

# NorCap Investment Management, L.P.

## Part IIA of Form ADV Brochure

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This brochure provides information about the qualifications and business practices of NorCap Investment Management, L.P. (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 972-701-8813. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

The Adviser is an investment adviser registered with the SEC. Such registration does not imply any level of skill or training.

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

## Item 2 – Material Changes

This section discusses only material changes since the last annual update of this brochure. Our physical address has changed from 8350 N Central Expy Suite 1312 to 8350 N Central Expy Suite 725 and our AUM has grown. There are no other material changes since the last brochure, dated March 21, 2019.

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## Item 4 – Advisory Business

The Adviser has been providing discretionary portfolio management services since 2004.

The principal direct owner of the Adviser is NorCap Advisors, LLC. The owner of NorCap Advisors, LLC is David R. Norcom.

The Adviser primarily provides investment management advice with respect to the Adviser’s private investment funds (as further described in Item 7). Such funds are referred to in this brochure, collectively, as the “Funds,” and each a “Fund”. Additionally, the Adviser acts as a sub adviser on a separate account. Each Fund and the separate account are sometimes referred to as a “*client*” or, collectively, as “*clients*”. The Adviser will typically provide investment management services to each Fund per investment guidelines detailed in each *client*’s private placement memorandum.

The Adviser does not participate in wrap fee programs.

As of December 31, 2018, the Adviser managed \$162,313,216 in discretionary assets. As of the date of this brochure, the Adviser does not manage any *client* assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

The Adviser’s portfolio management fees for the Funds generally range from approximately 0.65% to 1% per annum of assets under management. Management Fees are generally payable either monthly or quarterly in arrears and are deducted from the Funds’ assets.

In addition, from time-to-time, consistent with applicable laws and regulations including Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “The Advisers Act”), the Adviser (or its affiliate NorCap Management, L.P.) may receive performance-based fees or allocations, calculated separately for each investor in a Fund, equal to a specified percentage (generally 20% for all funds) of the increase in an investor’s account in excess of the investor’s high water mark, as of the close of each measurement period.

Fees may be subject to negotiation based on the circumstances of the investor and other factors, including but not limited to the type and size of the account and the type of advisory and client-related services to be provided to the account. For example, certain Fund investors who have been introduced by solicitors with whom the Adviser has a relationship and/or certain investors for whom the Adviser acts as sub-adviser may be subject to different fee terms than those specifically described in this Item 5.

The Adviser’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the *client*. Please see Item 12 for further discussion of the Adviser’s brokerage practices. *Clients* may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds also charge internal management and other fees, which are disclosed in a fund’s prospectus.

The charges, commissions, fees and expenses described in the preceding paragraph are exclusive of and in addition to the Adviser’s fee, and the Adviser will not receive any portion of these charges, commissions, fees and expenses.

The Adviser does not generally permit or require *clients* to pay fees in advance. However, if a *client* and the Adviser agree to a fee arrangement that entitles the Adviser to receive fees in advance, then upon termination of the applicable investment advisory contract (or partial redemption of an investment), fees will be rebated to the *client* (or underlying Fund investor if applicable) as appropriate based on the period during which the Adviser actually provided advisory services.

Neither the Adviser nor any of its supervised persons accepts compensation for the sale of securities or other investment products, such as asset-based sales charges or service fees from the sale of mutual funds.

Each *client’s* private placement memorandum contains further information regarding fees and compensation.

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

As discussed in Item 5 above, the Adviser (or its affiliate NorCap Management, L.P.) may receive performance-based fees or allocations.

Performance-based compensation arrangements may be viewed as creating an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different arrangement. Such arrangements also create an incentive to favor higher paying accounts over other accounts in the allocation of investment opportunities.

However, the Adviser has adopted and implemented procedures designed to ensure that all *clients* are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among *clients*.

The Adviser's allocation policy applies whenever the Adviser determines that two or more *clients* should purchase or sell interest or shares of any security or other investment.

It is the Adviser's general policy, subject to certain exceptions, to allocate purchase or sale opportunities on a *pro rata* basis to all applicable *clients*, measured by reference to each *client's* relative net asset value as of the beginning of the month in which the purchase or sale is executed.

#### **Item 7 – Types of *Clients***

The Adviser provides portfolio management services to three Funds: (1) GovPlus Fund AI, L.P., a Delaware limited partnership ("GovPlus AI Fund"), (2) NorCap EquityPlus Fund, L.P., a Delaware limited partnership ("EquityPlus Fund"), and (3) NorCap Diversified Premium Fund, LP, a Delaware limited partnership ("Diversified Premium Fund"). The Adviser also has investment authority and acts as the sub adviser for a separate fund, which it manages using an investment strategy similar to Diversified Premium Fund. NorCap Management, L.P., a Delaware limited partnership, is the general partner ("General Partner") of GovPlus AI Fund, EquityPlus Fund, and Diversified Premium Fund.

In general, each investor in a Fund must be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended, and a "qualified client" within the meaning of Rule 205-3 under The Advisers Act. However, in the case of Diversified Premium Fund, each investor must be an "accredited investor" and a "qualified purchaser" as defined in the Investment Company Act of 1940, as amended. In addition, the minimum initial investment amount for an investor in all Funds except EquityPlus Fund is \$1,000,000, and is \$250,000 for EquityPlus Fund. The General Partner at its discretion may accept investments less than the stated minimum.

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

The Adviser offers several principal investment strategies as described below. Any particular *client* account may utilize one or more of the investment strategies described below. Investing in securities involves the risk of loss, including principal, which *clients* should be prepared to bear.

At the current time, the Adviser will focus on one or more of the following strategies:

1. Diversified Premium Fund's investment strategy is designed to identify and exploit inefficiencies in securities and other instruments while minimizing downside exposure and market risk through employing non-correlated, risk-mitigation techniques. Two principal strategies are involved -
  - a. Volatility arbitrage through the identification of mispriced securities including but not limited to stocks, bonds, options, futures and other derivative instruments (including both exchange-traded and over the counter). The techniques expected to be employed include both directional and non-directional long and short positions. Examples of derivatives utilized include, but are not limited to, derivatives on the S&P 500 Index, Russell 2000 Index, non-U.S. exchanges, U.S. Treasury Bond Index, currencies, commodity and individual stock derivatives.

Volatility arbitrage is quantitative, and the Adviser uses proprietary mathematical models to value securities as well as manage risks. The Adviser also uses a rigorous fundamental analysis of the current macroeconomic environment.

- b. The core investments in the fixed-income portion of the principal strategy include a portfolio of short duration (5 years or less) direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities, including securities that are supported by the United States.
2. For the GovPlus AI Fund, the investment strategy is designed to achieve consistent monthly incremental returns in excess of the Bloomberg Barclays U.S. Treasury 1-3 Year Total Return Index Value U Index. Two principal strategies are involved -

- a. Volatility arbitrage through the identification of mispriced put and call options on the S&P 500 Index.

Volatility arbitrage is quantitative, and the Adviser uses proprietary mathematical models to value securities as well as manage risks. The Adviser also uses a rigorous fundamental analysis of the current macroeconomic environment.

- b. The core investments in the fixed-income portion of the principal strategy includes a portfolio of short duration (5 years or less) direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities, including securities that are supported by the United States.
3. The EquityPlus Fund's investment strategy is designed to achieve positive, long-term returns in excess of the S&P 500 Index. Two principal strategies are involved -

- a. Volatility arbitrage through the identification of mispriced put and call options on the S&P 500 Index.

Volatility arbitrage is quantitative, and the Adviser uses proprietary mathematical models to value securities as well as manage risks. The Adviser also uses a rigorous fundamental analysis of the current macroeconomic environment.

- b. The Fund's objective is to build a portfolio with investments that, taken as a whole, generate less beta than the S&P 500 Index and achieve higher returns. The Partnership's investments may consist of, but are not limited to, equity positions and options on such equity positions, Index positions such as the S&P 500 Index, and debt instruments (both corporate and government).

## **Risk Factors**

Prospective investors should give careful consideration to the following factors in evaluating the merits and suitability of an investment in a Fund:

- *Investment Risks Generally.* The prices of the securities and other instruments in which a *client* invests may be volatile. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. Markets may move significantly, and such moves may be detrimental to the Fund. In addition, governments from time-to-time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly.

In addition, there may be periods where the Adviser is unable to fully implement a *client's* investment strategy. For example, although it is intended that the *clients'* portfolios will be constructed as described above (and as described further in each *client's* private placement memorandum), there can be no assurance that the *clients'* portfolios will maintain this structure at all times (*e.g.*, during periods of market instability). During any such periods, the Adviser's ability to seek the *clients'* investment objectives may be impaired.

- *Prediction of Market Movements.* The profitability of a significant portion of the Adviser's investment program depends to a great extent upon correctly assessing the future course of the price movements and volatility of the securities markets, bond markets, and other investments. There can be no assurance that the Adviser will be able to accurately predict these price movements. With respect to the investment strategy utilized by the Adviser, there is always some, and occasionally a significant, degree of market risk.

- *U.S. Bond Markets.* Many of the Adviser's investments will be dependent in some manner on the U.S. bond markets, including treasury instruments. Deterioration of U.S. bond markets and other economic fundamentals could negatively impact the performance of the *clients*. Such changes in fundamentals could involve fluctuations as a result of general and local economic conditions, overbuilding and increase competition and an increase in interest rates.

- *Income Securities.* The Adviser expects to invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities.

- *Equity Securities.* The values of equity securities held by the *clients* are subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. The value of an interest increases and decreases, reflecting fluctuations in the value of securities held by the *clients*.

- *Risk in Writing Options.* Writing options can provide a greater potential for loss than an equivalent investment in the underlying asset. Where an option is written or granted (*i.e.*, sold) uncovered (as will usually be the case when a *client* writes options), the seller may be liable for a risk of loss which is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset,

or any combination thereof. The Adviser's options strategy depends on these factors combining to allow the options to expire unexercised. A significant risk related to the Adviser's enhancement strategy is that the value of a financial instrument on which an option is written could move significantly causing the options written by a *client* to be "in-the-money" at expiration date. Although the Adviser intends to mitigate this risk by changing the strike prices of the option contracts, thereby reducing the probability of that instrument exceeding those respective strike prices, there can be no assurance that the Adviser will be successful in this strategy.

- *Short Selling.* The Adviser will engage in short selling, both as part of its general investment strategy and for hedging purposes. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the *clients* to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. The *clients'* obligations under its securities loans are marked to market daily and collateralized by the *clients'* assets held at the broker, including its cash balance and its long securities positions. Because securities loans must be marked to market daily, there may be periods when the securities loan must be settled prematurely, and a substantial loss would occur.

Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short selling exposes the *clients* to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise.

- *Non-U.S. Investments.* The Adviser may invest in the securities of non-U.S. issuers (whether traded in the U.S. or overseas securities markets). Investment in non-U.S. issuers or securities principally traded outside the United States may involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting standards and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. The foregoing risks associated with non-U.S. investments are even greater in emerging markets.

- *Derivatives.* Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with writing derivative instruments. For example, because many derivatives provide significantly more market exposure than the premium received when the transaction is entered into, an adverse market movement can expose the *clients* to the possibility of a loss exceeding the original premium received. Derivatives may also expose the *clients* to liquidity risk, as there may not be a liquid market within which to close or cover outstanding derivatives contracts and/or the cost of closing or covering an outstanding contract can exceed the original premium received.

- *Securities Lending.* The Adviser may lend securities from a *client's* portfolio to financial institutions needing to borrow securities to complete certain transactions. Securities loans are usually facilitated by an intermediary, known as the lending agent. The *client* would continue to be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords the *client* an opportunity to earn interest on the amount of the loan and on the loaned securities' collateral.

Securities lending arrangements are subject to certain risks. A securities lender may receive cash payments in lieu of dividends, which (subject to any negotiated gross up payment) may be taxed at a higher rate than qualified dividends. During the term of the loan, the Securities Investor Protection Corporation, or "SIPC," may not protect the *client* with respect to the loaned securities. Therefore, the collateral pledged may constitute the only source of satisfaction of the financial institution's obligations, in the event a financial institution fails to return the securities to the *client*. The *client* is also subject to a risk of loss if the borrower with which it has engaged in a portfolio loan transaction breaches its agreement or if its lending agent becomes insolvent.

- *Counterparty Risk in Futures Contracts and Options on Futures.* In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations to the *clients*. The counterparty for futures contracts and options on futures contracts traded in the United States and on most foreign futures exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk.

Futures contracts gains and losses are marked-to-market daily for purposes of determining margin requirements. Option positions generally are not, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options, there may be periods in which positions on both sides must be closed down prematurely due to short-term cash flow needs. Were this to occur during an adverse move in the spread or straddle relationships, a substantial loss could occur.

Most United States futures exchanges limit fluctuations in certain commodity interest contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular contract has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Contract prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a *client* from promptly liquidating unfavorable positions and subject the *client* to substantial losses, which could exceed the margin initially committed to such trades.

Each exchange on which futures are traded and the Commodity Futures Trading Commission ("CFTC") (for U.S. based-exchanges) typically have the right to suspend or limit trading in the contracts that each such exchange lists. Such a suspension or limitation could render it impossible for the Adviser to liquidate a *client's* positions and thereby expose the *client* to losses. In addition, there is no guarantee that exchange and other secondary markets will always remain liquid enough for the Adviser to close out existing futures positions. It is also possible that an exchange or the CFTC could order the immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.



- *Margin and Leverage.* Although the *clients* will not borrow for investment purposes, the low margin deposits normally required in futures contract trading (typically between 2% and 25% of the value of the contract purchased or sold) and/or portfolio margin permit an extremely high degree of economic leverage. Accordingly, a relatively small price movement in a contract may result in immediate and substantial losses to the *clients*. Like other leveraged investments, any trade may result in losses in excess of the amount invested.

- *Insolvency or Failure of the Custodian/broker.* Institutions, such as a *clients'* custodian/broker or various banks, may hold certain of the Clients' assets in "street name." Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the *clients*.

- *Reliance on The Adviser.* The Adviser will make substantially all of the trading and investment decisions of the *clients*. Investors in the *clients* will have no right or power to take part in the trading and investment decisions of the *clients*.

- *Reliance on Key Personnel.* The *clients'* investment performance will be substantially dependent on the services of David R. Norcom, James A. White, Terrence Brown, and Kenneth L. Tananbaum and any consultants retained by the *clients*. In the event of the death, disability or departure of Mr. Norcom, or other key personnel, the business of the *clients* may be adversely affected.

- *Competition in the Market.* The markets in which the *clients* intend to invest are extremely competitive. In pursuing its investing methods and strategies, the Adviser competes with larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, the *clients* have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs, and more investment professionals than the Adviser has or expects to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which an investment may be purchased by the *clients* and the price it expects to receive upon consummation of the transaction. In addition, competition in the writing of options may decrease the premiums that can be generated on option sales.

- *Side Letters and Other Agreements with Investors.* The Funds may enter into separate agreements with certain investors, such as those affiliated with the General Partner, the Adviser, or those deemed to involve a significant or strategic relationship, waive certain terms, or allow such investors to invest on different terms than those specifically described in the Funds' private placement memoranda, including terms related to fees, liquidity or depth of information provided to such investors concerning the Funds. Under certain circumstances, these agreements could create preferences or priorities for such investors. In addition, the Adviser may, through a separate fund or otherwise, specifically allocate capacity with respect to some of the *clients'* investments to *clients* or investors who desire increased exposure to such investments.

The Funds may offer certain investors additional or different information and reporting than that offered to other investors. Such information may provide the recipient greater insights into the Funds' activities than is included in standard reports to investors, thereby enhancing the recipient's ability to make investment decisions with respect to the Funds.

- *Lack of Liquidity or Ability to Transfer Interest.* There are restrictions on withdrawals from the Funds (which may be settled in securities rather than cash) and on transfers of Fund interests. The

prior written consent of the General Partner will be required for a transfer of any investor's interest in a Fund. Because of the restrictions on withdrawals and transfers, an investment in a Fund is a relatively illiquid investment and involves a high degree of risk. A subscription for interests of a Fund should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

- *Effect of Substantial Withdrawals.* Substantial withdrawals by *client* investors within a short period of time could require The Adviser to liquidate a *Client's* investments more rapidly than would otherwise be desirable, possibly reducing the value of the *client's* assets and/or disrupting the *client's* investment or hedging strategies. Reduction in a *client's* size could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Adviser's ability to take advantage of particular investment opportunities or strategies.

- *Distributions In-Kind.* While the investments made by the *clients* are readily liquidated, a *client* may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments by a *client*. The *clients* are authorized to make distributions in kind in lieu of or in addition to cash.

- *No Distributions.* The *clients* do not intend to make any distributions to investors but intend to reinvest substantially all of the *clients'* income and gain. Cash that might otherwise be available for distribution is also reduced by the payment of *client* obligations and expenses (including management fees and expense reimbursements), and establishment of appropriate reserves.

- *Past Performance Not Necessarily Indicative of Future Results.* The *clients* have limited operating history. The past investment performance of the General Partner, the Adviser or their principals may not be construed as an indication of the future results of an investment in a *client*.

- *Future Regulatory Change is Impossible to Predict.* The securities and derivatives markets are subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC, the CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities and derivatives both inside and outside the United States is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the *clients* is impossible to predict but could be substantial and adverse.

Investors should refer to the relevant *client's* private placement memorandum for a more detailed discussion of applicable risks.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor or a potential investor's evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Neither the Adviser, nor any of its management persons, is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker dealer.

The Adviser is not registered as a commodity pool operator (“CPO”) or a commodity trading advisor (“CTA”) in reliance on CFTC Rule 4.13(a)(3) and 4.14(a)(5), respectively, which permits the Adviser to provide commodity trading advice to the clients without registering as a CTA.

As described earlier, an affiliate of the Adviser, NorCap Management, L.P., serves as General Partner of the Funds, and, in this capacity, is entitled to receive a performance allocation.

The Adviser does not recommend or select other investment advisers for its *clients*.

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

As part of an overall internal compliance program, the Adviser has adopted a Code of Ethics that imposes standards of business conduct, including requirements to put *client* interests first and not to take inappropriate advantage of employment-related information, seeks to minimize potential conflicts of interests between employees and investment advisory *clients* and helps to ensure compliance with applicable laws and regulations.

The Code of Ethics also imposes restrictions on employee personal securities transactions and accounts. Such restrictions include prohibitions on trading in securities while in possession of material, nonpublic information and reporting of personal securities accounts, transactions and/or holdings to the CCO as required by Rule 204A-1 under The Advisers Act.

The Code of Ethics also generally requires the Adviser’s partners, officers and employees to obtain pre-approval of certain securities transactions from the CCO. Existing and prospective Adviser *clients* may obtain copies of the Code of Ethics by mailing a written request for such document to Brenda Lander at the physical address detailed on the first page of this document or by e-mail to [blander@norcapfunds.com](mailto:blander@norcapfunds.com).

Subject to the provisions of the Code of Ethics, which provide that all personal securities transactions must be conducted in such a manner as to avoid any actual, apparent or potential conflict of interest or any abuse of an employee’s position of trust and responsibility, The Adviser’s officers and employees may from time-to-time have acquired or sold, or may subsequently acquire or sell, for their personal accounts securities which may also be purchased or sold for the accounts of the Adviser’s *clients*.

The Adviser, its affiliates and partners, officers and employees may engage in transactions or cause or advise a particular *client* to engage in transactions which may differ from or be identical to the transactions engaged in by the Adviser for other accounts. The Adviser shall not have any obligation to engage in any transaction for a *client*’s account or to recommend any transaction to a *client* in which any of the Adviser’s affiliates may engage either for their own accounts or the account of any other *client*, except as otherwise required by applicable law.

The Adviser does not engage in agency cross transactions or principal transactions.

#### **Item 12 – Brokerage Practices**

The Adviser generally has the authority to make all determinations regarding securities to be purchased or sold, the amount of such securities to be purchased or sold, the use of broker-dealers and commissions paid.

In placing orders, the Adviser seeks to obtain best execution taking into account factors such as (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread

or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the firm's risk in positioning a block of securities; (v) the quality, comprehensiveness and frequency of available research services considered to be of value; and (vi) the competitiveness of commission rates in comparison with other brokers satisfying the Adviser's other selection criteria.

While the Adviser generally seeks the best price in placing its orders, an account may not necessarily be paying the lowest price available.

The Adviser does not currently generate "soft dollars" with respect to any *client* account. If the Adviser were to use "soft dollars," it would do so only within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of 1934, as amended.

In selecting or recommending broker-dealers, the Adviser does not consider whether the Adviser or an affiliate receives investor referrals from such broker-dealer.

The Adviser does not accept directed brokerage arrangements.

The Adviser does periodically aggregate *client* trades. *Clients* participating in aggregated orders will generally receive the same average price. In certain instances, the Adviser may need to execute multiple trades in the same security through different broker-dealers because a particular broker-dealer may not be able or willing to trade in the quantity or price that the Adviser seeks. In such cases, the aggregation of such orders is not practically possible as most trade orders are executed or filled when they are placed and, as a result, each trade order placed with a different broker-dealer is considered a separate order and different accounts will not participate in an average price.

### **Item 13 – Review of Accounts**

The Adviser's *client* accounts are reviewed regularly, and, in any event, at least daily, by the chief risk officer responsible for the account. The Adviser will make appropriate adjustments to the investments held in a *client* account as promptly as practicable after identifying the need for a change in such account. The CCO will review records relating to the trading in each *client* account on an ongoing basis and, in conjunction with the applicable portfolio manager(s) for the account, will monitor the suitability of such trades in light of any applicable policies, investment objectives, investment or other restrictions and previous disclosures made to *clients*.

Investors in the Funds generally receive annual and monthly statements regarding their accounts in the Funds that include details pertaining to the activity, yield and current market value of such accounts during the applicable reporting period as set forth in the Funds' private placement memoranda.

The Adviser may provide reports to a Fund investor on other than a monthly and annual basis and may vary the content of those written reports in consultation with that investor.

### **Item 14 – Client Referrals and Other Compensation**

From time-to-time, the Adviser may have referral or solicitation arrangements with non-affiliated persons or entities to which the Adviser pays compensation for the referral of business.

Any such arrangements are pursuant to written arrangements consistent with Rule 206(4)-3 of The Advisers Act. The Adviser and/or the solicitation agent will make appropriate disclosures of such arrangements to the Fund and the Fund does not bear the cost of such referral or solicitation fees, nor is the advisory fee higher than the advisory fee to other Funds because of such payments.

#### **Item 15 – Custody**

The Adviser is deemed to have custody of the assets of each Fund. The Adviser maintains each Fund's accounts with a "qualified custodian" in accordance with Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). To comply with the requirements of the Custody Rule, each Fund is audited each year in accordance with GAAP by an independent public accountant and these audited financial statements are provided to Fund investors within 120 days of fiscal year end.

#### **Item 16 – Investment Discretion**

The Adviser has discretionary authority to trade on behalf of each of the *clients*. Such authority is set forth in the investment management agreement between the Adviser and each Fund or in the sub adviser agreement. In all cases, the Adviser exercises such discretion in a manner consistent with the stated investment objectives in the investment management agreement and the *clients'* private placement memoranda.

#### **Item 17 – Voting *Client* Securities**

NorCap has adopted a Policy Regarding Proxy Voting ("Proxy Voting Policy") and related procedures that require NorCap to vote the Funds' proxies with diligence, care and loyalty and in accordance with NorCap's fiduciary duty to the Funds, which generally means voting proxies in a way that maximizes the value of the Funds' assets.

The Adviser has the authority to vote all proxies on behalf of the *clients*. Any proxy statements received will be reviewed by the CCO or her designee. As applicable, the NorCap authorized officer voting a proxy will consider whether NorCap is subject to any material conflict of interest in connection with that proxy vote. The authorized officer must notify NorCap's Chief Compliance Officer if the authorized officer is aware of any material conflict of interest (or potential material conflict of interest) associated with a proxy vote. The authorized officer and NorCap's Chief Compliance Officer will consult with internal and/or outside legal counsel, as appropriate, regarding an appropriate course of action, and will document their basis for whatever voting decision is chosen.

If the Adviser exercises voting authority with respect to its *clients*, it must make and retain the following: (a) a copy of each proxy statement that the Adviser receives regarding *client* securities, but may rely on obtaining a copy of a proxy statement from the SEC's Electronic Data Gathering Analysis, and Retrieval (EDGAR) system; (b) a record of each vote cast by the Adviser on behalf of a *client*; (c) a copy of any document created by the Adviser that was material to making a decision how to vote proxies on behalf of a *client* or that memorializes the basis for that decision; and (d) a copy of each written *client* (or investor) request, if any, for information on how the Adviser voted proxies on behalf of the *client*, and a copy of any written response by the Adviser to such a request.

The records required to be made and described above must be maintained and preserved in an easily accessible place, in accordance with Rule 204-2 of the Advisers Act.

NorCap will provide a *client*, or an investor in a *client*, with information about how a proxy was voted, or with a copy of the Proxy Voting Policy and related procedures, upon written request to the Chief Compliance Officer, NorCap Investment Management, L.P., 8350 North Central Expressway, Suite 1312, Dallas, Texas 75206

#### **Item 18 – Financial Information**

The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to *clients* and has not been the subject of a bankruptcy proceeding.

# David R. Norcom

## Part IIB of Form ADV Brochure

NorCap Advisors, LLC  
8350 N Central Expy, Suite 1312  
Dallas, Texas 75206  
972-701-8816  
[www.norcapfunds.com](http://www.norcapfunds.com)  
March 21, 2019

This brochure supplement provides information about David R. Norcom that supplements the NorCap Advisors, LLC (“The Adviser”) brochure. You should have received a copy of that brochure. Please contact Brenda Lander, Chief Compliance Officer, at 972-701-8813 if you did not receive the Adviser’s brochure or if you have any questions about the contents of this supplement.

### **Item 1- Educational Background and Business Experience**

*Name:* David R. Norcom

*Year of Birth:* 1951

*Formal Education:* Texas A&M University

*Business Background:* Co-founder and President of NorCap Investment Management, L.P. Mr. Norcom co-created the proprietary option pricing model and the option investment strategy employed by the Adviser. Prior to NorCap, Mr. Norcom spent over 25 years serving as an institutional consultant and investment advisor at Smith Barney and Morgan Keegan & Co. He has been published in Texas Business Magazine, Dallas-Ft. Worth Magazine, Southwest Airlines Magazine, Forum Magazine and Registered Representative.

Mr. Norcom is past president of the Association for Professional Investment Consultants. He has also served on many boards/committees including the Investment Advisory Committee to the State of Texas Permanent School Fund, the Investment Advisory Board to the Lowry Mays Graduate School of Business and the New York Stock Exchange Disciplinary Hearing Board. He is also a past member of

the International Foundation of Employee Benefit Plans and the Investment Management Consultants' Association.

Mr. Norcom is a graduate of Texas A&M University and Austin Presbyterian Theological Seminary, having received a BBA in management and economics in 1972 and a Master of Divinity in 1977, respectively. He is also a certified graduate of the Pension Fund Management course from the University of Pennsylvania's Wharton School of Business.

## **Item 2- Disciplinary Information**

N/A

## **Item 3-Other Business Activities**

N/A

## **Item 4-Additional Compensation**

N/A

## **Item 5-Supervision**

The Adviser is required to manage *client* accounts in accordance with the investment guidelines and limitations described in a *client's* investment management agreement with the Adviser (and, in the case of funds, in the fund's offering documents). The Adviser monitors adherence to these guidelines utilizing various mechanisms, including electronic trade monitoring and periodic Compliance review. The Adviser supervises Mr. Norcom and monitors the advice he provides to *clients* through regular reviews of *client* trading and positions for adherence to *client* investment guidelines and the Adviser's internal policies and procedures. For questions regarding Mr. Norcom's investment advisory activities contact: Mrs. Brenda Lander, Chief Compliance Officer of NorCap Advisors, LLC (972) 701-8813.

## **Item 6- Requirements for State-Registered The Advisers**

- A. N/A
- B. N/A



# Terrence Brown

## Part IIB of Form ADV Brochure

NorCap Advisors, LLC  
8350 N Central Expy, Suite 1312  
Dallas, Texas 75206  
972-701-8815  
[www.norcapfunds.com](http://www.norcapfunds.com)  
March 21, 2019

This brochure supplement provides information about Terrence Brown that supplements the NorCap Advisors, LLC (“The Adviser”) brochure. You should have received a copy of that brochure. Please contact Brenda Lander, Chief Compliance Officer, at 972-701-8813 if you did not receive the Adviser’s brochure or if you have any questions about the contents of this supplement.

### **Item 1- Educational Background and Business Experience**

*Name:* Terrence Brown

*Year of Birth:* 1958

*Formal Education:* Western Illinois University

*Business Background:* Mr. Brown serves as Chief Risk Officer for NorCap Investment Management, L.P. Mr. Brown began his career in 1983 at the Chicago Board Options Exchange, and he went on to become an Options Market Maker. Prior to NorCap, Mr. Brown also served as a Trader, Risk Management Analyst, Managing Partner and co-owner of such firms as Panos Trading and CBM Trading, LLC. Mr. Brown has extensive expertise in index options and index futures, as well as experience with regulatory inquiries and examinations.

Mr. Brown was a member of the CBOE OEX Pit Committee from 1996 to 2002. Overall, Mr. Brown has 27 years of experience in the financial services industry.

**Item 2- Disciplinary Information**

N/A

**Item 3-Other Business Activities**

N/A

**Item 4-Additional Compensation**

Mr. Brown may be eligible to receive a discretionary performance-based bonus as a participant in the Adviser's bonus pool at the sole discretion of the Adviser.

**Item 5-Supervision**

The Adviser is required to manage *client* accounts in accordance with the investment guidelines and limitations described in a *client's* investment management agreement with the Adviser (and, in the case of funds, in the fund's offering documents). The Adviser monitors adherence to these guidelines utilizing various mechanisms, including electronic trade monitoring and periodic Compliance review. The Adviser supervises Mr. Brown and monitors the advice he provides to *clients* through regular reviews of *client* trading and positions for adherence to *client* investment guidelines and the Adviser's internal policies and procedures. The name and contact information for the person responsible for supervising Mr. Brown's investment advisory activities is: Mr. David Norcom, Partner of NorCap Advisors, LLC (972) 701-8816.

**Item 6- Requirements for State-Registered The Advisers**

- A. N/A
- B. N/A

# Kenneth L. Tananbaum

## Part IIB of Form ADV Brochure

NorCap Advisors, LLC  
8350 N Central Expy, Suite 1312  
Dallas, Texas 75206  
972-331-4441  
[www.norcapfunds.com](http://www.norcapfunds.com)  
March 21, 2019

This brochure supplement provides information about Kenneth L. Tananbaum that supplements the NorCap Advisors, LLC (“The Adviser”) brochure. You should have received a copy of that brochure. Please contact Brenda Lander, Chief Compliance Officer, at 972-701-8813 if you did not receive the Adviser’s brochure or if you have any questions about the contents of this supplement.

### **Item 1- Educational Background and Business Experience**

*Name:* Kenneth L. Tananbaum

*Year of Birth:* 1968

*Formal Education:* Yale University

*Business Background:* Kenneth L. Tananbaum serves as a Portfolio Manager and Derivatives Specialist of NorCap Investment Management, L.P. Prior to NorCap, Mr. Tananbaum has over 28 years of investment experience in various roles as an Equity Options Trader, Chief Investment Officer, and Senior Vice President of Convertible Securities in HBK Investments, Arbitex Asset Management LLC, or Palisade Capital management LLC. He was also co-founder, General Partner and Chief Investment Officer of Tugar Capital Management LP.

Mr. Tananbaum was a Member of the American and New York Stock Exchanges and served as a Specialist and Options Market Maker on both Exchanges.

Mr. Tananbaum is a graduate of Yale University having received a BA in economics and political science in 1990.

**Item 2- Disciplinary Information**

N/A

**Item 3-Other Business Activities**

N/A

**Item 4-Additional Compensation**

Mr. Tananbaum may be eligible to receive a discretionary performance-based bonus as a participant in the Adviser's bonus pool at the sole discretion of the Adviser.

**Item 5-Supervision**

The Adviser is required to manage *client* accounts in accordance with the investment guidelines and limitations described in a *client's* investment management agreement with the Adviser (and, in the case of funds, in the fund's offering documents). The Adviser monitors adherence to these guidelines utilizing various mechanisms, including electronic trade monitoring and periodic Compliance review. The Adviser supervises Mr. Tananbaum and monitors the advice he provides to *clients* through regular reviews of *client* trading and positions for adherence to *client* investment guidelines and the Adviser's internal policies and procedures. The name and contact information for the person responsible for supervising Mr. Tanenbaum's investment advisory activities is: Mr. David Norcom, Partner of NorCap Advisors, LLC (972) 701-8816.

**Item 6- Requirements for State-Registered The Advisers**

- A. N/A
- B. N/A

# James A. White

## Part IIB of Form ADV Brochure

NorCap Advisors, LLC  
8350 N Central Expy, Suite 1312  
Dallas, Texas 75206  
972-331-4440  
[www.norcapfunds.com](http://www.norcapfunds.com)  
March 21, 2019

This brochure supplement provides information about James A. White that supplements the NorCap Advisors, LLC (“The Adviser”) brochure. You should have received a copy of that brochure. Please contact Brenda Lander, Chief Compliance Officer, at 972-701-8813 if you did not receive the Adviser’s brochure or if you have any questions about the contents of this supplement.

### **Item 1- Educational Background and Business Experience**

*Name:* James A. White

*Year of Birth:* 1963

*Formal Education:* Washington and Lee University; The University of Chicago Booth School of Business

*Business Background:* James A. White is Portfolio Manager and Managing Director NorCap Investment Management, L.P. Prior to entering the financial industry Mr. White was a combat ready fighter pilot with the United States Air Force—achieving the rank of Captain. Prior to NorCap, Mr. White was an Options Market Maker, Managing Director, Senior Vice President Portfolio Management, or Principal and Portfolio Manager of firms such as Tugar Capital Management LP, Palisade Capital Management LLC, and Excelsior Capital Management LLC. He was also co-founder, General Partner and Managing Director of Tugar Capital Management LP. He has appeared on CNBC as well as other news media outlets.

Mr. White was a Member of the Chicago Mercantile Exchange and the Chicago Board of Trade.

Mr. White is a graduate of Washington and Lee University and University of Chicago Booth School of Business, having received a BA in business administration in 1986 and a Master of Business Administration - Finance in 1997, respectively.

## **Item 2- Disciplinary Information**

N/A

## **Item 3-Other Business Activities**

N/A

## **Item 4-Additional Compensation**

Mr. White may be eligible to receive a discretionary performance-based bonus as a participant in the Adviser's bonus pool at the sole discretion of the Adviser.

## **Item 5-Supervision**

The Adviser is required to manage *client* accounts in accordance with the investment guidelines and limitations described in a *client's* investment management agreement with the Adviser (and, in the case of funds, in the fund's offering documents). The Adviser monitors adherence to these guidelines utilizing various mechanisms, including electronic trade monitoring and periodic Compliance review. The Adviser supervises Mr. White and monitors the advice he provides to *clients* through regular reviews of *client* trading and positions for adherence to *client* investment guidelines and the Adviser's internal policies and procedures. The name and contact information for the person responsible for supervising Mr. White's investment advisory activities is: Mr. David Norcom, Partner of NorCap Advisors, LLC (972) 701-8816.

## **Item 6- Requirements for State-Registered Advisers**

- A. N/A
- B. N/A