuse of material non-public information and to avoid situations that might create an appearance of such misuse.

Under the Code, Access Persons are prohibited from trading in securities of any company while in possession of material, non-public information regarding such company. In furtherance of this policy, the Chief Compliance Officer maintains a list of restricted securities which may be traded only with the authorization of the Chief Compliance Officer. Access Persons must also pre-clear through the Chief Compliance Officer purchases and sales of securities offered in initial public offerings and limited offerings.

Access Persons are also required to file certain reports regarding brokerage or securities accounts in the individual's name or over which such person has any direct or indirect beneficial ownership, including accounts over which investment discretion is exercised either directly or indirectly. These reports include an initial report of securities holdings, annual reports of such holdings and quarterly reports of transactions in such accounts.

The Code and other policies and procedures of ACMC restrict employees' ability to conduct activities outside of ACMC that may conflict with the interests of the Client Funds, require preapproval for gifts and entertainment in excess of certain values that may be received and/or provided by Access Persons and provide for the imposition of sanctions for Code violations.

A copy of the Code is available to our clients upon written request to the Chief Compliance Officer.

## **Item 12. Brokerage Practices**

ACMC does not receive research or other soft dollar benefits, client referrals, directed brokerage or any other form of compensation or remuneration from any broker-dealer.

Generally, assets of the Client Funds will be invested in private companies, which are typically purchased directly from the issuer without the payment of a commission or placement fee and are likewise not executed on an exchange or through the use of a broker. Accordingly, best execution principles generally do not apply to such transactions. On occasion, however, such as in the event a portfolio company becomes publicly traded, an investment in or disposition of securities held by a Client Fund will require that ACMC select a broker-dealer to execute a transaction.

In such event, APMC will, as a matter of policy and practice, seek to obtain the best execution for client transactions taking into account the commission expense and the overall execution in the circumstances. The determining factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution after considering the full range of broker-dealer services. As such, a Client Fund could pay a commission that is higher than another qualified broker-dealer may charge for the same transaction where APMC determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and services received.

### **Item 13. Review of Accounts**

APMC investment team members are expected to remain in frequent contact with management of the Client Funds' portfolio companies--often taking board seats, thereby providing APMC with greater visibility and opportunity to advise the Client Funds' portfolio companies. Specific team members located in the State of Texas are assigned to each of the Texas J4T Account's portfolio investments. Damon Rawie, a Managing Director, serves as the principal point of contact for, and currently serves on the board of directors for several of the Texas J4T Account's portfolio investments. Mr. Rawie, along with AC Principals, Keith Freeman and Donn Tyler Mayoras, serve as the main points of contact for the Agribusiness Fund's current portfolio investments and are responsible for post-closing supervision. Mr. Freeman, Mr. Mayoras and other members of APMC's investment team serve on the board of directors (when applicable) for those portfolio companies that they oversee and monitor. On a quarterly basis, a written report for each investment is prepared for use by the Relying Advisers for the Ag Fund and Texas J4T Account. This report describes the portfolio company's financial performance, liquidity outlook, job growth, etc. and updates the investment's valuation.

Carl Weatherley-White is the primary point of contact for the Solar Funds' Project Investments. Mr. Weatherley-White is a solar investing subject-matter expert who became a Managing Director at AC in the beginning of 2019. Prior to joining the firm, Mr. Weatherley-White provided consulting services to AC and played a pivotal role in structuring and deploying the Solar Funds. APMC has a different approach to reviewing and monitoring investments for the Solar Funds because they present a different type of risk than APMC's investments in its other Client Funds and proprietary accounts. Due to the structure of the Project Investments, APMC's investment team members will not serve on the board of directors for the companies involved with each investment; however, each Project Investment will be required to provide quarterly written reports with information about its business operations and finances. AC investment professionals will use these reports as the basis of their review and monitoring of the Solar Funds' Project Investments and to help determine investment valuation for each Project Investment.

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

None of AC, ACMC or the Relying Advisers has arrangements whereby any third party provides an economic benefit for providing investment advice or other advisory services to the Client Funds.

None of AC, ACMC or the Relying Advisers compensates any third party for client referrals.

#### **Item 15. Custody**

Under Rule 206(4)-2 under the Advisers Act, ACMC may be deemed to have custody of cash and securities of the Client Funds because of (i) its ability to withdraw cash and securities from the Client Funds and (ii) its role as general partner, managing partner (or comparable position) of the Client Funds. All assets of the Client Funds are maintained with a qualified custodian, as defined in Rule 206(4)-2 under the Advisers Act (the “Qualified Custodian”).

ACMC has retained for each Client Fund an independent public accounting firm that is both registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules. The firms will conduct audits of each Client Fund at least annually, and ACMC will distribute independently audited financial statements for each Client Fund to its investors no later than 120 days after the end of the Client Fund’s fiscal year.

#### **Item 16. Investment Discretion**

ACMC or a Relying Adviser is generally deemed to have discretionary authority over each Client Fund’s purchase and sale of securities or other investments and the amount of such investments purchased or sold, subject to restrictions set forth in state and federal laws and the transaction agreements negotiated with the investors at the commencement of each Client Fund.

No investment can be made by the Texas J4T Account without the Department’s prior approval that the investment is being made in compliance with the terms of the Performance Agreement and the SSBCI Act.

#### **Item 17. Voting Client Securities**

Generally, investments made on behalf of the Client Funds are in private companies rather than in publicly-traded companies. If a private security becomes publicly registered, however, ACMC may be authorized to vote proxies covering such shares. Accordingly, ACMC has adopted a policy addressing this contingency entitled: “Proxy Voting Policies and Procedures,” which

provides that ACMC will vote in the best interest of the Client Fund. In voting such securities, consideration is given to both the short- and long-term implications of the proposal voted upon.

Prior to voting any proxy, the Chief Compliance Officer, in consultation with supervised persons with the closest relationship with the portfolio company if he deems necessary or appropriate, will determine if a conflict of interest exists. This determination will include an evaluation of whether ACMC or any affiliate has a relationship with the portfolio company outside of an investment in the company. If a conflict is identified, the Chief Compliance Officer and any such persons will make a determination (which may be with the assistance of outside counsel) as to whether the conflict is material.

If no conflict exists or if the conflict is determined not material, ACMC will vote or abstain from voting the proxy as determined by the Chief Compliance Officer. In the event a material conflict exists, ACMC will generally seek to mitigate the conflict by either appointing an independent third party to vote the proxy or by disclosing the conflict to affected investors and giving them the opportunity to vote the proxies in question.

Investors in the Client Funds may obtain a copy of ACMC's Proxy Voting Policies and Procedures and information on how ACMC voted proxies on behalf of such Client Fund on written request to the Chief Compliance Officer.

## **Item 18. Financial Information**

As a registered investment adviser, ACMC is required to provide certain financial information or disclosures about its financial condition under certain circumstances. ACMC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors and has not been the subject of a bankruptcy proceeding.

### **Nondiscrimination Notice:**

*In accordance with federal law and the U.S. Department of the Treasury policy, ACMC is prohibited from discriminating on the basis of race, color, national origin, sex, age or disability. To file a complaint of discrimination, write to the Department of the Treasury, Office of Civil Rights and Diversity, 1500 Pennsylvania Ave. NW, Washington, D.C. 20220 or call (202) 622-1160.*