

DAVIS CAPITAL PARTNERS, LLC FIRM BROCHURE (PART 2A OF FORM ADV)

DAVIS CAPITAL PARTNERS, LLC
3 HARBOR DRIVE SUITE301
SAUSALITO CA 94965
415-362-3600
415-362-3617
www.daviscapitalpartners.com
contact@daviscapitalpartners.com

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This brochure provides information about the qualifications and business practices of Davis Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at: 415-362-3600, or by email at: contact@daviscapitalpartners.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. Registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Additional information about Davis Capital Partners, LLC, also is available on the SEC's website at www.adviserinfo.sec.gov

ITEM 2: MATERIAL CHANGES

This brochure of Davis Capital Partners, LLC ("Davis") contains changes from the firm's brochure dated March 26, 2014 to the strategy and risks associated with an investment in Davis Partnership, L.P. (see Item 8).

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ITEM 4: ADVISORY BUSINESS

Firm Description

Davis Capital Partners, LLC ("Davis") is a Delaware limited liability company with its principal office at 456 Montgomery Street, Suite 1250, San Francisco, CA 94104. Davis is registered as an investment adviser with the Securities and Exchange Commission (the "SEC") and is subject to the rules and regulations governing registered investment advisors under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Davis was formed in April of 2008.

The principal owner of Davis is Lansing A. Davis (the "Principal").

Types of Advisory Services

Currently, Davis offers its investment advisory services to one pooled investment vehicle: Davis Partnership, LP (this pooled investment vehicle is referred to in this brochure as the "Private Fund").

The Private Fund invests in generally liquid positions including investments in public equities and other marketable securities.

Tailored Relationships

Investors are advised of Davis's investment strategy for the Private Fund before they make their investment subscription. Davis makes all investment decisions on behalf of the Private Fund. Investors in the Private Fund do not participate in the decision of whether or not the Private Fund makes any particular investment. Generally investors in the Private Fund do not have the ability to individually tailor their investment or impose unique investment restrictions.

Wrap Fee Programs

Davis does not participate in any wrap fee programs.

Assets Under Discretionary and Non-Discretionary Management

As of December 31, 2013, Davis had \$314,700,000 in assets under management, all of which it manages on a discretionary basis.

ITEM 5: FEES AND COMPENSATION

Description of fees and fee billing

Davis generally charges the Private Fund investors both performance-based special allocations and asset-based management fees. Performance-based special allocations are charged in compliance with Rule 205-3 of the Advisers Act.

With respect to the Private Fund, Davis receives a quarterly management fee in advance in an amount equal to one-fourth (1/4) of one percent (1.0%) of the net asset value of the Private Fund attributable to the investors at the start of the quarter. Davis also receives special allocations equal to 20% of the net appreciation in each investor's capital account subject to a hurdle rate equal to (i) a 7 percent annualized rate of return or (ii) the return on the S&P 500 total return index (assuming reinvestment of dividends) during the measurement period on the investor's original capital contribution. The special allocations are made as of each of the following measurement dates: the date of any withdrawal of capital by an investor at any time (with respect to the amount withdrawn), the transfer of all or any part of its interest in the Private Fund by an investor (with respect to the amount transferred) and the date of winding up and termination of the Private Fund.

Quarterly management fees are pro rated if Davis provides management services for less than a full quarter.

Davis's standard fees with respect to the Private Fund are set forth above, however, Davis retains the right to negotiate different fees with an investor in the Private Fund.

Fees are deducted from the Private Fund's assets.

Other Fees or Expenses

The Private Fund has paid or reimbursed Davis for certain legal, accounting and other expenses in connection with the organization of the Private Fund.

The Private Fund is also responsible for its ongoing operating expenses including, but not limited to, legal, accounting and audit expenses.

The Private Fund will also incur custodial, brokerage and other transaction costs. For more information regarding Davis's brokerage arrangements see Item 12 below.

Participation or Interest in Client Transaction

Neither Davis nor any of its supervised persons accepts compensation for the

sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described above under Item 5, Davis receives both asset-based management fees and performance-based compensation from the Private Fund. Neither Davis nor any of its supervised persons manage or receive any type of fees from any other accounts.

ITEM 7: TYPES OF CLIENTS

Currently, Davis provides its services solely to the Private Fund. Investors in the Private Fund include:

- Individuals, including high net worth individuals
- Trust, estates or charitable organizations
- Corporations or other business entities

The minimum investment required to invest in the Private Fund is \$500,000; however, Davis reserves the right to reduce this minimum amount on a case-by-case basis.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

The Private Fund was formed with the investment objective to generate capital gains and income by investing primarily in public equity and equity-related securities traded in U.S. markets. Most of the Private Fund's capital is invested in generally liquid positions, and most of its investments are in public equities and other marketable securities.

The investment strategy of the Private Fund is based on a buy and hold strategy. The Private Fund generally holds stakes in issuers for several years. This approach to investing involves fundamental research and valuation. Davis believes that by purchasing securities of companies based on metrics such as consistent earnings, strong competitive position, industry fundamentals and management with a strong track record, the Private Fund will generate capital gains and income.

The Private Fund largely invests in the common equity of U.S. money center, regional, and community banks, and other U.S. financial institutions such as insurance companies and REITs. The Private Fund also has the ability invest in other industries, sectors and countries. The Private Fund may also invest in any other types of securities and assets, including, but not limited to, bonds, preferred or convertible preferred securities, all forms of derivative securities, ETFs, index funds, commodities and real estate. Up to twenty-five percent of the Private Fund's net assets (as measured at the time of purchase of a particular investment or the time that an investment is deemed to be illiquid, as applicable) may be invested in illiquid investments which may include, but will not be limited to, investments in private companies (including convertible preferred securities issued by private banks), real estate, PIPES (private investment in public equity) and bank loans.

Davis generally limits the Private Fund's margin debt for public equity securities to a maximum of 15% of the net asset value of the Private Fund's holdings in public equity securities at the time the debt is initiated. Total public equity margin debt may exceed this 15% limit if the value of the Private Fund's holdings of public equity securities decrease while the Private Fund has a margin position. Davis has chosen to limit public equity margin in order to avoid being forced to sell assets that have gone down in value for the sake of satisfying margin calls. This 15% limit only applies to public equity margin debt and there are no limits on any other types of debt that the Private Fund may incur.

Risk of Loss

Investing in securities involves risk of loss that investors in the Private Fund should be prepared to bear. An investment in the Private Fund may be deemed to be a speculative investment and is not intended as a complete investments program. Investment in the Private Fund is suitable only for persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investments and who meet the conditions set forth in the Private Fund's offering documents. There can be no assurances that the Private Fund will achieve its investment objective. Investment in the Private Fund involves significant risks. While the following summary of certain of these risks should be carefully evaluated before making an investment in the Private Fund, the following does not intend to describe all possible risks of such an investment:

Equity Investments. The Private Fund may be subject to the risks associated with any equity investment strategy. Sharp downward market moves may adversely impact the Private Fund's positions and result in losses. Losses may also be incurred on individual positions as a result of issuer-specific matters such as unexpectedly disappointing earnings, lawsuits, analyst action or other matters. Equity returns are volatile and may fluctuate substantially over time.

Investing in Fixed Income Securities. The Private Fund may invest in fixed-income securities. Issuers of fixed income securities have a contractual obligation to pay interest at a specified rate (coupon rate) on specified dates and to repay principal (face value or par value) on a specified maturity date. Certain bonds (usually intermediate- and long-term bonds) have provisions that allow the issuer to redeem or "call" a bond before its maturity. Issuers are most likely to call such bonds during periods of falling interest rates. As a result, the Private Fund may be required to invest the unanticipated proceeds of the called security at lower interest rates, which may cause the Private Fund's income to decline.

Non-Diversification. The Private Fund's portfolio is generally invested primarily in United States publicly traded securities and usually contains the securities of approximately 10-50 issuers at any time. The Private Fund's strategy is to be concentrated in certain core holdings and Davis expects that most of the Private Fund's assets will be invested in 10 to 15 larger weighted positions with the remainder of the Private Fund's assets invested in multiple smaller weighted positions. Accordingly, the Private Fund's portfolio is not diversified among geographic areas or types of securities. Further, the Private Fund's portfolio is not diversified among a wide range of issuers or industries. Accordingly, the investment portfolio of the Private Fund may be subject to more rapid change in value than would be the case if the Private Fund were required to maintain a wide diversification among industries, areas, types of securities and issuers, and will not have the protection against risk that diversification provides.

General Risks of Investing in Debt Instruments. The risks of debt investments include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower during periods of economic downturn, (iv) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received and (v) if the investment is subordinated, subordination to the prior claims of other loans or senior lenders. Debt investments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for loans and high yield bonds and adversely affect the value of outstanding holdings and the ability of the borrowers thereof to repay principal and interest. Moreover, defaults may prove to be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations. The Private Fund may hold a junior position in the capital structure of an issuer which is not secured by collateral.

Debt instruments may become non-performing for a variety of reasons. Non-performing instruments may require substantial workout negotiations or

restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal. The Private Fund may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a debt instrument. Although the Private Fund may have voting rights with respect to an individual holding, there can be no certainty that the Private Fund will be able to exercise votes in respect of a sufficient percentage of voting rights with respect to such holding to determine the outcome of such vote.

Investing in Foreign Securities and Emerging Markets. The Private Fund's investments may include securities of issuers in global markets, including emerging markets, some of which may be particularly sensitive to economic, market, industry and other variable conditions. In addition, there may be limited information available about investment targets and the targets may have limited internal reporting and accounting systems. The Private Fund is subject to various risks incidental to investing in businesses abroad, including nationalization, expropriation or confiscatory taxation, political and economic instability and diplomatic developments, which could affect investments in those countries. The economies of emerging market countries may differ favorably or unfavorably from the economies of more industrialized countries, in such respects as growth of domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Moreover, economic factors in various global markets can affect demand for the goods and services of issuers of securities held by the Private Fund. In addition, there is the greater difficulty in monitoring business abroad.

Hedging. Davis may attempt to structure its investments, and/or use various investment strategies and instruments, in a manner intended to hedge the Private Fund's exposure to market movements or other risks or limit losses. No assurance can be given that any hedging strategies or techniques employed by Davis will be successful or will operate as intended. The use of hedging instruments or strategies may reduce the profit realized by the Private Fund in some cases, and may cause the Private Fund to incur additional expenses. Although some risk management and capital management strategies have been described in this Memorandum, Davis is not obligated to adopt or maintain any particular hedging or risk management procedures.

Small Cap Issuers. The Private Fund may invest in smaller-to-medium sized companies of a less seasoned nature. Securities of such issuers often involve significantly greater risks than the securities of larger, better-known companies. While smaller companies may offer substantial opportunities for capital growth, they also involve substantial risks and should be considered speculative. Historically, smaller company securities have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth

prospects of smaller companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller companies to changing economic conditions.

In addition, smaller companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans which are floating rate.

Lack of Liquidity of Private Fund Assets. The Private Fund may own securities that are relatively liquid when acquired but that become illiquid after the Private Fund's investment. The sale of any such illiquid investments may be possible only at substantial discounts. Further, illiquid investments such as real estate may be extremely difficult to value with any degree of certainty.

Special Capital Accounts and Side Pockets. Davis may invest no more than twenty-five percent (25%) of the Private Fund's net assets (as measured at the time of purchase of a particular investment or at the time that an investment becomes illiquid, as applicable) in Side Pocket Assets. "Side Pocket Assets" may include, but will not be limited to, investments in private companies (including convertible preferred securities issued by private banks), real estate, PIPES (private investment in public equity) and bank loans. Side Pocket Assets may also include assets that were liquid when initially purchased by the Private Fund and that subsequently become illiquid as determined in the discretion of Davis. The determination of whether an investment is a Side Pocket Asset shall be made in the sole discretion of Davis.

In general, at the time an investment is made in a Side Pocket Asset or a formerly liquid asset is deemed to be a Side Pocket Asset, a portion of the Regular Capital Account of each Limited Partner will be transferred to a Special Capital Account. Only Limited Partners who are Partners at the time an investment is made in a Side Pocket Asset or a formerly liquid asset is deemed to be a Side Pocket Asset will participate in such investment and subsequent investors will not participate in such investment; provided, however, that no more than twenty-five percent (25%) of each individual Limited Partner's total investment in the Private Fund may be allocated to Side Pocket Assets (as measured at the time of purchase of a particular investment or at the time that an investment becomes illiquid, as applicable).

A Limited Partner may not withdraw its interest in any Special Capital Account. A Partner may withdraw such funds only following a Realization Event once the value of the assets attributable to such Special Capital

Account is transferred to such Partner's Regular Capital Account, and subject to compliance with applicable notice periods. A Partner shall continue to participate in a Special Capital Account until a Realization Event occurs and the value of the assets attributable to such Special Capital Account is transferred to such Partner's Regular Capital Account, even if the balance of such Partner's Regular Capital Account has otherwise been reduced to zero and such Partner has no other interest in the Private Fund.

Use of Borrowed Funds. Davis may cause the Private Fund to leverage its investment positions by borrowing funds from securities broker-dealers, banks, or others. Davis intends to limit the Private Fund's margin debt for public equity securities to a maximum of 15% of the net asset value of the Private Fund's holdings in public equity securities at the time the debt is initiated. Total public equity margin debt may exceed this 15% limit if the value of the Private Fund's holdings of public equity securities decrease while the Private Fund has a margin position. This 15% limit only applies to public equity margin debt and there are no limits on any other types of debt that the Private Fund may incur. Such leverage increases both the possibilities for profit and the risk of loss. In a downward trending market the use of leverage for long positions could have a material adverse effect on the Private Fund's profitability and operations. Extensions of credit and guarantees by broker-dealers of performance of the Private Fund's obligations will typically be secured by the Private Fund's securities and other assets. Under certain circumstances, a broker-dealer may demand an increase in the collateral that secures the Private Fund's obligations, and if the Private Fund were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the Private Fund's obligation to the broker-dealer. Liquidation in such manner could have materially adverse consequences. In addition, the amount of the Private Fund's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Private Fund's profitability.

Exchange Rate Risk. Volatility in international exchange rates between the United States Dollar and other currencies may affect pricing and the profit margin on sales of non-U.S. securities held by the Private Fund. This, in turn, could adversely affect the Private Fund's rate of return or an investor's profit.

The Private Fund requires that payments be made and will make distributions in United States Dollars. Consequently, for investors whose local currency is not United States Dollars, an investment in the Private Fund involves a significant exchange rate risk. The Private Fund could recognize substantial profits but the real value of a Limited Partner's investment could decline due to a decrease in the value of United States Dollars relative to such investor's local currency.

Trading in Forward Contracts to Hedge Currency Risk. The Private Fund

may, but is not obligated to, elect to hedge its exposure to fluctuations in the United States Dollar relative to foreign currencies by entering into forward contracts with respect to such currencies. A forward contract is similar to a futures contract but unlike a futures contract the terms of a forward contract are not standardized nor are forward contracts traded on exchanges designated by the United States government. Forward contracts are subject to the credit risk of the principals or their refusal to perform and the imposition of exchange controls. Forward contracts are not guaranteed by an exchange or a clearing house and the failure of a principal with whom a forward contract is made would likely result in a default. It may be difficult to enforce the contractual obligations of a non-United States principal in the event that a principal refuses to perform under a forward contract. The Commodity Futures Trading Commission does not regulate foreign currency forward contract trading.

Futures. While it is not anticipated, the Private Fund may invest and trade in futures. A futures contract is an agreement between two parties which obligates the purchaser of a futures contract to buy and the seller of a futures contract to sell a security or basket of securities for a set price on a future date. Unlike most other futures contracts, a stock index futures contract does not require actual delivery of securities, but results in cash settlements based upon the difference in value of the index between the time the contract was entered into and the time of its settlement. The risk of loss in trading futures can be substantial. If the Private Fund purchases a future it may sustain a total loss of the initial margin funds and any additional funds deposited with a broker to establish and maintain its position in the future. If the market moves against the Private Fund's position, the Private Fund may be required to deposit a substantial amount of additional margin funds in order to maintain its position. The placement of contingent or stop orders by the Private Fund will not necessarily limit its losses to the intended amounts, as market conditions may make it impossible for such orders to be executed. There can be no assurance that, at all times, a liquid market will exist for offsetting a futures contract that the Private Fund has bought or sold. This could be the case if, for example, a futures price has increased or decreased by the maximum allowable daily limit and there is no one presently willing to buy the futures contract the Private Fund wants to sell or sell the futures contract the Private Fund wants to buy. The high degree of leverage that can be used in trading futures can lead to large losses.

Options. While it is not anticipated, the Private Fund may engage in options trading. Stock or index options that may be purchased or sold by the Private Fund include options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation; therefore, the risk of nonperformance by the obligor on such an option may be greater and the ease with which the Private Fund can dispose of such an option may be less than in the case of an exchange traded option issued by the Options Clearing Corporation. The trading of options is highly speculative

and may entail risks that are greater than those present when investing in other securities. Prices of options are generally more volatile than prices of other securities. To the extent that the Private Fund purchases options that it does not sell or exercise, it will suffer the loss of the premium paid in such purchase. To the extent that the Private Fund sells options and must deliver the underlying securities at the option price, the Private Fund has a theoretically unlimited risk of loss if the price of such underlying securities increases. To the extent that the Private Fund must buy the underlying securities, it risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Special risks are associated with the use of options. A decision as to whether, when and how to use options involves the exercise of skill and judgment which are different from those needed to select securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. The potential loss incurred by the Private Fund in writing uncovered options is unlimited. When options are used as a hedging technique, there can be no guaranty of a correlation between price movements in the option and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle, so that the Private Fund's return might have been better had hedging not been attempted.

Commodities. To the extent the Private Fund invests in and trades physical commodities, it will bear special risks and expenses not associated with investments in securities or other financial instruments. These include the risks and expenses of physical possession, transport, storage, insurance, delivery and sale of physical commodities. The Private Fund may make a physical commodity investment by way of taking delivery of a futures contract. In this event there is a risk that the physical commodity underlying the relevant futures contract may not be available which may result in delivery not being made or some compensation in an alternative form being offered to the Private Fund.

Exchange-Traded Funds. Because ETF shares, as opposed to mutual fund shares, are exchange-traded securities, they are subject to additional risks. ETF shares are bought and sold on the secondary market at market prices. Although it is expected that the market price of an ETF share typically will approximate its net asset value ("NAV"), there may be times when the market price and the NAV vary significantly. Thus, the Private Fund may pay more than NAV when it buys ETF shares on the secondary markets, and may receive less than NAV when it sells those shares. Some ETFs may utilize leverage to enhance returns. The effect of such leverage may result in a greater increase in NAV. However, such ETFs can be extremely volatile as the NAV tends to fluctuate out of proportion to the underlying securities due

to the leverage employed. Although ETF shares in which the Private Fund will invest are listed for trading on stock exchanges, it is possible that an active trading market may not be maintained.

Index Funds. Index funds are subject to market risk, there is a chance that prices overall will decline. Markets tend to move in cycles, with periods of rising prices and periods of falling prices. An index fund's target index may, at times, become focused in securities of a particular sector, category, or group of companies, which could cause the index fund to underperform the overall stock market. An index fund takes on the risk of the underlying index it tries to replicate.

Real Estate. There are many risks associated with real estate investments including, but not limited to: (i) lack of demand for commercial or housing space in a particular locale, (ii) changes in general economic or local conditions, (iii) changes in supply of, or demand for, similar or competing properties in an area, (iv) uncertainty of cash flow to meet loan and other fixed obligations, (v) impact of changes in interest rates, (vi) unavailability of mortgage financing which may render the sale or refinancing of a property difficult and (vii) changes in tax, real estate, environmental and zoning laws. Additionally, in connection with the ownership (direct or indirect) of real properties, the Private Fund may face potential costs and liabilities related to environmental laws, such as those related to the removal of hazardous and toxic substances.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Private Fund. Prospective investors should read the applicable Private Fund's offering documents and consult with their own legal, tax and financial advisers before deciding to invest in a Private Fund.

ITEM 9: DISCIPLINARY INFORMATION

Davis has no legal or disciplinary events to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer Registration

Davis does not have a registration or an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Futures, Commodity Pool Operator, Commodity Trading Advisor

Davis does not have a registration or 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.

Related Person Arrangements

Davis provides consulting services to Capital Ideas, a family office that solely manages the assets of Mr. Lanse Davis's family. Mr. Davis serves as a director, vice-president and the chief operating officer of Capital Ideas. Mr. Davis holds these positions solely for succession planning purposes and he exercises no direct discretion over the assets under the management of Capital Ideas, nor does he expect to in the foreseeable future. Mr. Davis receives no compensation with respect to his positions with Capital Ideas. As a result of the foregoing, Davis believes that its consulting arrangement and Mr. Davis's positions with Capital Ideas do not create a material conflict of interest with Davis's clients.

Mr. Davis serves as a director and officer of certain fiduciary management corporations that each serve as trustees of certain Davis family trusts. Mr. Davis also serves as a director and officer of a charitable foundation established by the Davis family. Mr. Davis exercises no direct discretion over the assets of these family trusts or the foundation. Mr. Davis receives no compensation with respect to his positions with the trustees of the family trusts or the foundation. As a result of the foregoing, Davis believes that Mr. Davis's positions with these trustees of the family trusts and the foundation do not create a material conflict of interest with Davis's clients.

Neither Davis nor any of its management persons have any relationship or arrangement with a related person that is material to Davis's advisory business or to its clients it has not otherwise disclosed.

Arrangements With Other Investment Advisers

Davis does not recommend or select other investment advisers for its clients nor does it have any other business relationships with any other advisers that create a material conflict of interest.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Davis has adopted a Code of Ethics (the "Code") in accordance with Rule 204A-1 of the Advisers Act. A copy of the Code is available to clients and

prospective clients upon request without charge. The purpose of the Code is to set forth certain key guidelines that have been adopted by Davis as office policy for the guidance of all personnel and to specify the responsibility of all employees of Davis to act in accordance with their fiduciary duty to Davis's clients and to comply with applicable federal and state laws and regulations. The Code requires that all employees conduct themselves in accordance with high ethical standards, which should be premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry.

The following is a summary of certain provisions of the Code:

Confidential Information. As an investment adviser, Davis has a fiduciary duty to its clients not to divulge or misuse information obtained in connection with its services as an adviser. Therefore, all information, whether of a personal or business nature, that an employee obtains about a client's affairs in the course of employment with Davis should be treated as confidential and used only to provide services to or otherwise for the benefit of the client. Such information may sometimes include information about non-clients, and that information should likewise be held in confidence. Even the fact that a person has invested in the Private Fund should ordinarily be treated as confidential.

The Code sets forth steps employees should take to help preserve confidential information including the following: avoiding inadvertent or accidental disclosure through careless conversation or describing details of a current or proposed trade, investment or transaction in a public place; employing physical safeguards, such as locking file cabinets and using password protected computer files or disks; and careful use of email.

A copy of Davis's privacy policy is distributed to investors in the Private Fund on an annual basis.

Material Non-Public Information. All employees of Davis (in any capacity) and all persons - friends, relatives, business associates and others - who receive material nonpublic information concerning an issuer of securities (whether such issuer is a client or not) are subject to these rules. Generally speaking, material non-public information is material information about an issuer's business or operations (past, present or prospective) that becomes known to an employee and which is not otherwise available to the public.

Although the exact meaning of "material" is unclear, if a person knows information about an issuer which the person believes would influence an investor in any investment decision concerning that issuer's securities and which has not been disclosed to the public, the person should not buy or sell that issuer's securities. The Code sets forth an extensive list of examples of types of information which are likely to constitute material non-public

information. The Code also explicitly forbids disclosing material non-public information to another person ("tipping") who subsequently uses that information for his or her profit.

All personnel receiving material, non-public information have the same duty not to disclose or use information about persons or issuers who are not clients of Davis in connection with securities transactions as they have with respect to client securities. In other words, employees may not purchase or sell any securities with respect to which they have material non-public information for their own, Davis's or for a client's account or cause clients to trade on such information until such information becomes public. The foregoing prohibition applies whether or not the material non-public information is the basis for the trade. Whenever employees come into possession of what they believe may be material non-public information about an issuer, they must immediately notify Davis's Compliance Officer. The Compliance Officer shall maintain a list of all issuers about which Davis has material non-public information and shall circulate such list to the appropriate personnel at Davis so as to prevent any trading in securities of such issuers.

Fiduciary Duty and Conflicts of Interest. Davis and its employees have a fiduciary duty to Davis's clients to act for the benefit of the clients and to take action on the clients' behalf before taking action in the interest of any employee or Davis. Davis and its employees must act for the clients' benefit and treat the clients fairly. The manner in which any employee discharges its fiduciary duty and addresses a conflict of interest depends on the circumstances. Sometimes general disclosure of common conflicts of interest may suffice. In other circumstances, explicit consent of the client to the particular transaction giving rise to a conflict of interest may be required or an employee may be prohibited from engaging in the transaction regardless of whether the client consents. The duty to disclose and obtain a client's consent to a conflict of interest must always be undertaken in a manner consistent with the employee's duty to deal fairly with the client. Therefore, even when taking action with a client's consent, each employee must always seek to ensure that the action taken is fair to the client.

The Code sets forth several common examples of situations in which conflicts of interest may arise, including selection of broker-dealers, receipt of gifts, and service as a director of a public company, as well as the ways in which such conflicts may be avoided.

Scalping or Front-Running. Subject to Davis's personal trading policy (as further described below), if any employee knows of a pending "buy" recommendation or is aware of a pending "sell" recommendation, then that employee may not engage in the practice of purchasing or selling such security. Such activities may put Davis and its employees in a conflict of interest and give the employee an advantage at the client's expense. Any

trades undertaken for an employee's own account, for the account of Davis, for the account of any non-Davis client or for another related person must be done so as not to disadvantage a Davis client in any way.

Dealing with Clients as Agent and Principal. In accordance with Section 206(3) of the Advisers Act, the Code requires that employees involved in situations where Davis is buying or selling securities from a client or where Davis acts as a broker-dealer for a non-client in a transaction with an advisory client disclose to the client in writing the capacity in which Davis acts, its profits (if it acts as principal) and its commissions (if it acts as agent for another) and obtain the client's consent. Davis generally does not participate in these types of transactions, but any such transaction must not be entered into without prior consultation with Davis's Chief Compliance Officer.

Personal Trading. Employees are allowed to buy and sell securities for their own accounts, however, the Code prohibits any employee of Davis from buying, selling, or pledging any security without obtaining written clearance from the Chief Compliance Officer prior to executing the transaction. The written clearance must be dated, must specify the securities involved, and must be signed by the Chief Compliance Officer. Securities not covered by this pre-clearance policy are exchange traded funds (ETFs), open and closed ended mutual funds, commodities, currencies and other entities not deriving performance from a single issuer and which hold securities of 10 or more different companies (other than private funds such as hedge funds or private equity funds which must be pre-cleared).

In addition to the pre-clearance requirements described above, each employee must submit an initial holdings report disclosing to the Chief Compliance Officer the identities, amounts, and locations of all securities owned in all accounts in which he or she has a "beneficial ownership interest." In addition, each employee must disclose similar information within thirty (30) days after the end of each calendar year while employed by Davis. Such reports must be current as of a date not more than 45 days prior to the employee joining the company (for an initial report) or the date the report is submitted (for the annual report). Each employee must report to the Chief Compliance Officer within 30 days after the end of each calendar quarter all securities transactions in all of the employee's covered accounts during the preceding quarter.

Possible Conflicts of Interest

Davis currently provides advisory services solely to the Private Fund. Davis and its employees have a fiduciary duty to its sole client, the Private Fund to act for the benefit of the Private Fund and to take action on the Private Fund's behalf before taking action in the interest of any employee or Davis.

Davis (and its principals) may conduct any other business, including any business within the securities industry, whether or not such business is in competition with the Private Fund. Without limiting the generality of the foregoing, Davis (and its principals) may act as investment adviser or investment manager for others, may manage funds or capital for others, may have, make and maintain investments in its own name or through other entities and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms. It may not always be possible or consistent with the investment objectives of the various persons or entities described above and of the Private Fund for the same investment positions to be taken or liquidated at the same time or at the same price.

Participation or Interest in Client Transactions

Davis does not solicit clients to invest in funds (such as the Private Fund) in which Davis or a related person acts as general partner or investment manager.

ITEM 12: BROKERAGE PRACTICES

Selecting Brokerage Firms

Davis assumes general supervision over placement of securities orders for the client portfolios it manages. Davis has the authority to determine pursuant to the Private Fund's limited partnership agreement, the broker-dealer to be used in any securities transaction and the commission rate to be paid. While the primary criterion for all transactions in portfolio securities is the execution of orders at the most favorable net price, numerous additional factors are considered by Davis when arranging for the purchase and sale of clients' portfolio securities. These include restrictions imposed by the federal securities laws and the allocation of brokerage in return for certain services and materials described below. In determining the abilities of the broker-dealer to obtain best execution of a particular transaction, Davis will consider all relevant factors including the execution capabilities required by the transaction(s), the ability and willingness of the broker-dealer to facilitate the account's portfolio transactions promptly and at reasonable expense, the importance to the account of speed, efficiency or confidentiality and the broker-dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold, as well as any other matters Davis deems relevant to the selection of a broker-dealer for a particular portfolio transaction of the account.

Research and Other Soft Dollar Benefits

Ongoing research and live data feeds are critical elements of Davis's

investment management process. Accordingly, Davis may use broker-provided products and services which assist Davis in carrying out its investment decision making responsibilities. These products and services may include, but are not limited to, Bloomberg, industry specific periodicals, quotation feeds from the AMEX, NYSE and other markets and research on markets, industries or companies.

When Davis uses client brokerage commissions, mark-ups or markdowns to obtain research or other products or services, Davis will receive a benefit because it will not have to produce or pay directly for the research, products or services that are provided. As a result, Davis may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution.

All research services received from broker-dealers to whom commissions are paid are used collectively. There is no direct relationship between commissions received by a broker-dealer from a particular client's transactions and the use of any or all of that broker-dealer's research material in relation to that client's account. Davis may pay a broker-dealer a brokerage commission in excess of that which another broker-dealer might have charged for the same transaction in recognition of research and brokerage related services provided by the broker-dealer.

Davis uses soft dollars for research services and products that qualify for the safe harbor under Section 28(e) of the Exchange Act, and all soft dollar arrangements are approved by the firm's Chief Compliance Officer prior to submission for payment by the applicable soft dollar broker. The Chief Compliance Officer conducts semi-annual and annual reviews of research services used by Davis and the amount paid for such services using soft dollars to ensure compliance with Davis's soft dollar policies.

The services paid for using soft dollars during the past fiscal year of the Private Fund included Bloomberg research services, trade publications and specific trade conferences for investment research. Davis does not acquire any products or services with soft dollars that have non-research/non-brokerage uses and thus Davis is not required to engage in mixed use allocations.

Brokerage for Client Referrals

Davis does not consider whether it receives client referrals from a broker in selecting broker-dealers.

Directed Brokerage

Davis does not recommend, request or require that a client direct Davis to

execute transactions through a specified broker-dealer.

Aggregation of Client Accounts

Davis currently has only one client, the Private Fund, and thus does not aggregate orders for client accounts. Davis may, however, aggregate orders for the purchase or sale of securities on behalf of the Private Fund with orders on behalf of other related party accounts (proprietary accounts of Davis, accounts owned beneficially by any employee or a family member of such employee, or pooled investments in which any of these participates). Securities purchased or proceeds of securities sold through aggregated orders are allocated to the account of each portfolio that bought or sold such securities at the average execution price. If less than the total of the aggregated orders is executed, related party accounts owned entirely by Davis, by employees or by such employees' family members will have their allocation reduced to zero before any reductions are made in the allocation to the Private Fund. Transaction costs for any transaction are shared pro rata based on each portfolio's participation in the transaction.

ITEM 13: REVIEW OF ACCOUNTS

Periodic Reviews

Davis manages only one account, the Private Fund. All limited partners in the Private Fund share the same investment objective as it relates to the Private Fund. The Principal reviews the Private Fund's exposures and trading activity on a monthly basis.

Review Triggers

As Described above, Davis reviews the Private Fund on a regular basis and thus this item is not applicable.

Regular Reports

Investors in the Private Fund receive (i) unaudited reports of the performance of the Private Fund on a quarterly basis from the Private Fund's third party administrator, and (ii) audited year-end financial statements within 120 days of the Private Fund's fiscal year end. Investors also receive quarterly updates from Davis with information about the Private Fund's portfolio and the market generally.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Davis does not have any arrangements under which it or a related person compensate another for client referrals. Davis does not have any arrangements under which it receives any economic benefit, including sales awards or prizes.

ITEM 15: CUSTODY

Shelby Cullom Davis & Co., Interactive Brokers and Goldman Sachs serve as prime brokers and National Financial Services, Interactive Brokers and Goldman Sachs respectively serve as custodian for the Private Fund.

The Private Fund has engaged an outside accounting firm and Fund Administrator. Since the Private Fund is a commingled account, the investors do not receive prime brokerage or custodial statements. However, the Private Fund's accounting records are reconciled with the records of the prime brokers and custodians on a monthly basis. As described above under Item 13, investors in the Private Fund receive quarterly unaudited reports from the Private Fund's accounting firm. Investors in the Private Fund also receive audited year-end financial statements.

ITEM 16: INVESTMENT DISCRETION

Davis has complete discretionary authority over the purchase and sale decisions for the Private Fund. Davis has discretionary authority with respect to the Private Fund under the agreement of limited partnership between Davis and the limited partners in the Private Fund.

ITEM 17: VOTING CLIENT SECURITIES

Proxy Votes

Davis has adopted a written proxy voting policy and related procedures which are intended to assure that the Private Fund's securities are voted in the best interests of the Private Fund, and which address material conflicts of interest that may arise between Davis and the Private Fund. Davis's proxy policy is to review every proxy received. Davis reviews each situation and votes in the way that it believes will be most beneficial to the Private Fund and its investors. In some cases, Davis may determine that it is not in the best interests of the Private Fund and its investors to vote a proxy (e.g., if Davis determines that overall value to the Private Fund's investors would be better maximized if Davis focused its efforts elsewhere). Generally, Davis will not allow investors in the Private Fund to direct Davis's vote in a particular situation. If Davis believes that it has a material conflict of interest with

respect to any proxy vote, it will vote the proxy in the best interests of the Private Fund or refrain from voting the proxy in such situation. Any investor in the Private Fund may request to see how proxies were voted for the Private Fund and such information will be made available to them upon request. Inquiries should be directed to Davis at the number listed on the front of this Brochure.

ITEM 18: FINANCIAL INFORMATION

Davis does not solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, so this item is not applicable. Please refer to Davis's fee disclosure at Item 5 of this brochure. There is no financial condition affecting Davis that is reasonably likely to impair Davis's ability to meet contractual commitments to clients.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

This item is not required as Davis is a federally registered investment adviser.