



DG Capital Management, LLC

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FORM ADV PART 2

Item 1. DG Capital Management, LLC Brochure

A Delaware Limited Liability Company registered with the Securities and Exchange Commission as an Investment Adviser

CRD #157258

March 19, 2015

THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF DG CAPITAL MANAGEMENT, LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 646.942.5700 or DGVP@DGCAPITALMGMT.COM.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY STATE SECURITIES AUTHORITY HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THIS BROCHURE. REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. ADDITIONAL INFORMATION ABOUT DG CAPITAL MANAGEMENT, LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Brochure will supersede all other documents containing information about our firm.

Item 2. Material Changes

As of, March 27, 2015 there were no material changes to report regarding our advisory business.

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Part 2A. – DISCLOSURE ITEMS ABOUT FIRM

Item 4. Advisory Business:

(A) Operational and Organizational Information: DG Capital Management, LLC (“Firm”) is a U.S. Securities and Exchange Commission (“SEC”) registered investment adviser. As stated on the cover page of this brochure, registration as an investment adviser does not imply a level of skill or training. The Firm has been in business since February 2007. The principal owner of the Firm is Dov Gertzulin.

(B) Types of Advisory Services Offered: The Firm provides investment advisory services to DG Value Partners, LP, DG Value Partners II Master Fund, LP and DG Credit Opportunities, LP (“Funds” or “Partnerships”), private investment funds, on a discretionary basis. The Firm also provides discretionary investment advice to separately managed accounts (“Accounts”).

The Firm does not hold itself out as specializing in a particular type of advisory service. Please review the Firm’s investment guidelines, specified below under “Client Investment Guidelines and Parameters.”

Note: For purposes of this Brochure, “Client” may include a Fund, investors in such Fund and separate account clients.

(C) Client Investment Guidelines and Parameters: The Funds’ purpose is investing and trading in a wide variety of securities and financial instruments, domestic and foreign, primarily focusing on publicly traded credit and equity securities. In certain instances, upon client request, the Firm may tailor its advisory services to the individual needs of clients. Clients may impose restrictions on investing in certain securities or types of securities by specifying such restrictions in a written notice to Firm. Firm provides discretionary investment advisory services to all fee paying clients’ accounts. In connection with managing the investments of its separate account clients, such accounts’ investment management agreements provide investment guidelines and parameters that provide the context within which the Firm renders its investment management services.

(D) **Wrap Fee Programs:** The Firm does not participate in wrap fee programs.

(E) **Client Assets Under Management:**

Discretionary: \$330 million as of March, 2015

Non-discretionary: None

Item 5. **Fees and Compensation:**

(A) **Generally:** Management fees for pooled investment and separately managed accounts are calculated periodically based on a percentage of the value of the assets under management (the "Management Fee").

In addition, the Firm collects incentive allocations/fees based on the performance of investments. Please refer to Item 6 below, for a more detailed description of incentive allocations/fees, and related conflicts of interest.

(B) **Payment of Fees:** Management Fees are billed monthly, in advance or arrears, as specified in the relevant investment management agreement or applicable pooled vehicle transaction document.

The Firm also receives an incentive allocation or a performance based fee (the "Performance Fee") from the Funds/Accounts which is calculated based on a percentage of the capital appreciation as evaluated at the end of each calendar year. The Performance Fee will be payable annually, in arrears.

(C) **Additional Fees and Expenses:** The Funds/Accounts bear all costs and expenses related to its investments and its operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, research expenses (including related travel expenses), legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and variation margin, interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, legal expenses, audit and tax preparation expenses, accounting fees, the

Funds/Accounts administration expenses (including, but not limited to, fees and expenses of any administrator), the direct and related costs of portfolio accounting software, fees and expenses for risk management services, insurance expenses including costs of any liability insurance obtained on behalf of the Funds/Accounts, indemnification expenses, the Management Fee, regulatory and compliance costs and expenses (including, but not limited to, filing and license fees and form PF), any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees, costs of reporting and providing information to Partners/Investors, and costs of litigation or investigation involving Funds/Accounts activities, and any extraordinary expenses.

Organizational costs of the Funds/Accounts and the costs incurred in connection with the initial issuance of Interests, including legal and accounting fees, document production and printing costs, federal and state filing fees, and other related expenses, have been paid for by the Funds/Accounts. Such expenses are being amortized by the Funds/Accounts, for financial reporting purposes over a period of five years.

Clients should review carefully Item 12, which discusses conflicts of interest related to brokerage practices. Clients pay brokerage commissions and/or transaction ticket fees charged by the custodian. The Funds/Accounts will not receive any portion of such commissions or fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties in connection with investments made through the account. Management fees and/or performance allocations and fees charged by the Firm are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses is available in each Funds' offering memorandum.

- (D) **Withdrawal from Fund(s):** Withdrawal terms for the Funds are specified in the relevant offering documents. For Class A in DG Value Partners, LP, DG Value Partners II, LP, and DG Value Partners II Offshore Fund, Ltd generally, services may be terminated effective as of the last day of any month, upon at least 60 days' prior written notice to the Firm, and in such other amounts and at such other times as the Firm may determine in its sole discretion. For Class B – rolling two year lock, in DG Value Partners, LP, DG Value Partners II, LP, and DG Value Partners II Offshore Fund, Ltd

generally, services may be terminated upon the expiration of its two year lock anniversary, upon at least 60 days' prior written notice to the Firm, and in such other amounts and at such other times as the Firm may determine in its sole discretion. For DG Credit Opportunities, LP generally, services may be terminated effective as of the last day of any month, upon at least 90 days' prior written notice to the Firm, and in such other amounts and at such other times as the Firm may determine in its sole discretion. For separately managed accounts, termination terms are specified in the applicable investment management agreement.

- (E) **Fees Paid:** Management Fees shall be calculated and payable to the Firm monthly in advance or in arrears as specified in the relevant investment management agreement or applicable pooled vehicle transaction document.
- (F) **Termination of Services:** Termination terms are specified in the relevant Fund offering documents and separately managed account investment management agreement.
- (G) **Additional Compensation of Supervised Persons:** No supervised person accepts compensation for the sale of securities or other investment products.

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

Partnership: In addition to the Management Fee, the Firm is compensated for its investment management services through an incentive allocation and/or fee, also known as a performance-based allocation and/or fee ("Performance Fee"). Under this arrangement, an investor will be charged a fee contingent upon the performance within the investor's account. The Performance Fee will be tied to the capital appreciation within the account as evaluated at the end of each applicable period. The Performance Fee will be payable annually, in arrears. The Firm shall also receive the Performance Fee upon any withdrawal by an investor, whether voluntary or involuntary, and upon dissolution of a Partnership. Generally, the Performance Fee will be calculated at 20% of net capital appreciation attained within the investor's account (net of all expenses, including any commissions, etc.). The Firm, in its sole discretion, may waive or reduce the Performance Fee with respect to any investor for any period of time, or agree to modify the

Performance Fee for that investor. The Firm may, in its discretion, reallocate a portion of the Performance Fee to certain investors.

Separately Managed Accounts: The Firm may receive from Clients a mutually agreed upon performance fee or allocation, as specified in the relevant investment management agreement. Typically, the performance fee or allocation will be comparable to that of a Fund and will be calculated at 20% of net capital appreciation attained within the Client's account (net of all expenses, including any commissions, etc.). Clients who reside in the United States and who are charged performance fees or allocations are required to be qualified clients as defined under the Investment Advisers Act of 1940 (the "Advisers Act").

Generally: In order for the Firm to receive a Performance Fee, the Firm must achieve capital appreciation within the account. The Firm will charge Performance Fees in adherence to a high water mark, which means that no Performance Fee will be earned unless the performance exceeds the previously achieved high water mark where Performance Fees were charged. The high water mark will be used in order to prevent a scenario whereby the Firm could receive a Performance Fee merely for recouping prior losses. A full description of the entire fee arrangement is disclosed to the Client in such Client's investment management agreement and in the Funds' offering documents. Fees generally are deducted directly from the Client's account, as specified in the relevant investment management agreement. The Firm's receipt of Performance Fees is intended to align the Firm's interests with those of the Firm's Clients and to provide the Firm with a greater incentive to manage assets well. The nature of the Performance Fee, however, creates a potential conflict of interest among the Firm, its associated persons, and its Clients.

Such fees will be structured and charged in a manner consistent with the requirements of applicable law, including the Advisers Act and ERISA. An incentive fee arrangement may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of a Performance Fee. Where any part of the Firm's compensation is based in part on the unrealized appreciation of securities or instruments for which market quotations are not readily available, the Firm shall disclose how such securities or instruments will be valued and the extent to which the valuation will be determined independently. To the extent the Firm values any such securities or instruments independently, it has a conflict of interest as the Firm will receive higher Management Fees and Performance Fees if it gives such securities and instruments higher valuations. The Firm does not represent that the amount of the Performance Fees or the manner of calculating the Performance Fees is

consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The Performance Fees charged by the Firm may be higher or lower than the Performance Fees charged by other investment advisers for the same or similar services.

In addition, in the event the Firm manages an account from which it collects Performance Fees and also manages at the same time an account from which it does not collect Performance Fees, the Firm has an incentive to favor accounts for which it receives Performance Fees because it will receive a greater profit from the accounts that are charged Performance Fees. Therefore, the Firm has an incentive to allocate investments that are expected to be more profitable to accounts from which it collects Performance Fees, on the one hand, and that are riskier on the other hand, since in both scenarios, the Firm may receive greater fees if the investment generates a positive return. Notwithstanding the foregoing, the Firm reviews allocations among accounts to ensure that it does not favor accounts that pay Performance Fees.

Item 7. **Types of Clients:**

The Firm's Clients are private investment funds and separately managed accounts whose investors are individuals and institutions. The minimum investment in a Fund is \$1,000,000, and the minimum subsequent investment is \$50,000. In each case, however, the Firm has sole discretion to accept lesser amounts. Separately managed account terms are individually negotiated.

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

- (A) **Methods of Analysis and Investment Strategies:** The Funds' investment objective is to achieve above average long-term rates of return, primarily through capital appreciation and income, while also attempting to preserve capital and mitigate risk through diversification of investments and hedging activities. No assurance can be given, however, that a Fund will achieve its objective, and investment results may vary substantially from period to period. The Firm anticipates that most of the Funds' assets will be invested in publicly traded credit and equity securities.

A Fund seeks to purchase securities that are priced at a discount to intrinsic value, based on its research. Additionally, the Funds may short securities or engage in other hedging transactions through options or other derivatives to offset risk. A Fund also expects to invest a portion of its assets in "special situations," where an event is expected to cause appreciation in the price of the security, as opposed to relying exclusively on business fundamentals or general market movements. The Firm may invest in companies of any market capitalization, geographic location or market sector. The Funds' investment position will generally be long-biased although it may be market neutral or have significant holdings in cash, depending on investment conditions. The assets of the Funds will generally be invested in a focused manner. Therefore, while attention is paid to diversification across industries, a Fund currently expects to hold between 15 and 25 core positions.

Investing in securities involves risk of loss that Clients should be prepared to bear.

(B) Risks Associated with Firm's Investment Strategies:

Competition. The securities industry and the varied strategies and techniques to be engaged in by the Firm are extremely competitive and each involves a degree of risk. The Funds will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

Market Volatility. The profitability of the Funds substantially depends upon the Firm correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Funds cannot guarantee that the Firm will be successful in accurately predicting price and interest rate movements.

Partnership's Investment Activities. The Funds' investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Firm. Such factors include a wide range of economic, political, competitive and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the

ability of the Funds to realize profits. As a result of the nature of the Funds' investing activities, it is possible that the Funds' financial performance may fluctuate substantially from period to period.

Material Non-Public Information. By reason of their responsibilities in connection with other activities of the Firm, DG Capital Partners LLC, DG Capital Partners II LLC, DG Capital Partners III LLC, and/or their affiliates, certain principals or employees of the Firm, may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Accuracy of Public Information. The Firm selects investments for a Fund, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Firm by the issuers or through sources other than the issuers. Although the Firm evaluates all such information and data and sometimes seeks independent corroboration when the Firm considers it is appropriate and when it is reasonably available, the Firm is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

Investments in Securities and Other Assets Believed to be Undervalued. The Firm's investment program contemplates that a substantial portion of a Fund portfolio will be invested in securities and other assets that the Firm believes to be undervalued. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' investments may not adequately compensate for the business and financial risks assumed. Such investments can sometimes include bonds and other fixed income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact their value. In addition, it is likely that any such economic

downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Funds may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds' funds would be committed to the investments made, thus possibly preventing the Funds from investing in other opportunities.

Investments in Small Capitalization and Unseasoned Companies.

The Firm's investment program contemplates that a portion of the Funds' portfolio may be invested in small and/or unseasoned companies with small market capitalization. While these companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and/or competitive strength of larger and/or more established companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Funds may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

Volatility of Currency Prices. The profitability of the Funds' portfolio depends, in part, upon the Firm correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Funds cannot guarantee that the Firm will be successful in accurately predicting currency price and interest rate movements.

Leverage. When deemed appropriate by the Firm and subject to applicable regulations, a Fund may incur leverage in its investment program, whether directly through the use of borrowed funds, or

indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent a Fund purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Fund. If the interest expense on this leverage were to exceed the net return on the investments made with borrowed funds, the Funds' use of leverage would result in a lower rate of return than if the Fund were not leveraged.

If the amount of leverage which a Fund may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Fund's portfolio will have disproportionately large effects in relation to the Fund's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional leverage will generally cause the Net Asset Value of the Fund to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the leveraged capital fails to cover their cost to the Fund, the Net Asset Value of the Fund will generally decline faster than would otherwise be the case.

Certain of the Funds' trading and investment activities may be subject to Federal Reserve Board ("FRB") margin requirements, which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the assets managed by a Fund, the Fund might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the

Funds' trading activities, the Funds, and not the Limited Partners personally, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Short Sales. When deemed appropriate by the Firm, a Fund may sell securities short. Short selling involves the sale of a security that the Fund does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Fund must borrow securities from a third party lender. The Fund subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The Fund must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the Fund a fee for the use of the Fund's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

Options and Other Derivative Instruments. The Firm may invest, from time to time, in options and derivative instruments, including buying and writing puts and calls on some of the securities held by the Fund in an attempt to supplement income derived from those securities. The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options

and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased by a Fund were permitted to expire without being sold or exercised, the Fund would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to the Fund at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by the Fund at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer

of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Fund of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

Hedging Transactions. The Funds may utilize financial instruments such as forward contracts, options, commodities and interest rate swaps, caps and floors to seek to hedge against various market fluctuations, such as those in the relative values of its portfolio positions as a result of changes in currency exchange rates, certain changes in the equity markets and changes in interest rates. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for a Fund to hedge against a fluctuation at a price sufficient to protect the Fund's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying instruments or assets. Accordingly, options on highly volatile instruments or assets may be more expensive than options on other instruments or assets and of limited utility in hedging against fluctuations in their prices.

The Firm is not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedging transactions are effected, their success is dependent on the Firm's ability to

correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

Market or Interest Rate Risk. The Funds may invest, from time to time, in fixed income securities and instruments. The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If a Fund holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Fund's performance. However, if the Fund has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Fund.

Call Option Risk. Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, a Fund is exposed to reinvestment rate risk – the Fund will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Maturity Risk. In certain situations, the Funds may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, a Fund will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

Inflation Risk. Inflation risk results from the variation in the value of cash flows from a fixed income instrument due to inflation, as measured in terms of purchasing power. For example, if a Fund

purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Fund is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

Corporate Debt Obligations. The Funds may invest in corporate debt obligations, including commercial paper. Corporate debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). From time to time, the Firm may intend to expose the Fund to credit risk. However, there can be no guarantee that the Firm will be successful in making the right selections and thus fully mitigate the impact of credit risk changes on the Funds.

Investments in Non-U.S. Investments. The Funds may invest and trade, from time to time, a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non-U.S. issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by non-U.S. governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some non-U.S. countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against non-U.S. governments.

Non-U.S. securities and other assets often trade in currencies other than the U.S. dollar, and a Fund may directly hold non-U.S. currencies and purchase and sell non-U.S. currencies through forward exchange contracts. Changes in currency exchange rates will affect the Funds' net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Funds' investments to decline. Some non-U.S. currencies are particularly volatile. Non-U.S. governments may intervene in the currency markets, causing a decline in value or liquidity of the Funds' non-

U.S. currency holdings. If a Fund enters into forward non-U.S. currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Fund enters forward contracts for the purpose of increasing return, it may sustain losses.

Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Non-U.S. countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

Risk of Default or Bankruptcy of Third Parties. The Funds may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, a Fund could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid. In addition, the Fund could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Fund does business, or to which securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if the Funds' prime broker and custodian were to become insolvent or file for bankruptcy, the Funds could suffer significant losses with respect to any securities held by such firm.

Separately managed account Clients are subject to substantially similar risks as those described in Item 8.(B) above.

(C) **Security-Specific Risks:** Please refer to Item 8.(B) above.

Item 9. **Disciplinary Information:**

To date, there have been no legal or disciplinary events in which the Firm or any supervised persons have been involved that are material to a Client's or prospective client's evaluation of the Firm's advisory business or management.

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

- (A) Neither Firm nor its management persons has any existing or pending affiliations with a broker-dealer or registered representative of a broker-dealer.
- (B) Neither Firm nor its management persons has any existing or pending financial industry affiliations, such as with a broker-dealer, Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), Commodity Trading Advisor (CTA) or other investment adviser.
- (C) The Firm and/or its management persons do not have a financial industry relationship or arrangement with a related person that is material to its advisory business or to its clients.
- (D) The Firm has the ability to recommend or select other investment advisers for its clients. The Firm does not have other business relationships with other investment advisers that create a conflict of interest.

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

A copy of the code of ethics ("Code of Ethics") is available upon request to Clients or prospective Clients.

- (A) The Code of Ethics is based upon the premise that all Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Firm; (3) observe Firm's personal trading policies so as to avoid "front-running" and other conflicts of interests between the Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Firm's Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by Firm, up to and including termination.

Participation or Interest in Client Transactions: The Firm recognizes that the personal securities transactions of its employees demand the application of a high code of ethics, and the Firm requires that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, the Firm believes that if investment goals are similar for Clients and for employees of the Firm, it is logical and even desirable that there be common ownership of some securities. The Firm and its related persons may invest their personal funds in the Funds. Therefore, in order to address conflicts of interest, Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors and employees (hereafter in this section, "Employees") for their personal accounts. In order to monitor compliance with its personal trading policy, Firm has adopted a monthly securities transaction reporting system for all of its Employees. For purposes of the policy, an Employee's "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls, including the Firm's Client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

Associated persons of the Firm may recommend to Clients the purchase or sale of investment products in which it or a related person may have some financial interest, including but not limited to, the receipt of compensation. Records will be maintained of all securities bought and sold by associated persons and related persons.

Additionally, the Code of Ethics sets forth the Firm's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that the Firm and each of its Employees has to each of its Clients. The Code of Ethics is circulated at least annually to all Employees, and each Employee, at least annually, must certify in writing that he or she has received and followed the Code of Ethics and any amendments thereto.

Other Activities of Firm and its Affiliates: Neither the Firm, nor any affiliate or employee, is required to manage Client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing Client accounts, the Firm, and its respective affiliates or employees may provide

investment advice to other parties and may manage other accounts in the future.

Trade Error Policy: The Firm has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, the Firm will use reasonable efforts to correct the error. If the error cannot be corrected, the Firm does not intend to make any adjustment, regardless of whether the error works to the benefit or detriment of the Fund. The Firm will endeavor to maintain a record of each trade error, including information about the trade and how such error was corrected or attempted to be corrected.

Privacy Policy: The Firm has adopted a privacy policy that explains the manner in which the Firm collects, utilizes and maintains non-public personal information about Clients, as required under federal legislation.

Collection of Information and Disclosure of Non-public Personal Information: To provide Clients with superior service, the Firm may collect several types of nonpublic personal information about Clients, including:

- Information from forms that Clients may fill out, such as subscription forms, questionnaires and other information provided by Clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications;
- Information Clients may give orally;
- Information about transactions within the Firm, including account balances, investments and withdrawals;
- Information about the amount Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Fund; and
- Information about any bank accounts Clients may use for transfers to or from separately managed accounts.

The Firm does not sell or rent Client information. The Firm uses this information to conduct business with its Clients: to develop or

enhance its products and services; to understand the financial needs of its Clients so that the Firm can provide such Clients with quality products and superior service; and to protect and administer its Clients' records, accounts and funds. The Firm does not disclose non-public personal information about its Clients to non-affiliated third parties or to affiliated entities, except as permitted or required by law. For example, the Firm may share non-public personal information in the following situations:

- To service providers in connection with the administration and servicing of the Firm; this may include attorneys, accountants, auditors and other professionals. The Firm may also share information in connection with the servicing or processing of Partnership transactions;
- Potentially, to affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through the Firm and to introduce Clients to other products and services that may be of value to such Clients;
- To respond to a subpoena or court order, judicial process or regulatory authorities;
- To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and
- Upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

Protection of Information:

The Firm's policy is to require that all employees, financial professionals and companies providing services on its behalf keep Client information confidential.

The Firm maintains safeguards that comply with federal standards to protect Client information. The Firm restricts access to the personal and account information of Clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom the Firm shares Client information must agree to follow appropriate standards of security

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and confidentiality. The Firm's privacy policy applies to both current and former Clients. The Firm may disclose non-public personal information about a former Client to the same extent as for a current Client.

Changes to Privacy Policy:

The Firm may make changes to its privacy policy in the future. The Firm will not make any change affecting an individual without first sending that individual a revised privacy policy describing the change.

Item 12. **Brokerage Practices:**

The factors that the Firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation are described below:

(A) **Factors Considered in Selecting or Recommending Broker-Dealers:**

Securities transactions for Clients are executed through brokers selected by the Firm in its sole discretion and without the consent of the clients. In placing portfolio transactions, the Firm will seek to obtain the best execution for the clients, taking into account the following factors but not limited to: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria.

(i) **"Soft Dollar" Policy:** The Firm has the authority to engage in soft dollar arrangements. The Firm will do so in accordance with the policies and procedures described below.

A portion of expenses for research related products and services might be paid with "soft dollars" generated through the Funds/Accounts trading activities. It is anticipated that the use of commissions or "soft dollars" to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. In addition to research services, the Firm may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of clients. These benefits may take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, 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, efficiency of execution and error resolution, quotation equipment and services, the availability of stocks to borrow for short trades, custody, travel, record keeping and similar services. These other services may also include but are not limited to payment of all or a portion of the clients' or the Firm's or its affiliates' newswire and quotation equipment and services (e.g., Reuters, Bloomberg); data processing charges; and periodical subscription fees.

The Firm has the option to use "soft dollars" generated by clients to pay for the research and non-research related services described above. The term "soft dollars" refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment adviser's clients. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision-making responsibilities. At present, the Firm

only uses soft dollars to pay for research related expenses that are within the safe harbor of Section 28(e) of the Exchange Act. The use of brokerage commissions to obtain investment research services creates a conflict of interest between the Firm and clients because the clients pay for such products and services that are not exclusively for the benefit of clients and that may be primarily or exclusively for the benefit of the Firm. To the extent that the Firm is able to acquire these products and services without expending its own resources (including management fees paid by clients), the Firm's use of soft-dollars would tend to increase the Firm's profitability. In addition, the availability of these non-monetary benefits may influence the Firm to select one broker rather than another to perform services for clients. The Firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on a client's interest in receiving the most favorable execution. Moreover, the Firm may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits. In the event that Firm uses soft dollar benefits, the Firm will use such benefits to service all client accounts rather than only those accounts that paid for the benefits.

The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by clients.

- (a) When the Firm uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Firm receives a benefit because the Firm does not have to produce or pay for the research, products or services. **Please refer to Item 12(A)(i).**
- (b) The Firm may have an incentive to select or recommend a broker-dealer based on the Firm's interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. **Please refer to Item 12(A).**
- (c) The Firm may cause clients to pay commissions (or markups or markdowns) higher than those charged by

other broker-dealers in return for soft dollar benefits (known as paying-up). **Please refer to Item 12(A)(i).**

Other Uses and Products: The Firm may use some products or services not only as “research” and as brokerage (i.e., to assist in making investment decisions for clients or to perform functions incidental to transaction execution) but for our administrative and other purposes as well. In these instances, we may make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable to making investment decisions and executing transactions is paid with commission dollars and we bear the cost of the balance. Our interest in making such an allocation differs from clients’ interest, in that we have an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the Firm must pay directly.

(ii) Brokerage for Client Referrals:

- (a) The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce clients or investors to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by clients. As a result, the Firm may have an incentive to select or recommend a broker based on the Firm’s interest in receiving client or investor referrals rather than on clients’ or investors’ interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit the Firm and its affiliates but will provide an insignificant (if any) benefit to clients and investors, the Firm will have a conflict of interest when allocating brokerage business to a broker who has referred clients or investors to the Firm. To prevent client brokerage commissions from being used to pay referral fees, the Firm will not allocate client brokerage business to a referring broker unless the Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value.

- (b) During the last fiscal year, there were no directed Client transactions to a particular broker-dealer in return for Client referrals.

(iii) **Directed Brokerage:** Please also refer to the response to Item 12(A) above:

- (a) The Firm does not recommend, request, or require a client to direct the Firm to execute transactions through a specified broker-dealer.
- (b) The Firm does not permit a client to direct the Firm to execute transactions through a specified broker-dealer except, if agreed to in the relevant investment management agreement.

(B) **Aggregation of Orders:** The Firm may aggregate purchase and sale orders of investments held by a client's account with similar orders being made simultaneously for other accounts or entities if, in the Firm's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to such client based on an evaluation that the client will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for a client's account will be effected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of investments purchased or sold. In such event, the average price of all investments purchased or sold in such transactions may be determined, at the Firm's sole discretion, and the client's account may be charged or credited, as the case may be, with the average transaction price.

(C) **Allocation of Trades:** The Firm may at times determine that certain investments will be suitable for acquisition by clients and by other accounts managed by the Firm, possibly including the Firm's own accounts or accounts of an affiliate. If that occurs, and the Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which the Firm deems advisable, the Firm will endeavor in good faith to allocate the limited amount

of such securities acquired among the various accounts for which the Firm considers them to be suitable. The Firm may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Item 13. **Review of Accounts:**

- (A) All accounts managed by the Firm are reviewed on a regular basis by the portfolio manager of the Adviser, to determine whether positions should be maintained in light of emerging trends and developments as well as market volatility and current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account. Separate account clients are responsible for keeping the Firm informed as to any changes in their personal financial condition or risk tolerance and/or changes to restrictions.
- (B) The daily review of the portfolio is the main triggering factor of a review of an account, reviews may also be triggered by changes in a client's circumstances, client request, or unusual market activity. Clients may be contacted periodically by Adviser to discuss the management and performance of their Firm account.
- (C) Reports showing performance are sent to clients monthly by the Firm's administrator or by a qualified independent custodian. In addition, realized gains/losses, interest and dividends earned are reported to clients annually. Each investor in the Fund also receives the following: (i) annual financial statements of the Fund, audited by an independent certified public accounting firm; (ii) in the discretion of the Firm or an affiliate of the Firm, a periodic letter and/or report discussing the results of the accounts; (iii) copies of such investor's Schedule K-1 to the Funds' tax returns; and (iv) other reports as determined by the Firm or an affiliate of the Firm in its sole discretion. Additionally, within 120 days of the calendar year-end, investors shall receive GAAP-compliant audited financial statements.

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

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- (A) The Firm does not receive, from any non-client, any economic benefit associated with advising clients.
- (B) The Firm may use broker-dealers, placement agents and other persons to refer clients and investors and pay a marketing fee or commission in connection with such activities, including ongoing payments, at the Firm's own expense. In certain cases, the Firm reserves the right to deduct a percentage of the amount invested by a client or investor to pay sales fees or charges, on a fully disclosed basis, to a broker-dealer, placement agent or other person based upon the investment of the client or investor introduced to the Firm by such broker-dealer, placement agent or other person. Any such sales fees or charges shall be assessed against the referred client or investor and shall reduce the amount actually invested by the client or investor with the Firm.

Item 15. **Custody:**

The Firm maintains client funds and securities at a qualified custodian. As stated above in Item 13, Review of Accounts, reports and statements covering an account's holdings and activity will be provided by the qualified custodian or the administrator. These reports, and monthly statements, will typically identify the account holdings and a current valuation of such holdings. The chief operating officer or chief financial officer will be available to assist the account holder in reviewing and understanding such reports.

Item 16. **Investment Discretion:**

The Firm has discretionary investment authority over client assets that are managed by the Firm. Please refer to Items 4(C) and 8(A) for additional information related to the Firm's investment guidelines.

Item 17. **Voting Client Securities:**

The Firm uses reasonable judgment to vote proxies in a manner it determines is in the best interest of its clients. The Firm and its prime

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broker monitor corporate actions of those securities purchased on behalf of its clients. Proxy votes will generally be submitted electronically but may be submitted by mail. Investors in the Fund can obtain information on how the proxies were voted and a description of Firm's policies and procedures regarding proxy voting by requesting such information from the Chief Compliance Officer.

Item 18. **Financial Information:**

The Firm is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has it been the subject of a bankruptcy petition since its inception.

Item 19. **Requirements for State-Registered Investment Advisers:**

This item is not applicable.

FORM ADV Part 2B – BROCHURE SUPPLEMENTS

Cover page for Dov Gertzulin
DG Capital Management, LLC
CRD #157258

This supplement provides information about Dov Gertzulin that supplements the DG Capital Management, LLC brochure (our “Brochure”). Please contact the chief operating or compliance officer at 646.942.5700 with any questions about the contents of this supplement.

Additional information about Mr. Gertzulin is available on the SEC’s website at www.adviserinfo.sec.gov.

(A) **Educational Background and Business Experience:**

Dov Gertzulin is the Managing Member of DG Capital Partners, LLC and DG Capital Management, LLC (“Firm”), and is the portfolio manager for Clients. Prior to forming the Firm, Mr. Gertzulin was a Vice President and portfolio manager at Neuberger Berman, a Lehman Brothers Company. At Neuberger Berman he co-managed over \$3.5 billion for high net worth and institutional investors. Mr. Gertzulin joined Neuberger Berman in 2002 as a research analyst. Previously, he was a research analyst at JDS Capital Management, which he joined in 2000. He began his investment career at Neuberger Berman in 1998.

Mr. Gertzulin received his MBA with distinction from New York University’s Stern School of Business, where he specialized in finance and accounting and was named a Stern Scholar. He earned a BBA from Baruch College, graduating summa cum laude. He serves as a member of the Executive Committee of the Baruch College Fund Board of Trustees and is the Chairman of the Investment Committee of the Baruch College Fund with responsibility of overseeing the endowment.

(B) **Disciplinary Information:**

Mr. Gertzulin (the “supervised person”) has not been involved in any legal or disciplinary events material to a client’s or prospective client’s evaluation of the supervised person.

(C) **Other Business Activities:**

The supervised person is not actively engaged in any investment-related business or occupation, including being registered, or having an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”), or commodity trading advisor (“CTA”), nor is the supervised person an associated person of an FCM, CPO, or CTA.

The supervised person is not actively engaged in any business or occupation for compensation not discussed in response to Item 4.(A), above, that provides a substantial source of the supervised person’s income or involves a substantial amount of the supervised person’s time.

(D) **Additional Compensation:**

The supervised person does not receive, from any non-client, any economic benefit associated with advising clients (such as sales awards and prizes, any bonus that is based on number or amount of sales, client referrals or new accounts (not including salary)).

(E) **Supervision:**

Mr. Gertzulin’s performance, activities and the advice he provides to clients are supervised by the chief operating and compliance officer of the firm and can be reached at 646.942.5700.

(F) **Requirements for State-Registered Advisers:**

This item is not applicable.

Cover page for Jacob Burgida

DG Capital Management, LLC

CRD #3120283

This supplement provides information about Jacob Burgida that supplements the DG Capital Management, LLC brochure (our "Brochure"). Please contact the chief operating or compliance officer at 646.942.5700 with any questions about the contents of this supplement.

Additional information about Mr. Burgida is available on the SEC's website at www.adviserinfo.sec.gov.

(A) Educational Background and Business Experience:

Jacob Burgida is the Chief Operating and Compliance Officer at DG Capital Management, LLC (the "Firm"), where he is responsible for the funds' and firm's operations and compliance program. Mr. Burgida has specific hedge fund experience as Chief Financial Officer, Chief Operating Officer and Chief Compliance Officer, most recently at 5:15 Capital Management (2009-2011), Cotton Hall Asset Management (2005-2009) and Chief Operating Officer and Director of Marketing with Ibis Management (2001-2005).

Mr. Burgida holds a B.A. in Political Science from CUNY Brooklyn College (1993) and an MBA from Fordham University (1998)

(B) Disciplinary Information:

Mr. Burgida (the "supervised person") has not been involved in any legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person.

(C) Other Business Activities:

The supervised person is not actively engaged in any investment-related business or occupation, including being registered, or having an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), or

commodity trading advisor ("CTA"), nor is the supervised person an associated person of an FCM, CPO, or CTA.

The supervised person is not actively engaged in any business or occupation for compensation not discussed in response to Item 4.(A), above, that provides a substantial source of the supervised person's income or involves a substantial amount of the supervised person's time.

(D) Additional Compensation:

The supervised person does not receive, from any non-client, any economic benefit associated with advising clients (such as sales awards and prizes, any bonus that is based on number or amount of sales, client referrals or new accounts (not including salary)).

(E) Supervision:

Mr. Burgida's performance, activities and the advice he provides to clients are supervised by Mr. Dov Gertzulin, the Firm's founder and managing member. Mr. Gertzulin can be reached at 646.942.5700.

(F) Requirements for State-Registered Advisers:

This item is not applicable.

Cover page for Eric Evanter
DG Capital Management, LLC

CRD #3120283

This supplement provides information about Eric Evanter that supplements the DG Capital Management, LLC brochure (our "Brochure"). Please contact the chief operating or compliance officer at 646.942.5700 with any questions about the contents of this supplement.

Additional information about Mr. Evanter is available on the SEC's website at www.adviserinfo.sec.gov.

(A) Educational Background and Business Experience:

Eric Evanter is the Chief Financial Officer at DG Capital Management, LLC (the "Firm"), where he is responsible for the funds' financial accounting and reporting. Mr. Evanter was a senior fund accountant at Glenview Capital Management, LLC from February 2007 through July 2013. At Glenview, Mr. Evanter was responsible for the accounting and operations for a number of onshore and offshore funds. Prior to his experience at Glenview, Mr. Evanter was an assurance associate, auditing investment companies for Grant Thornton, LLP (2005-2007).

Mr. Evanter holds a B.A. in Economics from the University of Michigan (2003) and an MBA in Accounting from St. John's University (2005).

Mr. Evanter is a Certified Public Account.

(B) Disciplinary Information:

Mr. Evanter (the "supervised person") has not been involved in any legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person.

(C) Other Business Activities:

The supervised person is not actively engaged in any investment-related business or occupation, including being registered, or

having an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), or commodity trading advisor ("CTA"), nor is the supervised person an associated person of an FCM, CPO, or CTA.

The supervised person is not actively engaged in any business or occupation for compensation not discussed in response to Item 4.(A), above, that provides a substantial source of the supervised person's income or involves a substantial amount of the supervised person's time.

(D) **Additional Compensation:**

The supervised person does not receive, from any non-client, any economic benefit associated with advising clients (such as sales awards and prizes, any bonus that is based on number or amount of sales, client referrals or new accounts (not including salary)).

(E) **Supervision:**

Mr. Evanter's performance, activities and the advice he provides to clients are supervised by the chief operating and compliance officer of the firm and can be reached at 646.942.5700.

(F) **Requirements for State-Registered Advisers:**

This item is not applicable.