

## **Disruptive Technology Advisers LLC**

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This brochure provides information about the qualifications and business practices of Disruptive Technology Advisers LLC. If you have any questions about the contents of this brochure, please contact Daniel Beaney, DTA's Chief Compliance Officer at 310-228-9788 or [danb@dtadvisers.com](mailto:danb@dtadvisers.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration as an investment adviser does not imply that DTA or any of the principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

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As this is the first brochure prepared by Disruptive Technology Advisers LLC, we have no material changes in prior filings to report.

**Item 3: Table of Contents**

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**Item 4: Advisory Business**

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Founded in 2012, Disruptive Technology Advisers LLC (collectively “DTA”, the “Adviser”, “we”, or the “Firm”), is a Delaware limited liability company. DTA has been appointed by the manager, DTA I LLC (“DTA I” or the “Manager”) to be responsible for the investment activities of a special purpose vehicle, Disruptive Technology Associates LLC (the “Fund”), created for the purpose of making and managing investments in privately held securities of Twitter, Inc. (“Twitter”).

The Fund has been formed to invest in securities of Twitter either directly from shareholders of Twitter, through investment in other investment vehicles that hold securities of Twitter or, if the opportunity arises, directly from Twitter. The Fund may, if such opportunity arises, also make direct investment into Twitter. The Adviser does not tailor its investment services to any individual Fund investor (“Member”). The Fund is managed in accordance with the investment objectives, strategies, restrictions and guidelines found in its private placement memorandum (“PPM”). Additional information about the Fund can be found in its offering documents.

The Adviser is owned by KA Consolidated LLC (“KA”) and Daniel Beaney, the Chief Compliance Officer (“CCO”). KA is a California limited liability company, owned by Alexander Davis, President of DTA and Ken Rickel, Chief Operating Officer of DTA.

As of January 1, 2013, the Fund had US \$48,000,000 in assets, all of which will be managed on a discretionary basis.

**Item 5: Fees and Compensation**

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**Advisory Fee**

During the term of the Fund, the Members will pay DTA an annual advisory fee based on the aggregate amount of their unreturned capital contributions (the “Advisory Fee”). The obligation to pay the Advisory Fee in respect of the amount of each capital contribution will commence on the date of each closing and will be calculated as follows for each Member:

(i) 3% per annum of capital contributions for so long as the aggregate amount of capital contributions is \$50,000,000 or less,

(ii) 2.5% per annum of capital contributions for so long as the aggregate amount of capital contributions is greater than \$50,000,000 but less than \$150,000,000; and

(iii) 2% per annum of capital contributions for so long as the aggregate amount of capital contributions is greater than \$150,000,000.

The Advisory Fee will be payable quarterly in advance in an amount equal to 25% of the annual Advisory Fee per quarter (subject to reduction for amounts previously paid as a Commitment Fee). DTA I will make a capital call for the purpose of paying the Commitment Fee and may make additional capital calls to pay any currently due and owing Advisory Fees or for the payment of Fund expenses.

**Side Letters**

DTA I may from time to time enter into letter agreements or other similar agreements (collectively, “Side Letters”) with one or more Members that alter, modify or change the

terms of the Interests held by such Members. Side Letters may provide such Member(s) with additional and/or different rights (including, without limitation, with respect to the Carried Interest, Advisory Fee, withdrawal rights, informational rights and other rights) than the other Members. The Fund is neither required to notify any or all of the other Members of the existence of any such Side Letters or any of the rights and/or terms or provisions thereof, nor is the Fund required to offer such additional and/or different rights and/or terms to any or all of the other Members.

### Operational Expenses

The Fund will also bear the normal recurring day-to-day expenses of the Fund and its operations, including but not limited to legal, tax, auditing, and accounting fees and all other expenses incurred through the acquisition, holding, and disposition of investments.

### Commitment Fee

At the first closing with respect to any Member, such Member will be required to pay a one-time, non-refundable, non-accountable commitment fee equal to \$1,000,000 (or such lesser amount as may be agreed to by DTA I) (the “Commitment Fee”) payable upon acceptance of a Member’s subscription. Any amounts paid as Commitment Fees will be credited against any subsequently incurred Advisory Fees.

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

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The Fund may allocate a portion of its investment profits to DTA I as a carried interest of 20%, subject to the terms and conditions set forth in the Funds’ organizational documents. DTA I will not participate in any profits or losses until Members have received distributions in an aggregate amount of 100% of such Member’s aggregate Capital Contributions. Compensation based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”) whereby the Member must be a “Qualified Client.”

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

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Members in the Fund may include a variety of institutional investors and high net worth individuals. Each Member will be an “accredited investor” and a “qualified purchaser”, satisfying the Section 3(c)(7) exemption of The Investment Company Act of 1940, under which the Fund operates. We require Members to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment.

The minimum initial investment in the Fund is \$50,000,000; though DTA I may in its discretion increase or decrease the required amount of the capital commitment in respect of any Member.

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

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### **Methods of Analysis and Investment Strategies**

The Fund has been advised by Twitter that its compensation committee has designated the Fund as an “Approved Eligible Purchaser” of Twitter securities. Twitter securities are generally subject to various restrictions on transfer, including an assignable right of first refusal (a “ROFR”) that allows Twitter or its assignee to purchase any Twitter securities that a holder wishes to sell. In order to ensure an orderly secondary market in its shares and to ensure that secondary market purchases and sales comply with various securities laws and

regulations, Twitter has determined to assign its ROFR's to a select group of well-capitalized and sophisticated purchasers that have been designated as an Approved Eligible Purchaser. In addition, Twitter has expressed its intention to work with the Fund in identifying and vetting proposed sellers who have obtained Twitter's permission to sell Twitter securities and in assisting the Fund in identifying any conditions to the consummation of purchases from such sellers. The Fund is also in discussions to participate in Twitter-sponsored share purchase programs.

### **Risk of Loss Factors**

Investing in the Fund involves various risks, including loss of capital, which Members should be prepared to bear. Prospective investors are urged to consult their professional advisers and review the legal documents and offering for the Fund before deciding to invest in the Fund. Prospective investors should also be aware that the Manager may from time to time enter into side letter arrangements which allow one or more Members to have additional or different rights including but not limited to fee arrangements, withdrawal schedules, and informational rights than other Members.

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund.

#### No Assurance of Achievement of Investment Objective

While the Fund believes that its relationship with Twitter will give it an advantage over potential purchasers of Twitter Securities who do not have such a direct relationship, there can be no assurance that the Fund will be successful in receiving Twitter's approval to conduct purchases of Twitter securities through ROFR assignments, planned share purchase programs or otherwise. Likewise, there can be no assurance that the Fund will succeed in purchasing any Twitter securities and/or selling any Twitter securities at advantageous prices or that any investment by the Fund in Twitter securities will prove to be profitable. Competition in acquiring Twitter securities has increased the purchase price for such securities and such prices may continue to rise. Other potential purchasers may have considerably greater resources than the Fund to deploy in purchasing Twitter securities, which may make them more attractive to Twitter in assigning ROFR's or participating in organized purchase programs.

#### Concentration of Investment

The Fund will only make investments in Twitter securities. Accordingly, the Fund's performance will be wholly dependent upon Twitter being able to effectuate an initial public offering ("IPO") or other liquidity event at a valuation in excess of the prices at which the Fund acquires Twitter Securities. The value of an investment in the Fund will be subject to greater volatility and may be more susceptible to any single economic, political or regulatory occurrence (either directly related to Twitter or having an indirect effect on Twitter) than would be the case if the Fund's investments were diversified.

#### Unavailability of Sufficient Information to Value Twitter Securities or Predict Future Valuations

Twitter is a privately held company and as such, does not report its financial condition or any other aspect of its business and operations to the public. The Fund may receive limited Twitter information, but such Twitter information may be insufficient to enable the Adviser to accurately evaluate or justify the current or future valuation of Twitter. Accordingly, pricing on the Fund's acquisition of Twitter securities will be determined by and large by the

prices that other potential purchasers are willing to pay. There is currently a limited, negotiated market for Twitter securities. Prices for purchases and sales of Twitter securities may have little or no correlation to Twitter's sales, profits or other recognized indicia of value. In the event that Twitter does conduct an IPO or other liquidity event, there can be no assurance that the value of Twitter securities will be in excess of the private market valuations at which the Fund purchases Twitter securities.

Limited Liquidity of Twitter Securities; No Assurance of an IPO or other Liquidity Event

Twitter securities are not registered under the Securities Act and Twitter is currently not required to and does not file periodic reports with the SEC under the Securities Exchange Act of 1934 (the "1934 Act"). The Twitter securities that the Fund will seek to obtain are "restricted securities" under federal and state securities laws and regulations. Unless Twitter securities are registered with the SEC and any required state authorities, or an appropriate exemption from registration is available, the Fund (or any Members who receive Twitter securities in a distribution by the Fund) may be unable to liquidate such Twitter securities. Resale of any Twitter securities by the Fund or such Members will be subject to limitations under the Securities Act and the Fund and/or Members intending to sell Twitter securities may be required to aggregate their sales of Twitter securities with sales made by other Members for some period of time following the distribution of such securities by the Fund. Therefore, prospective Members who require liquidity in their investments should not invest in the Fund or anticipate that there will be liquidity in any investment in Twitter securities.

No public market currently exists for Twitter securities and no assurance can be given that an initial public offering or other liquidity event will be consummated by Twitter in the future.

The Fund, DTA I and the Adviser are newly formed enterprises with no operating history.

The Fund has been formed for the purpose of pursuing investment opportunities in Twitter securities. While management of DTA I and the Adviser are seasoned investment professionals, we have little or no experience with acquiring or disposing of Twitter securities.

**Item 9: Disciplinary Information**

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In 2008, the SEC filed a complaint against Mr. Rickel and Lion Gate Capital, Inc. alleging violations of Rule 105 of Regulation M through short sales of securities in connection with a series of public offerings. A consent judgement was entered in September 2009, without admission or denial of allegations, enjoining the defendants from future violations of Rule 105 of Regulation M and ordering a monetary fine and disgorgement of profits.

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

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Alexander Davis is also a registered representative of Melville Island, LLC, a FINRA-registered broker-dealer. Mr. Davis may, in such capacity, participate in brokering purchases and sales of Twitter securities and may receive compensation in connection with such transactions. It is contemplated that, in certain circumstances, Members of the Fund or other investors may wish to co-invest with the Fund in connection with opportunities to acquire Twitter securities. Mr. Davis may receive compensation related to such out-of-Fund investments.

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

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***Code of Ethics***

We have adopted a Code of Ethics for the Adviser describing its high standard of business conduct and fiduciary duty to its investors. All DTA employees must attest to the terms of the Code of Ethics.

As a fiduciary, we owe an undivided duty of loyalty to our Members in the Fund. It is the Firm's policy that all employees conduct themselves so as to avoid not only actual conflicts of interest with our Members, but also so they refrain from conduct which could give rise to the appearance of a conflict of interest that may compromise the trust Members have placed in DTA and our employees.

Our Code of Ethics is available to Members upon request.

***Participation or Interest in Client Transactions***

We serve as the investment adviser to the Fund. Employees, affiliates of the employees, and relatives of the employees may make investments in the Fund.

We and our affiliates and employees have a financial interest in the Fund through a carried interest and/or a direct investment interest. As such, we could be considered to have recommended to investors that they buy or sell securities or investments in which we or a related person has some financial interest.

***Personal Trading***

Although the Fund currently holds no publicly traded securities, we have implemented a structured employee investment policy with pre-approval for certain investments or trades made by employees and periodic reporting requirements.

**Item 12: Brokerage Practices**

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As an adviser to a private equity fund, we do not generally make investments in securities listed on national exchanges. If there were a situation where we would place a trade(s) through a broker, we would seek "best execution" in light of the circumstances involved in the transaction. In selecting a broker for any transaction, we would consider a number of factors, including, for example, the broker's reputation, net price or spread, financial strength and stability, market access, efficiency of execution and error resolution, and the size of the transaction. We would not be obligated to obtain the lowest commission or best net price for the Fund on any particular transaction.

**Item 13: Review of Accounts**

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**Review of Accounts**

The CCO will review the Fund on a continual basis to assure conformity with investment objectives and guidelines.



Client Reports

All Members will receive the following regular reports: (i) an annual report and annual audited financial statement within 120 days after the end of each fiscal year of the Fund; (ii) such interim reports during the course of each Fiscal Year as DTA I deems appropriate, which may contain (a) quarterly unaudited financial statements, (b) a statement as to the estimated value of the Fund's Investments and (c) a report containing an overview of the Fund portfolio; and (iii) annual tax information necessary for the completion of U.S. federal, state and local income tax returns.

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

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DTA does not currently compensate any firm for assistance with capital raising.

**Item 15: Custody**

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The SEC takes the position that advisers to pooled investment vehicles are deemed to have custody with respect to the assets of such vehicles. However, advisers to pooled investment vehicles are considered to be in compliance with the custody rule if such pooled investment vehicle: (i) is audited at least annually; and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or other beneficial owners) within 120 days of the end of its fiscal year.

To ensure compliance with the custody rule, Members in the Fund will receive audited financial statements within 120 days of the fiscal year end.

**Item 16: Investment Discretion**

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Subject to any investment restrictions set forth in the PPM of the Fund, we have discretionary authority to make the following determinations without obtaining the consent of the Fund or Members before the transactions are effected:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers, investment banks or placement agents through which securities are to be bought or sold; and
- the commissions, fees or other rates at which securities transactions for the Fund are effected.

Our discretionary authority is derived from our authority as the Adviser of the Fund and pursuant to an investment management agreement entered into by DTA I and DTA.

**Item 17: Voting Client Securities**

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**Proxy Voting**

The Fund's investments in Twitter securities will at all times represent minority positions and the Fund will have no impact on the management strategies of Twitter. The Fund will not obtain representation on the board of directors and the success of its investment depends on the ability and success of the management of Twitter, in addition to economic and market factors.

As a condition of being designated an Approved Eligible Purchaser, the Fund has agreed to grant a proxy to vote any shares held by the Fund to an officer of Twitter designated by Twitter. Accordingly, the Fund will not be able to vote its Twitter securities on matters on which it would otherwise have the right to vote upon as a shareholder of Twitter.

Our proxy voting policy is available to Members upon request.

**Item 18: Financial Information**

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We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual obligations to our Fund and its Members.