

# **Dock Street Capital Management LLC**

## **Form ADV PART 2**

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This brochure provides information about the qualifications and business practices of Dock Street Capital Management LLC. If you have any questions about the contents of this brochure or any part of the Form ADV, please contact us directly at 212-457-8262 or via email at [ADV2@dockstreetcap.com](mailto:ADV2@dockstreetcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

Dock Street Capital Management LLC is registered as an investment adviser with the SEC. Recipients of this brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser's skill or expertise. Further, registration does not imply or guarantee that a registered investment advisor has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

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## **1. Advisory Business (Item 4)**

Dock Street Capital Management LLC (“Dock Street” or the “Firm”), is a registered investment adviser with the United States Securities and Exchange Commission (“SEC”). The Firm was established in March 2009 and incorporated in the state of Delaware and its principal office and sole location is in the state of Connecticut. Dock Street was founded at the time by its current four Managing Partners: David Crowle, Jeffrey Holtman, Patrick Kelly and Christopher Lust.

Dock Street’s principal office is located in Westport, Connecticut, and the Firm’s investment professionals are individually registered as investment adviser representatives in the state. The Firm provides operational and advisory services to banks, trustees and other financial firms who own or are in custody of stressed and distressed structured credit fixed income securities and derivatives. In this capacity, Dock Street provides securities auction services, advisory, and asset management services for these legacy security portfolios.

Dock Street’s primary business is providing securities liquidation and auction services, which involves running public auctions of large portfolios of structured credit fixed income securities and credit default swap positions. These auction services are typically provided to large banks and financial institutions who want to reduce exposure to these troubled assets. Portfolio sales/auctions can vary from a single asset (or CUSIP) with a notional par balance of \$1 to \$2 million, to hundreds of line items/securities with an aggregate notional par balance of over \$1billion. This sector of Dock Street’s business represents approximately 90% of the Firm’s revenue and is not part of the advisory business.

Dock Street’s advisory business, represents approximately 10% of the Firm’s revenue, and involves monitoring and overseeing existing legacy portfolios of structured credit securities for investors who choose not to immediately liquidate their portfolios.

Dock Street typically provides advisory services to select clients who own or are in custody of large portfolios of structured credit securities through a senior investment in a Collateralized Debt Obligation (“CDO”) or other type of pooled structured credit investment. Dock Street is typically brought in by these clients as a “replacement manager” after the removal of the original collateral manager/asset selector. Due to restrictions within their initial investment documentation, these deals typically do not allow for the ability to immediately sell the securities/assets. In this case, Dock Street is brought in to monitor the portfolios and track cash flows coming off the assets. Periodically, as directed by the deal’s documentation, and or as directed by the lead investors, Dock Street may sell individual assets to generate cash flows for the deal to pay its liabilities and other expenses/obligations.

Dock Street does not issue any publications or reports on a subscription basis or for a fee.

## **2. Fees and Compensation (Item 5)**

The fees charged by Dock Street vary from client to client, are negotiable and are generally determined by reference to a number of factors including the degree of expertise and responsibility required of Dock Street to meet its obligations, as well as prevailing market levels.

The Firm charges a fixed fee for its auction services. Dock Street has a business relationship with Cross Point Capital LLC ("Cross Point"), CRD#136223, a registered broker/dealer with FINRA, to provide the necessary brokerage services when required to facilitate a transaction for a customer of the Firm. Both Messrs. Holtman and Lust are dually registered with Cross Point as registered representatives to assist in such transactions.

Fees for advisory services, where Dock Street does not have discretion to manage the assets of the client, vary depending upon a number of factors including the size of the asset portfolio or transaction concerned, the complexity of the portfolio or transaction and the degree of expertise and responsibility required. Fees for such services are generally either based upon a percentage of the assets contained within the portfolio for which Dock Street is providing advisory services (and may include a specified minimum fee or specified minimum term) or are fixed and payable upon completion of the advisory mandate concerned. Typically these fees are predetermined in the original CDO transaction documents which govern the management contract.

Dock Street's advisory/management fees typically range between .05% and .125% per annum on the outstanding performing asset balance of a portfolio.

## **3. Performance Based Fees and Side-By-Side Management (Item 6)**

Dock Street provides advisory services to a range of clients and, accordingly, circumstances may arise in which Dock Street, or a supervised person (as defined by the SEC) may have a material interest in a transaction with or for a client or where a conflict of interest may arise between the client's interests and those of other clients or counterparties or of Dock Street.

Dock Street is entitled to receive performance-based compensation by its clients. The Firm may manage more than one client where a potential exists for the

appearance of one type of client/account to be favored over another. Dock Street has adopted and implemented procedures intended to address conflicts of interest relating to fee arrangements and investment opportunities. The Firm also has procedures to evaluate investment objectives, investment decisions, potential discrepancies, and ensure fair and reasonable treatment.

On occasion the appointment of Dock Street to provide investment advisory services may include a specific appointment to arrange sales of assets in an asset portfolio for which Dock Street may receive a fee from the client calculated by reference to the sale proceeds of the assets sold. In such cases the sales are arm's length transactions with individual bidders identified by Dock Street or the client or through an agreed upon "market standard" auction process.

If Dock Street acts for a client in circumstances where it has a material interest or conflict of interests Dock Street will take reasonable steps to ensure that the client is treated fairly. In order to identify circumstances in which Dock Street or a supervised person may have a material interest in a transaction with or for a client or where a conflict of interest may arise between the client's interests and those of other clients or counterparties or of Dock Street, Dock Street works to ensure that potential conflicts of interest and related issues are identified and dealt with swiftly and at an appropriate level within the Firm. Any actual or potential conflict of interest is initially discussed by the Chief Compliance Officer with the relevant personnel and, if the issue cannot be immediately resolved by such discussion, is referred to the Managing Partner of Dock Street. The Managing Partner will determine what action should be taken in order to resolve or manage the conflict. Such action may include declining to act in the particular matter.

Dock Street provides guidance and training in conflict matters in order to ensure that all relevant employees are kept aware of and up to date on applicable regulations and internal policies. Generally, because of the size of Dock Street and the fact that all employees are located on a single floor, Dock Street does not seek to operate information barriers and policies designed to ensure that price sensitive and/or confidential information held by employees does not pass to other employees. In situations where Dock Street receives information which is or may be price sensitive, Dock Street will generally regard itself and all employees as restricted. The physical separation of personnel would be reinforced with an effective compliance oversight system to manage and restrict the flow of information.

Dock Street is not under an obligation to disclose that it, or a supervised person has or may have a material interest in a particular transaction with or for a client or that in a particular circumstance a conflict of interest or duty may exist, where Dock Street has managed such conflicts to ensure, with reasonable confidence, that the risk of damage to the client's interests will be prevented. Such steps may include

relying on a policy of independence under which every relevant employee must disregard any material interest or conflict of interest when advising a customer or dealing for a customer in the exercise of discretion. Dock Street is not under any obligation to account to a client for any profit, commission or remuneration made or received from or by reason of transactions or circumstances in which Dock Street or a supervised person has a material interest or where in particular circumstances a conflict of interest or duty may exist. It is Dock Street's policy to disclose generally the existence of potential conflicts of interest where practicable or appropriate. Where Dock Street is unable to manage a conflict to ensure, with reasonable confidence, that the risk of damage to the client's interests will be prevented it will disclose to its client the material interest or conflict of interest that it or a supervised person has, or may have, whether generally or in relation to a specific transaction, before it advises the client or before it deals on behalf of the client in the exercise of discretion in relation to the transaction. Dock Street will record this disclosure and record the steps taken to ensure that the customer does not object to that material interest or conflict of interest.

#### **4. Types of Clients (Item 7)**

Dock Street generally provides investment advice to trustees, banking institutions, financial institutions and large investment vehicles (e.g., hedge funds). All clients will be Qualified Purchasers as defined in Section 2(a)(51) of the Investment Company Act of 1940.

Dock Street has no established minimum client or account size for the Firm to build or pursue a relationship.

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

- A. Dock Street specializes in the management and advisory of distressed structured credit securities – in particular non-agency Mortgage-Backed Securities ("MBS"), Asset Backed Securities ("ABS"), and Collateralized Debt Obligations ("CDO"s). Dock Street's management role is typically limited to advisory and sell recommendations involving legacy portfolios held by institutional investors. In this role, Dock Street does not make buy recommendations and typically does not have discretionary trading authority over the subject portfolio. Rather, our focus is on maximizing cash proceeds from the existing asset portfolio.

Dock Street's recommendation on the timing of asset disposition involves a two pronged approach. First, the Firm consults with the client to

understand their goals and objectives with regards to the disposition of the portfolio. The strategy arising from these discussions may lead to 1) an immediate auction of all the assets into the private markets, or 2) a slow wind down of the portfolio involving either individual asset sales over time or allowing the portfolio to amortize on its own.

The second level of Dock Street's analysis takes place at the individual asset/security level. This entails pricing each security in the portfolio and/or running discounted cash flow analysis on the stressed securities to gauge the timing and the amount of expected cash flows. The pricing of each security is accomplished through two sources: 1) the IDC Pricing Service (a leading third party security pricing service), and 2) discounted cash flow modeling using the Intex modeling tool (Intex is the leading modeling and cash flow projection tool for the structured finance industry).

Investment buy and sell decisions involving ABS backed and MBS securities are extremely risky. This risk has only been compounded by the financial crisis. Dock Street's client base includes institutions that are already heavily exposed to this asset class. Dock Street mandate is to work with these firms to reduce this exposure.

- B. Dock Street does not actively trade on behalf of its institutional clients. Dock Street works with its clients to formulate the most effective strategy to deal with legacy structured finance security portfolios and the maximization of cash proceeds from the underlying assets. This may entail auctioning off the entire portfolio in the public markets in a single effort, or involve individual asset sales over a prolonged period of time to take advantage of favorable market conditions. The material risks involved in this approach include the timing of asset sales and the depth and breadth of market liquidity at that time. The markets for structured credit securities are notoriously volatile and there is no assurance that the price achieved in a given asset sale will match or exceed the intrinsic value of the cash flows that could ultimately be realized through a "hold to maturity" approach.
- C. Dock Street typically does not make recommendations around the acquisition of securities.

Clients are subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing capital markets, including tax laws and regulations, whether in the United or abroad, could increase the cost of acquiring, holding or divesting portfolio investments,

## **6. Disciplinary Information (Item 9)**

Neither Dock Street, nor any of its officers or employees, has any disciplinary history or disciplinary actions pending.

## **7. Other Financial Industry Activities and Affiliations (Item 10)**

- A. Jeffrey Holtman (CRD# 2712045) and Christopher Lust (CRD# 3105803), both Managing Partners of Dock Street, are also registered at a broker/dealer FINRA member firm, Cross Point Capital LLC (CRD# 136223). In their capacity with Cross Point, Messers. Holtman and Lust act as registered representatives and may render investment advice.
- B. Neither Dock Street, nor any of its officers or employees, is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Dock Street owns 70% of Dock Street Capital UK LLP (FRN# 580182) located at 10 Fleet Place (8<sup>th</sup> floor) in London, UK EC4M 7RB. The Manager of the office is Mark Williams and can be dialed directly at +44 20 7332 5273. The affiliate, Dock Street Capital UK LLP is registered with the Financial Services Authority ("FSA") through a hosting relationship with Sturgeon Ventures LLP (FRN# 452811). Dock Street Capital UK LLP provides liquidation services to its own UK and European clients similar to the types of services that Dock Street is engaged to provide to its US clients – Dock Street Capital UK LLP is not an investment advisor.

Dock Street may from time to time refer liquidation business to Dock Street Capital UK and may receive a fee for such efforts. In these arrangements, Dock Street does not believe that its relationship with Dock Street Capital UK LLP will create any conflict of interest with clients. All arrangements between Dock Street and Dock Street Capital UK LLP will be arm's length agreements subject to market terms, and both Dock Street and Dock Street Capital UK LLP have policies in place to identify and resolve any potential conflicts of interest with clients however they might arise.

- D. As described above in C, from time to time Dock Street may refer business to its affiliate Dock Street Capital UK LLP. This business may come from existing clients of Dock Street as well as institutions that have no client relationship with



Dock Street. As discussed above, Dock Street does not believe that these activities will create any conflict of interest with clients. Dock Street's policy for managing conflicts of interests precludes it from recommending Dock Street Capital UK LLP to provide liquidation services to clients if Dock Street deems that recommendation not to be in its clients' best interests.

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

Dock Street has a fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. Dock Street takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as the Firm's policies and procedures.

Dock Street, as a matter of policy, and consistent with industry best practices and SEC requirements (SEC Rule 204A-1 under the Investment Advisers Act of 1940), has adopted a written Code of Ethics covering all supervised persons. Dock Street's Code of Ethics requires high standards of business conduct, compliance with federal securities laws, reporting and recordkeeping of personal securities transactions and holdings and quarterly reviews of employee personal trading activity. Further, employees are not permitted to participate in or have a financial interest in client transactions. Employees are subject to disciplinary actions and/or possible sanctions for a failure to comply with Dock Street's Code of Ethics.

Dock Street's Code of Ethics is distributed to each employee at the time of hire/contract, and, as the Code of Ethics is modified. In addition, the Firm requires an annual certification by all employees regarding their understanding and compliance with the Code of Ethics. Dock Street supplements the Code of Ethics with annual training and on-going surveillance of employee activity.

A copy of the Firm's Code of Ethics will be provided to any client or prospective client upon request. Furthermore, Dock Street strives to handle clients' non-public information with due care and confidentiality.

## **9. Brokerage Practices (Item 12)**

Dock Street does not have client assets in its possession (or under its control). In the case of discretionary portfolio mandates, Dock Street relies on third-party broker-dealers, custodians and other counterparties who are aware that Dock Street is authorized to effect transactions on behalf of the client.

Dock Street does not routinely recommend, request or require a client to execute transactions through a specified broker-dealer. In certain engagements, at the client's request Dock Street may accept a client's instructions for directing the client's brokerage transactions to a particular broker-dealer. In such cases Dock Street will require the client to acknowledge that if the client gives Dock Street a specific instruction in relation to the execution of an order through a particular broker-dealer, this may prevent Dock Street from being able to obtain the best possible result for the execution of the order.

#### **10. Review of Accounts (Item 13)**

Dock Street accounts and client agreements will be subject to a quarterly review by both the Managing Partner and Chief Compliance Officer to ensure that all terms of the agreement or transaction are being handled in accordance with the stated terms and in continued compliance with all federal and state securities laws. The review will be documented, and any potential issues will be noted and remedied immediately.

#### **11. Client Referrals and Other Compensation (Item 14)**

Dock Street does not compensate individuals or entities for client referrals in connection with its advisory business.

In the event Dock Street elects to compensate persons, i.e., individuals or entities, for the referral of advisory clients to Dock Street, the Firm's policies and procedures would be amended to provide for appropriate disclosures and ensure regulatory requirements are met. Such referral and compensation arrangements will generally be specific to a particular situation.

Under the SEC cash solicitation Rule (Rule 206(4)-3) and comparable rules adopted by most states, investment advisers may compensate persons who solicit advisory clients for a firm if appropriate agreements exist, specific disclosures are made, and other conditions are met under the rules.

Dock Street has adopted various procedures to monitor and ensure Dock Street's policy is observed, implemented and updated, which include the following:

- a) Dock Street's Chief Compliance Officer and Managing Partner will review and approve the solicitor's background, compensation matters and related matters.

- b) Dock Street will restrict and monitor political contributions made by Dock Street and covered associates to government officials and/or candidates.
- c) If a potential conflict of interest is discovered during the initial and on-going due diligence of the solicitor, the agreement may be terminated to avoid any further potential conflicts of interest.
- d) If Dock Street considers entering into a referral and compensation arrangement with an individual who is not a supervised person, then prior to entering into any such arrangement Dock Street will determine whether SEC and applicable state rules requiring registration of investment adviser representatives should apply and if so, will not enter into any such arrangements until all applicable conditions are met.

## **12. Custody (Item 15)**

Dock Street does not maintain custody of client assets, nor do its employees. It is Dock Street's policy that all funds, securities, and other assets of each of its clients be maintained in the name of the respective client and held for safekeeping by a bank, broker/dealer or other custodian handling each client's respective account. Dock Street will not intentionally take custody of funds and/or securities.

## **13. Investment Discretion (Item 16)**

Dock Street may from time to time accept discretionary authority to manage portfolios of assets on behalf of clients, and in some cases the original CDO transaction documents (under which it manages securities) allows the Firm to manage assets on a discretionary basis.

In some discretionary mandates Dock Street may be engaged to try to improve total recoveries for an existing static portfolio. In these cases, Dock Street will not have authority to buy new assets but will have authority to sell assets that Dock Street believes, based on its credit research and market knowledge, will generate higher net proceeds at current market prices than if held to maturity. Dock Street will generally work with the client to establish certain parameters that impose some constraints on Dock Street's ability to execute sales unilaterally, such as provisions that allow Dock Street to sell at any time only assets that have experienced credit impairment or assets that can be sold at par value.

In other discretionary mandates, Dock Street may be engaged to manage a portfolio on behalf of a client with the goal of providing a positive investment return over

time relative to a specified benchmark while meeting the client's objectives with respect to asset class, risk profile and other parameters. In these cases, Dock Street will generally have full investment authority to buy and sell assets, enter into appropriate interest rate or currency hedges as required, and make other decisions in connection with managing the portfolio. In such engagements, Dock Street's policy and practice is to enter into an agreement with the client which details the investment objectives and parameters and then on an ongoing basis provide full disclosure to the client of Dock Street's views, decisions and actions with respect to individual portfolio assets.

#### **14. Voting Client Securities (Item 17)**

Dock Street, as a matter of policy, has no authority to vote proxies on behalf of clients in the case of non-discretionary advisory mandates. Dock Street may offer assistance as to proxy matters upon a client's request, and in certain portfolio advisory mandates will be explicitly engaged to provide such advice, but the client in non-discretionary mandates always retains the proxy voting responsibility. Dock Street's policy of having no proxy voting responsibility in non-discretionary mandates is disclosed to clients along with other required notices and disclosures.

In the case of discretionary advisory mandates and asset management engagements, Dock Street will exercise, or refrain from the exercise of, any voting or other rights attaching to the investments comprised in a portfolio as Dock Street in its absolute discretion thinks fit. This policy will be explicitly disclosed to clients in the agreement between Dock Street and the client.

#### **15. Financial Information (Item 18)**

Dock Street does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Dock Street may in some cases have discretionary authority to manage portfolios on behalf of clients but will not have custody of client assets.

#### **16. Requirements for State-Registered Investment Advisors (Item 19)**

Not applicable to Dock Street.