

## FORM ADV

## Part II - Page 1

## Uniform Application for Investment Adviser Registration

## OMB APPROVAL

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Name of Investment Adviser: Discovery Management, Ltd.

Address: (Number and Street)	(City)	(State)	(Zip Code)	Area Code:	Telephone number:
100 Crescent Court Suite 1150 Dallas	Tx	75201	(214)	880-4602	

This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
 The information has not been approved or verified by any governmental authority.

## Table of Contents

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Advisory Services and Fees .....	2
2	Types of Clients .....	2
3	Types of Investments .....	3
4	Methods of Analysis, Sources of Information and Investment Strategies .....	3
5	Education and Business Standards .....	4
6	Education and Business Background .....	4
7	Other Business Activities .....	4
8	Other Financial Industry Activities or Affiliations .....	4
9	Participation or Interest in Client Transactions .....	5
10	Conditions for Managing Accounts .....	5
11	Review of Accounts .....	5
12	Investment or Brokerage Discretion .....	6
13	Additional Compensation .....	6
14	Balance Sheet .....	6
	Continuation Sheet .....	Schedule F
	Balance Sheet, if required .....	Schedule G

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form  
 are not required to respond unless the form displays a currently valid OMB control number.

## 1. A. Advisory Services and Fees. (check the applicable boxes)

For each type of service provided, state the approximate  
% of total advisory billings from that service  
(See instruction below)

## Applicant:

- |                                     |     |   |    |   |
|-------------------------------------|-----|---|----|---|
| <input checked="" type="checkbox"/> | (1) | Provides investment supervisory services  | 50 | % |
| <input type="checkbox"/>            | (2) | Manages investment advisory accounts not involving investment supervisory services  | 50 | % |
| <input type="checkbox"/>            | (3) | Furnishes investment advice through consultations not included in either service described above  |    | % |
| <input type="checkbox"/>            | (4) | Issues periodicals about securities by subscription   |    | % |
| <input type="checkbox"/>            | (5) | Issues special reports about securities not included in any service described above   |    | % |
| <input type="checkbox"/>            | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities |    | % |
| <input type="checkbox"/>            | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities   |    | % |
| <input type="checkbox"/>            | (8) | Provides a timing service   |    | % |
| <input type="checkbox"/>            | (9) | Furnishes advice about securities in any manner not described above   |    | % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B Does applicant call any of the services it checked above financial planning or some similar term?

Yes No  
☐ ☒

C Applicant offers investment advisory services for (check all that apply)

- |                                     |     |  |                                     |     |                   |
|-------------------------------------|-----|--|-------------------------------------|-----|-------------------|
| <input checked="" type="checkbox"/> | (1) | A percentage of assets under management      | <input checked="" type="checkbox"/> | (4) | Subscription fees |
| <input type="checkbox"/>            | (2) | Hourly charges                               | <input type="checkbox"/>            | (5) | Commissions       |
| <input type="checkbox"/>            | (3) | Fixed fees (not including subscription fees) | <input checked="" type="checkbox"/> | (6) | Other             |

D For each checked box in A above, describe on Schedule F

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

## 2. Types of Clients — Applicant generally provides investment advice to (check those that apply)

- |                                     |   |                                  |                                     |   |   |
|-------------------------------------|---|----------------------------------|-------------------------------------|---|---|
| <input type="checkbox"/>            | A | Individuals                      | <input type="checkbox"/>            | E | Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/>            | B | Banks or thrift institutions     | <input type="checkbox"/>            | F | Corporations or business entities other than those listed above |
| <input checked="" type="checkbox"/> | C | Investment companies             | <input checked="" type="checkbox"/> | G | Other (describe on Schedule F)                                  |
| <input type="checkbox"/>            | D | Pension and profit sharing plans |                                     |   |   |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- A. Equity securities
- ☒ (1) exchange-listed securities
- ☒ (2) securities traded over-the-counter
- ☐ (3) foreign issuers
- ☐ B. Warrants
- ☐ C. Corporate debt securities (other than commercial paper)
- ☐ D. Commercial paper
- ☐ E. Certificates of deposit
- ☐ F. Municipal securities
- G. Investment company securities:
- ☐ (1) variable life insurance
- ☐ (2) variable annuities
- ☐ (3) mutual fund shares
- ☒ H. United States government securities
- I. Options contracts on:
- ☐ (1) securities
- ☐ (2) commodities
- J. Futures contracts on:
- ☐ (1) tangibles
- ☐ (2) intangibles
- K. Interests in partnerships investing in:
- ☐ (1) real estate
- ☐ (2) oil and gas interests
- ☐ (3) other (explain on Schedule F)
- L. Other (explain on Schedule F)

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- (1) ☐ Charting
- (2) ☒ Fundamental
- (3) ☒ Technical
- (4) ☐ Cyclical
- (5) ☒ Other (explain on Schedule F)

B. The main sources of information applicant uses include: (check those that apply)

- (1) ☒ Financial newspapers and magazines
- (2) ☒ Inspections of corporate activities
- (3) ☒ Research materials prepared by others
- (4) ☐ Corporate rating services
- (5) ☐ Timing services
- (6) ☒ Annual reports, prospectuses, filings with the Securities and Exchange Commission
- (7) ☒ Company press releases
- (8) ☒ Other (explain on Schedule F)

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- (1) ☒ Long term purchases (securities held at least a year)
- (2) ☒ Short term purchases (securities sold within a year)
- (3) ☒ Trading (securities sold within 30 days)
- (4) ☒ Short sales
- (5) ☒ Margin transactions
- (6) ☐ Option writing, including covered options, uncovered options, or spreading strategies
- (7) ☐ Other (explain on Schedule F)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?

Yes No  
☒ ☐

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business, other than giving investment advice
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?

Yes No  
☒ ☐

(If yes, describe on Schedule F the partnerships and what they invest in.)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

9. Participation or Interest in Client Transactions.

Applicant or a related person (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client
- ☐ B. As broker or agent effects securities transactions for compensation for any client
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

10. Conditions for Managing Accounts. Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services and impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

Yes No  
☒ ☐

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services

- A. Describe below the reviews and reviewers of the accounts. For reviews, include their frequency, different levels, and triggering factors. For reviewers, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

See item 11.A. on Schedule F.

- B. Describe below the nature and frequency of regular reports to clients on their accounts

See item 11.B. on Schedule F.

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

**12. Investment or Brokerage Discretion.**

A Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |  |   |                             |
|--|---|-----------------------------|
| (1) securities to be bought or sold?               | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) broker or dealer to be used?                   | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) commission rates paid?                         | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

B Does applicant or a related person suggest brokers to clients?

Yes ☒ No ☐

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it, and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it

- |  |   |                             |
|--|---|-----------------------------|
| A is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| B directly or indirectly compensates any person for client referrals?  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission) or
  - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- Has applicant provided a Schedule G balance sheet? Yes ☐ No ☒

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).



(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV <b>Discovery Management, Ltd.</b>		IRS Empl. Ident. No. <b>75-2677145</b>
Item of Form (identify)	Answer	
1.D.	<p><b>SERVICES PROVIDED</b> Portfolio Management- Discovery Management, Ltd. (DM) manages a family of investment portfolios on a discretionary basis. The services do not involve the giving of investment advice based on the individual needs of the client; such as, the nature of other client assets and the client's personal and family obligations. The Portfolios will be invested in long/short equity securities on a market neutral basis.</p> <p><b>FEE SCHEDULE</b> DM generally charges (i) an expense fee equal to 1% or 2% per year and (ii) a performance fee allocation equal to 20% of the annual pre-tax profit including both realized and un-realized gains, computed at the end of the calendar year. The expense fee will be computed monthly.</p> <p>Most clients pay according to the stated fee schedule. Under certain circumstances, fees may be negotiated to a level either higher or lower than the stated fee schedule.</p>	
2.G.	Discovery Management, Ltd. provides investment advice to of investment partnerships.	
4.A.(5)	The security analysis process uses a proprietary computer-based process, developed by DM, which ranks the equities being analyzed.	
4.B.(8)	DM uses a variety of databases, which provide the financial data and earnings picture of a large number of companies. The exact sources of this information vary from time-to-time.	
5.	<p>To avoid any potential conflicts of interest involving personal trades, Applicant has adopted a Code of Ethics (the "Code"), which includes a formal code of ethics and insider trading policies and procedures. Applicant's personal trading policy prohibits the Applicant's members and employees from purchasing or selling equity securities, which are being considered by the Applicant on behalf of its clients or are being purchased or sold by Applicant on behalf of its clients. Applicant's Code requires, among other things, that employees:</p> <p>Always observe the highest standards of business conduct and act in accordance with all applicable laws and regulations; Place the integrity of the investment profession, the interests of clients, and the interests of Applicant above one's own personal interests; Adhere to the fundamental standard that you should not take inappropriate advantage of your position; Avoid any actual or potential conflict of interest; Conduct all personal securities transactions in a manner consistent with this policy; Promote the integrity of, and uphold the rules governing, capital markets; Comply with applicable provisions of the federal securities laws.</p> <p>Additionally, Applicant's Code requires employees to provide Applicant with a detailed summary of certain holdings (to be provided upon commencement of employment, quarterly and updated annually) over which such employees have a direct or indirect beneficial interest.</p> <p>A copy of Applicant's Code shall be provided to any client or prospective client upon request.</p> <p>DM has not established formal standards of education or experience for its personnel involved in determining or giving investment advice to clients, all portfolio managers and analysts have a bachelor degree from an accredited four year university. In addition, all portfolio managers and analysts hold a graduate degree and/or CFA certification.</p>	
6.	<p>The education and business background of the DM principal follows:</p> <p>Stephen J. Summers, CFA Date of Birth: 1944 Education: B.B.A., Quantitative Analysis and Marketing, Southern Methodist University, Dallas, Texas M.B.A., Quantitative Analysis, Southern Methodist University, Dallas, Texas Business Background: CEO, Discovery Management, Ltd. since 1995</p>	
8.D.	DM is the general partner for its underlying investment limited partnerships.	
9.	If a complete execution of a block trade occurs on a trade date, the purchased or sold securities will be allocated among the applicable Funds on a pro rata basis. Funds in which DM or any officer, partner or employee of DM has a beneficial interest that in the aggregate exceeds 10 percent of the net assets of such Fund ("Affiliated Funds") may participate in a complete execution of a block trade with unaffiliated client accounts if the Affiliated Funds participate at the same average execution price as the client accounts. If an order is partially filled, DM will allocate the securities among the participating Funds on a pro rata basis. For purposes of this Policy, a pro rata trade allocation means, to the extent practical and subject to odd-lot considerations, an allocation of the trade at issue among applicable Funds in amounts that are proportional to the participating Fund's relative net assets. If an allocation would result in an insignificant number of shares being allocated to a particular	

Complete amended pages in full, circle amended items and file with execution page (page 1).

**PAGE 1**

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant:  
**Discovery Management, Ltd.**

SEC File Number  
801-62572

Date:  
**9/18/2010**

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

i Full name of applicant exactly as stated in Item 1.A of Part I of Form ADV

**Discovery Management, Ltd.**

IRS Empl. Ident. No.  
**75-2677145**

Item of Form (identify)	Answer
<b>10.</b>	Fund relative to the size of that account, DM may determine an allocation that is fair and reasonable among all Funds involved in the order.
<b>11.A.</b>	<p>Neither the Applicant nor its principals or employees are prohibited from buying or selling securities for their own account and may take investment positions different or contrary to those of advised clients. The Applicant maintains compliance policies and procedures, including personal trading policies, that are designed to reduce potential conflicts of interest. Among other things, the Applicant imposes restrictions on its employees and principals relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. The Applicant's procedures require pre-clearance and monthly reporting of all personal securities transactions, except transactions in investment company securities and/or other exempt transactions. These monthly reports are reviewed on a regular basis by appropriate supervisory personnel. Further, the Applicant maintains certain policies and procedures designed to prevent partners and employees from misusing material non-public information or trading the same security ahead of the client accounts.</p> <p>See also 5. for DM Code of Ethics</p> <p>Except under unusual circumstances, DM requires a \$750,000 minimum equity investment.</p> <p><b>REVIEW OF ACCOUNTS</b></p> <p>The Adviser reviews the limited partnerships. The team leader is:</p> <p>Stephen J. Summers, CFA- Chief Investment Officer; responsible for overseeing the review process and implementation of the investment discipline within DM's limited partnerships.</p> <p>The review process consists of the following steps:</p> <ol style="list-style-type: none"><li>1) The Adviser is primarily in the business of managing equity portfolios on a market neutral basis. Therefore, the typical objective is to produce investment performance on the long side that exceeds that of the short portfolio.</li><li>2) On a monthly basis, the portfolio manager monitors each investment to ensure that the investment is appropriate for the limited partnership.</li><li>3) If an investment is no longer appropriate, the portfolio manager effects a trade to the portfolio and decides the trading procedure.</li><li>4) The portfolio manager monitors the investment performance of the Adviser's limited partnerships on a daily basis to identify exceptions.</li><li>5) The performance of each limited partnership is reported to the client on a mutually agreed schedule, at least quarterly.</li><li>6) Periodically, at least once a year, the portfolio manager meets with the limited partners to ascertain whether the stated investment objective is being met and to discuss any factors which impact the achievement of the investment objective.</li></ol>
<b>11.B.</b>	<p><b>REPORTING</b></p> <p>Limited partners receive quarterly financial reports along with a letter discussing the financial and non-financial matters concerning their account. The quarterly letter is prepared by DM. Occasionally, monthly reports are distributed but are not required. In addition, the manager is available for individual consultations by phone or in person.</p>
<b>12.A.B.</b>	<p>There is generally no limitation on DM's authority to determine the nature or amount of securities to be bought or sold except that the basic investment policy of each fund must be followed. The applicant maintains custody of client funds and securities through "a qualified custodian" as defined in Rule 206(4)-2 of the Investment Advisers Act of 1940. In addition, neither the applicant nor any affiliated person trades ahead of any stock selections made on behalf of a limited partnership.</p>
	<p>Trades executed on an agency basis are typically executed electronically at a commission of no more than four cents per share. The exact amount paid is negotiated by the Adviser to be commensurate with the value of the brokerage service provided. This amount is typically higher than is available from brokerage firms which do not provide research services. Brokers are selected based on their ability to transact the trades with the best price and execution. The Adviser conducts periodic analyses to measure these transaction costs.</p> <p>The research services which are paid for by trading commissions are selected because the Adviser believes they will add value to the limited partnership. The vast majority of these services are databases of financial information which are used by</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).

**PAGE 2**



Date: 9/18/2010

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