

Item 1: Cover Page

Discovery Group I, LLC
Form ADV Part 2A: Firm Brochure

March 13, 2015

This brochure provides information about the qualifications and business practices of Discovery Group I, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 265-9600. 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.

Additional information about Discovery Group I, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for the Adviser is 156924.

Discovery Group I, LLC is registered as an investment adviser with the Securities & Exchange Commission (the "SEC"). Registration as an investment advisor with the SEC does not imply a certain level of skill or training. In addition, the information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Item 2: Material Changes

There are no material changes.

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Item 4: Advisory Business

Discovery Group I, LLC (“DGI” or “Adviser”) is a Delaware limited liability company that has been operating since 2002 pursuant to the private adviser exemption of Rule 203(b)(3) of the Investment Advisers Act of 1940 (“Advisers Act”). Its advisory business is discretionary investment management. Discretionary investment management services involve managing money according to a set of parameters set forth by a client. The Adviser is free to buy or sell securities without prior discussion with the client. DGI provides discretionary management services to two private investment funds, Discovery Equity Partners, LP (“DEP, LP”), an Illinois limited partnership, and Shareholders First Fund, LP (“SFF, LP”), a Delaware limited partnership, (together “the Funds”).

The two principals of DGI, Daniel Donoghue and Michael Murphy, have been engaged in the business of discretionary management since May 2002 as employees of Piper Jaffray & Co., a registered broker-dealer. The Piper Jaffray affiliation ended effective January 1, 2006. DGI is wholly owned by Discovery Group Holding Company, LLC, (“DGHC”). DGHC is owned in turn equally by Daniel Donoghue and Michael Murphy, the principals of DGHC.

Objective of the Adviser

The objective of DGI is to manage investment funds. DGI has managed DEP, LP since 2002 and began its role as investment manager of SFF, LP in 2014. DGI determines the suitability of the investments in the Funds by relying upon the information and parameters set forth in the Funds’ Confidential Private Placement Memorandums (“PPM”) dated most recently as of January 2008 (DEP, LP) and December 2013 (SFF, LP). It does not allow investors in the Funds to place restrictions upon investments or investment types.

Assets Under Management

As of December 31, 2014, DGI had assets under management of \$290 million.

Item 5: Fees and Compensation

Introduction

DGI acts as investment manager for the Funds. DGI has received an ownership stake in each of the Funds' General Partnerships in return for acting as investment manager.

Management Fees

DEP GP charges DEP, LP a management fee of 2% annually, payable monthly and in advance. The management fee is based on the net asset value of DEP, LP as of the start of business on the first business day of such calendar month. The fee is charged directly to DEP, LP's account and deducted accordingly. In addition, DEP GP charges a performance fee, as described more completely in Item 6, Performance Fees.

SFF GP charges SFF, LP a management fee of 1.5% annually, payable monthly and in advance. The management fee is based on the net asset value of SFF, LP as of the start of business on the first business day of such calendar month. The fee is charged directly to SFF, LP's account and deducted accordingly.

The GPs may, in their discretion, waive or reduce the management fee on an individual limited partner basis.

Transaction and Other Costs

Clients of DGI, including the Funds, will pay costs and expenses incurred in connection with the investment and reinvestment of the Funds' assets, including the following: (i) brokerage commissions, dealer mark-ups, mark-downs and spreads, (ii) related clearing and settlement charges, (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation costs and third party database expenses associated with the Funds' operations, (iv) expenses associated with borrowing, (v) insurance costs and expenses to defray the Funds' insurable liabilities, (vi) custody costs and expenses, (vii) indemnification obligations, (viii) due diligence costs for investigating and monitoring portfolio companies, and (viii) any extraordinary expenses.

DEP GP and SFF GP are responsible for all respective salaries, bonuses and employee benefit expenses of their principals and employees who are involved in the management and conduct of the business and affairs of the Funds (as well as related overhead, including office space and equipment, utilities, telephone and fax costs, and other similar items).

Brokerage practices are discussed further in the section of this brochure entitled "Brokerage Practices."

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

Introduction

DGI acts as investment manager for the Funds. DGI has received an ownership stake in each of the Funds' General Partnerships in return for acting as investment manager.

Performance Fees

DEP, LP pays a performance-based allocation ("New Appreciation") to DEP GP, which is payable as of the each calendar quarter end. The performance fee charged by DEP GP is equal to 20% of any new profit in each investor's capital account, as of each calendar quarter end. This is the New Appreciation. It is the increase in the Net Asset Value of a limited partner's capital account, prior to reduction in the accrued allocation of DEP GP being calculated, over the highest previous calendar quarter-end Net Asset Value of such capital account, after reduction for DEP GP's allocation (the "High Water Mark"). The performance fee is deducted from each limited partner's account after computation at the quarter end. Monies removed or transferred by a limited partner from his or her capital account will result in a proportional reduction of the High Water Mark for purposes of calculating subsequent DEP GP allocations. Conversely, capital contributions to a limited partner's account increase the High Water Mark on a dollar-for dollar basis.

DEP GP may, in its discretion, waive or reduce the performance-based allocation payable by a limited partner without waiving or reducing the performance-based allocation for any other limited partner.

SFF, LP does not pay a performance-based allocation to SFF GP.

DGI manages a fund that is charged a performance-based fee and another fund that is charged an asset-based fee with no performance-based fee. DGI and its advisory personnel face a potential conflict of interest in managing funds that are charged a performance-based fee and funds that are not charged a performance-based fee at the same time. This includes the possible incentive to favor a fund which pays a performance-based fee over one which does not. As a manager for both Funds, DGI's policy is to treat all clients equitably over time and avoid conflicts of interest.

Item 7: Types of Clients

DGI provides investment management services to the Funds. Investment in the Funds is available to investors (individuals or entities) that meet the Funds' investment eligibility criteria. Each investor must be an "accredited investor" under Regulation D of the Securities Act of 1933 and a "qualified client" under Rule 205-3 of the Advisers Act. In addition, an investor must also be a "qualified purchaser" under Section 2(a)(51) of the Investment Company Act of 1940, as amended.

The Funds' GPs typically impose a minimum investment in the Funds of \$1,000,000; however, the GPs may from time to time in their sole discretion admit investors who invest less than \$1,000,000.

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

Discovery Equity Partners

DEP, LP focuses its investment strategy in the area of small-cap U.S. equities. It seeks to exploit the valuation discount often associated with small capitalization public stocks with equity market capitalizations generally in the range of \$50 million to \$1 billion. DEP, LP acquires minority stakes in a diversified portfolio of companies with strong operating fundamentals and invests in those that are likely to experience significant improvement in valuation based on specific anticipated business developments.

Fundamentally sound, small capitalization companies are often valued at a substantial discount to larger companies due in significant part to a lack of institutional investor interest and the absence of analyst coverage. Wall Street investors tend to focus on larger capitalization companies, especially those included in the major securities indices, such as the Dow Jones Industrial Average and the Standard & Poor's 500 Stock Index (the "S&P 500"). The obscurity of smaller issuers in the public markets tends to depress their market value. DEP, LP acquires the securities of such companies at prices that the Principals believe to be significantly below their inherent value.

The principals of DGI identify small capitalization investment candidates based on a disciplined analytical process. DEP, LP maintains a concentrated portfolio, with ownership stakes that may reach a significant percentage of a particular company's outstanding shares. Sometimes DEP, LP is the largest shareholder. The principals are generalists and diversify the portfolio across a broad range of industries. The principals have extensive backgrounds securities analysis and corporate finance and use that experience to identify undervalued companies with promising opportunities to see improved share valuations in the next two to three years.

Risk Management at the Partnership Level

The depressed valuations of the stocks in which DEP, LP seeks to invest should reduce the downside risk of each of these investments considered individually, although there can be no assurance that this will be the case. In addition, diversification of DEP, LP's portfolio among a variety of different stocks is an integral component of DGI's risk management. DGI does not anticipate that DEP, LP will generally commit more than 10% of its capital to any one issuer, although DEP, LP could do so at the discretion of DGI. In no event will DEP, LP commit more than 15% of its capital to any one issuer.

Shareholders First Fund

SFF, LP's primary investment objective is to seek investment returns that compare favorably to small capitalization stock indexes by investing in a diversified portfolio of small capitalization stocks with Boards of Directors and management teams that the General

Partner believes have a strong alignment with shareholders and will exert sound stewardship in managing the affairs of the company.

The General Partner believes that a portfolio of stocks comprised of companies that exhibit good corporate stewardship will outperform, over the long term, comparable indexes that are indiscriminate as to corporate stewardship. Also, the General Partner believes that companies with good stewardship will generally expose its shareholders to lower risk resulting in reduced monthly volatility in stock price returns.

The General Partner expects that SFF, LP's portfolio will generally be comprised of companies within the market capitalization range of the Russell 2000. The General Partner believes that poor corporate stewardship is more prevalent among smaller capitalization firms. SFF, LP anticipates maintaining a liquid and diversified portfolio that will aim to exclude firms with poor corporate stewardship, yet represents the Russell 2000 in terms of other characteristics such as industry concentration, market capitalization weighting, geographic location, etc.

The General Partner expects to invest SFF, LP's assets primarily in publicly-traded U.S. equity securities. The General Partner will seek to fully invest SFF, LP's assets, but, at certain times, the General Partner may deem it prudent to maintain a portion of SFF, LP's assets in cash or cash equivalents. The General Partner will not use debt in the financing of SFF, LP's investment positions.

Risk Management at the Partnership Level

SFF, LP's portfolio will be broadly diversified in terms of industry concentration, market capitalization weighting, geographic location, etc. In addition, SFF, LP will maintain a long-only portfolio and will not use margin to purchase stocks. SFF, LP will also employ limited trading for the portfolio.

General Risks

All investment programs have certain risks that are borne by the investor. DGI's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause security prices to fluctuate.
- **Market Risk:** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Investments made by the Funds may or may not be liquid. Moreover, interests in the Funds managed by DGI may be considered illiquid securities.

The past performance of the Funds is not necessarily indicative of their future performance. An investment in the Funds is speculative and involves a high degree of risk. Investors must be prepared to lose all or substantially all of their investment in the Funds.

Item 9: Disciplinary Information

Neither DGI nor any of its principals, owners or executive officers has any disciplinary information to report.

Item 10: Other Financial Industry Activities and Affiliations

DGI is wholly owned by DGHC. Daniel Donoghue and Michael Murphy, the principals of DGI, also own DGHC. DGHC was not capitalized or licensed to execute trades, or take proprietary positions in any securities. Accordingly, DGHC did not and does not execute the Funds' transactions.

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

DGI has adopted a Code of Ethics (the “Code”) for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. DGI and its personnel owe a duty of loyalty, fairness and good faith towards their clients and have an obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code covers a range of topics that includes: general ethical principles, personal securities trading and reporting, reporting ethical violations, distribution of the Code, review and enforcement processes and supervisory procedures. In addition, the Code also defines material nonpublic information and the restrictions on trading with material non public information, along with policies and procedures pertaining to security of confidential and client information, and the receipt and delivery of gifts by DGI personnel. DGI will provide a copy of the Code to any client or prospective client upon request.

Personal Securities Trading

DGI has implemented a policy that its personnel and related persons are prohibited from investing in equity positions of companies that are an investment of the Funds or under analysis by the Funds. All other trades in their personal accounts require the prior consent of DGI’s chief compliance officer. DGI will not knowingly trade for its own account or allow its access persons to trade in a manner that is detrimental to the Funds or any future DGI advisory client.

Item 12: Brokerage Practices

Brokerage Arrangements - Generally

DGI has chosen the use of BNP Paribas Prime Brokerage, Inc. as custodian and broker-dealer for its clients' trades. In determining which broker to use with respect to the Funds' securities transactions, DGI has taken into consideration the following factors: financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by BNP Paribas may be higher or lower than those charged by other broker-dealers.

Clients of DGI, including the Funds, may incur transaction costs in addition to any commissions charged by the broker-dealer when securities traded over-the-counter are affected on their behalf through the broker-dealer on an agency basis. Broker custody of client assets may limit or eliminate DGI's ability to obtain best price and execution of transactions in over-the-counter securities.

Soft Dollars

DGI may receive services from BNP Paribas for the brokerage that it places there. These services include, without limitation, in addition to research, services such as special execution capabilities, clearance, settlement, net pricing, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, financial strength and stability, efficiency of execution and error resolution, quotation services, referral of prospective investors, custody, travel, entertainment, recordkeeping and similar services, as well as paying for a portion of the Funds' costs and expenses of operation, such as newswire and data processing charges, quotation services, subscription fees to periodicals and other reasonable expenses incurred by DGI in performing services on behalf of the Funds.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment managers who use commission dollars generated by their advised accounts to obtain investment research and brokerage services from companies that provide lawful and appropriate assistance to the manager in the performance of investment decision-making responsibilities. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. Notwithstanding its good-faith determination that the amount of commissions paid is reasonable in relation to the value of brokerage and research services provided, to the extent, if any, that DGI determines to use commission dollars to pay for products or services from companies that provide administrative or other non-research assistance to DGI, such payments may not come within the safe harbor of Section 28(e).

Directed Brokerage

DGI does not allow for a limited partner to direct its brokerage away from the custodian.

Trade Aggregation

DGI has full discretionary authority over the trading and investing activities of the Funds, subject only to the restrictions (if any) described in the Confidential Private Placement Memorandum relating to each Fund. DGI, may, but is not required to, bunch orders for multiple accounts. In that event, each client shall receive the same average price; commissions may vary due to the size of the account or the method of confirmation receipt. In the event that DGI must allocate a partial fill of a limited security, or a bunched order was not possible, DGI will base its allocation pro-rata on the original allocations made prior to trading, or based on an alternative fair methodology.

DGI has full discretion to select brokers and dealers that execute the securities transactions on behalf of its clients, and DGI negotiates the brokerage commission rate paid by its clients.

Brokerage for Client Referrals

DGI does not direct client transactions to a particular broker-dealer in return for client referrals. DGI does not engage in any directed commission relationships or permit clients to direct brokerage.

Item 13: Review of Accounts

The principals of DGI, namely Daniel Donoghue and Michael Murphy, review account transactions and client accounts on an ongoing basis.

DGI provides each investor in the Funds with periodic reports no less frequently than annually that include audited financial statements, information concerning valuations, profits, gains and losses. In addition, DGI provides each investor in the Funds with tax-related information on an annual basis.

Item 14: Client Referrals and Other Compensation

Neither DGI nor its employees have any arrangements to receive any type of economic benefit from someone who is not a client in connection with giving advice to clients.

Item 15: Custody

BNP Paribas Prime Brokerage, Inc. is the Funds' custodian. BNP Paribas provides back office and other services to independent investment advisors. The custodian's address is 151 N. Wacker Drive, Chicago, IL 60606. BNP Paribas will send to clients, at least quarterly, statements setting forth the holdings of their account, its value and any transactions in the account.

Item 16: Investment Discretion

DGI has full discretionary authority over the trading and investing activities of the Funds, subject only to the restrictions (if any) described in the Limited Partnership Agreement relating to each Fund. If DGI is engaged by other clients, it will have full discretionary authority as well. In addition, DGI has full discretion to select brokers and dealers that execute the securities transactions on behalf of its clients, and DGI negotiates the brokerage commission rate paid by its clients.

Item 17: Voting Client Securities

DGI acknowledges and agrees that it has a fiduciary obligation to its clients, including the Funds, to ensure that any proxies for which it has voting authority are voted solely in the best interests and for the exclusive benefit of its clients. The policies detailed below are intended to guide DGI and its personnel in ensuring that proxies are voted in such manner without limiting DGI or its personnel in specific situations to vote in a predetermined manner. These policies are designed to assist DGI in identifying and resolving any conflicts of interest it may have in voting client proxies. Clients may obtain a copy of DGI's proxy voting policies and procedures upon request.

Voting Principles, Policies and Procedures

DGI will abide by the following principles and procedures in voting client proxies:

1. DGI will at all times ensure that client proxies are voted with attention to the best interests and for the sole benefit of its clients.
2. DGI will use its reasonable efforts to ensure that each decision regarding how to vote a client proxy is based on reasonably complete information with respect to the issue to which the proxy relates such that the Adviser can make an informed decision.
3. DGI will determine a client's best interest based on the maximization of investor value, which is defined as an increase in long-term value through capital appreciation and dividends.
4. DGI will ensure that each and every proxy is reviewed and the responsible principal applies the relevant proxy voting procedure for the respective fund.
5. If DGI determines that there is an actual conflict of interest between the client and DGI, as adviser, with respect to a specific proxy issue, DGI will disregard its own interest and will vote solely in the interest of its clients.
6. DGI will maintain a client proxy file to retain records relating to the proxies voted by DGI on behalf of its clients. This file will contain, at a minimum, the proxy materials distributed by the issuer of the security to which the proxy relates and a record of how DGI voted that proxy. If DGI conducts additional research into the proxy issue, it will maintain copies of such research in the file as well.
7. Upon written request from a client, DGI will disclose to that client how its proxies were voted.

Item 18: Financial Information

DGI does not solicit prepayment of fees of \$1200 more than six months in advance from clients and has not been subject to a bankruptcy petition at any point. DGI does not have any financial information to report.