

**Form ADV Part 2A: Firm Brochure**

**Item 1. Cover Page**

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This brochure (“Brochure”) provides information about the qualifications and business practices of DC Capital Partners Management, L.P. (“DC Capital”, or the “Firm”). If you have any questions about the contents of this Brochure, please contact DC Capital at +1 (202) 737-5220. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

## **Item 2. Material Changes**

This Brochure is part of the Firm's initial filing with the U.S. Securities and Exchange Commission in order to be registered as an investment adviser.

In the future, this section will only discuss material changes made to the Brochure and provide investors with a summary of such changes.

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#### **Item 4. Advisory Business**

- A. D.C. Capital Partners Management, L.P. is a Delaware limited partnership formed in July 2008. The Firm was established to provide investment management services, and in 2016, the Firm began providing investment management services to pooled investment vehicles. The Firm is wholly owned by Thomas Campbell, Teresa Gail Dady and Douglas Thomas Lake Jr.
- B. As an investment adviser, DC Capital provides investment advisory services to pooled investment vehicles (each a “Fund” or collectively the “Funds”). The Funds make control equity investments in middle market companies that provide differentiated and innovative services and solutions in the Government Contracting and Engineering and Development markets. DC Capital's investment strategy emphasizes certain sectors that it believes offer the most compelling growth opportunities for investment, including but not limited to: intelligence, information technology, security, operations and maintenance, and infrastructure (the “Target Sectors”).

Within these Target Sectors, DC Capital focuses on investments in companies with less than \$500MM in enterprise value; a segment that the Firm believes presents the greatest opportunity to achieve long-term capital appreciation due to market inefficiencies. DC Capital believes these companies offer the greatest potential for value creation through the application of DC Capital's strategic principles and investment process. DC Capital may enter into side letters with certain limited partners.

- C. DC Capital does not tailor advisory services to the individual or particular needs of the investors in the Funds. Such investors accept the terms of advisory services between DC Capital and the applicable Funds as set forth in each Fund's confidential private offering memorandum and/or limited partnership agreement, as applicable (“Offering Documents”). The Firm has broad investment authority with respect to the Funds and, as such, investors should consider whether the investment objectives of the Funds are in line with their individual objectives and risk tolerance prior to investment.
- D. DC Capital does not participate in a wrap fee program.
- E. As of the date of this Brochure, DC Capital manages \$362,480,878 on a discretionary basis.

#### **Item 5. Fees and Compensation**

- A. The Offering Documents disclose the fee structure for each Fund. The Funds are offered only to “accredited investors” as defined in Regulation D the Securities Act of 1933 (“Securities Act”), as amended. As outlined in the Offering Documents, the Funds will pay a management fee to DC Capital commencing on the initial closing date. During the investment period, the management fee will equal 2% per annum of aggregate commitments, payable in quarterly installments in advance. After the investment period, the management fee will equal 2% per annum of the aggregate amount of investment contributions with respect to portfolio investments of the Funds (to be reduced by the amount of any net write-downs of such portfolio investments) other than realized portfolio investments, determined on the last day of the immediately preceding period with respect to which a determination is being made. The management fee is subject to certain other reductions and recalculations, as fully disclosed in the Offering Documents. The Funds' general partner (“General Partner”), in its sole and absolute discretion, may waive or reduce the management fee and/or carried interest distributions that would otherwise be chargeable in respect of certain investors with respect to their investments in the Funds or with respect to any

particular co-investment opportunity. The General Partner will waive the management fee and carried interest distributions with respect to (a) members of the board of advisors (“Board of Advisors”), (b) employees (including family members thereof) of the General Partner and/or the Firm, and (c) principals or affiliates of certain advisors to the Funds.

- B. DC Capital deducts the management fee from Fund accounts quarterly in advance. The General Partner may reduce or waive the management fee with respect to any Fund or investor.
- C. In addition to the management fees described above, each Fund is responsible for certain other expenses as disclosed in the Offering Documents. These expenses include but are not limited to: (i) up to \$1,000,000 of organizational expenses of the Funds (including the out-of-pocket expenses of the Firm and the Funds’ General Partner incurred in connection with the formation of the Funds, up to certain amounts as detailed in the Offering Documents); (ii) fees and expenses of professional advisors such as legal counsel, consultants and accountants; (iii) expenses of the Funds’ advisory committee and annual meetings of the partners, (iv) costs of insurance and other expenses associated with the acquisition, holding and disposition of investments whether or not consummated; (v) all extraordinary expenses of the Funds (such as any indemnity or litigation expense); and (vi) any taxes, fees or other governmental charges levied against the Funds.

The Funds incur brokerage costs if applicable; however, due to the nature of the Firm’s business, broker-dealers are not generally used. See Item 12 – Brokerage Practices.

At the General Partner’s discretion, operating expenses may be paid either out of amounts otherwise available for distribution to investors or by drawdowns of the investors’ unfunded commitments. Please refer to the relevant Fund’s Offering Documents for a complete understanding of each Fund’s fees and expenses. The information contained herein is a summary only and is qualified in its entirety by the relevant Fund’s Offering Documents.

- D. Management fees are paid by the Firm’s Funds in advance on a quarterly basis.
- E. Neither DC Capital nor any of DC Capital’s supervised persons accept compensation for the sale of securities or other investment products.

## **Item 6. Performance-Based Fees**

DC Capital may be entitled to receive a “carried interest” distribution as specified in each Fund’s Offering Documents or investment management agreement. Carried interest is calculated based on a percentage of profits generated from the Funds over a given period of time.

The fact that a significant portion of DC Capital’s compensation is directly computed on the basis of profits generated by the sale/disposition of the Funds’ assets may create an incentive for the Firm to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation. However, the Firm is committed to acting at all times in the best interests of the Funds. To this end, the Firm has implemented internal controls to address the potential conflicts associated with performance based fees, as more fully described in each Fund’s Offering Documents.

## **Item 7. Types of Clients**

DC Capital provides investment advisory services to pooled investment vehicles that operate as exempt investment companies under the Investment Company Act of 1940 (“Investment Company Act”), as amended. The minimum investment in any Fund is typically \$10,000,000, although DC Capital maintains discretion to individually waive or reduce the minimum investment required.

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

- A. The strategic principles developed by DC Capital allow the Firm to evaluate investment opportunities. DC Capital adheres to these strategic principles to source investments, conduct due diligence, structure investments, implement a systematic business development plan, engage the right leadership team, monitor and manage investments, and exit investments. DC Capital is highly selective in sourcing, evaluating, valuing, and structuring investments and intends to create an investment portfolio for the Funds that reflects diversification across the Target Sectors. The Firm undertakes a disciplined approach to their investment process that has been developed by its principals from investing in the Target Sectors over the last 18 years.

DC Capital generates investment opportunities through its broad and extensive network of professional, government, military, management, and corporate relationships. Separately, DC Capital maintains long-term relationships with boutique, middle market and bulge bracket investment banks; business brokers; financing sources; and consultants. The Firm’s relationships have been developed through its principals over the last 25 years and are accretive to what the Firm sees as its competitive advantage throughout each stage of the investment process. The Firm has a proven ability to acquire companies in full auctions, limited auctions, and directly negotiated transactions. While DC Capital recognizes that today’s M&A market has become relatively efficient, it believes that its relationships and established reputation should continue to provide investment opportunities for the Funds outside of full auction processes. In competitive auctions, DC Capital expects that its extensive industry relationships will provide access to a large number of investment opportunities in which its reputation and sector expertise will often be a differentiating factor that will enable the Funds to be preferred buyers due to factors other than price.

As a function of close involvement over the past 20 years with numerous Target Sector portfolio companies and in-depth due diligence reviews performed on many more, the Firm has developed a thorough understanding of the fundamental factors underlying the Target Sectors and has gained keen insight into government programs.

The Firm has developed a streamlined process for analyzing prospective investment opportunities. This process is a “rifle shot” approach, whereby the Firm synthesizes and pursues attractive investment opportunities on an accelerated basis. The ability to quickly identify and focus on the most attractive investment opportunities is driven by the Firm’s experience, expertise, and long-term track record of investments in the Target Sectors and their differentiated, strategic focus on specific sub-sectors. As a result, DC Capital is able to quickly sift through potential opportunities and to quickly identify those that are of the greatest potential interest.

DC Capital has developed a proprietary approach that focuses the deal sourcing effort. Interfacing with members of the firm’s Board of Advisors, industry executives from its deep bench of

relationships, DC Capital identifies macro themes affecting an industry in the Target Sectors. Once the themes and industries have been identified, DC Capital develops its own list of potential targets, researches those targets and identifies potential investment opportunities. This research stage provides a macro perspective on what the long-term issues and opportunities are for companies within a Target Sector and in the process aids the Firm in identifying target companies that could align with these long-term trends. During the next stage, proprietary development, the Firm solicits its broad and extensive network to find the strongest relationships with a target company and then begins building a direct relationship with the target company.

Often there are multiple connections throughout the Firm's network, providing the Firm with varying perspectives and insights to better understand the target company and its primary decision makers. The Firm focuses on understanding the key decision makers' long-term objectives to begin considering how applying DC Capital's strategic principles could help the company accomplish its objectives under DC Capital's ownership.

This proprietary approach consistently enables DC Capital to learn about non-financial terms that can often be "deal-breakers" or key negotiating points. These subtleties allow DC Capital to provide acquisition proposals that may offer the best total value for the target company by taking into consideration all constituencies, including target company shareholders, employees, management, and customers. In turn, DC Capital can often capture financial value and can often underbid competitors or negotiate buyer-friendly purchase agreements conducive to realizing a shared long-term vision developed with the target company's management or ownership team.

*Listed below are some of the risks associated with a Fund investment. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in the Funds' investment strategies. For a complete explanation of the Funds' relevant investment strategies and their associated risks, investors should review the relevant Offering Documents or investment management agreement, which may contain additional explanations of strategies, risks and other related details not discussed below.*

**Economic and Industry Risk.** Although investments of the type sought by the Funds offer the opportunity for attractive returns, such investments are sensitive to any general adverse trends or developments in the economy or in the industrial or economic sectors in which the acquired business operates. The Funds' investments consequently involve a high degree of financial risk, and the possibility of partial or total loss of capital exists. Prospective investors should not subscribe unless they can readily bear the consequences of such loss.

**Leveraged Nature of Investments.** While investments in highly leveraged companies offer the opportunity for enhanced capital appreciation, such investments also involve a high degree of risk. The leveraged capital structure of the Funds' investments may increase the exposure to adverse economic factors such as rising interest rates, downturns in the economy, or deterioration in the condition of a portfolio company ("Portfolio Company") or its industry.

**Long-Term Investments.** Return of capital and realization of gains, if any, generally will occur only upon the partial or complete disposition of a portfolio investment. While a portfolio investment may be sold at any time, it is not generally expected that this will occur for a number of years after such an investment has been made. Prior to such time, there generally will be no current return on portfolio investments. Any such return, if it occurs, may not occur until the liquidation of the Funds and may be in the form of non-cash distributions to the investors.

**Risk of Limited Number of Investments/Industry Concentration.** The Funds intend only to participate in a limited number of portfolio investments and, as a consequence, the aggregate return of the Funds may be substantially adversely affected by the unfavorable performance of even a single portfolio investment. In addition, the Funds intend to concentrate their investments in the Target Sectors, which could adversely affect the Funds if business conditions underlying such industries were to deteriorate. Although it is the intention of the General Partner to diversify the Funds' portfolios within the overall investment program, the inability of the General Partner to satisfactorily achieve this objective could adversely affect the performance and results of the Funds.

**Highly Competitive Market for Investments.** The leveraged buyout and private equity investment industry in which the Funds will be engaged is highly competitive. The General Partner's business of identifying, negotiating, acquiring, monitoring, managing, and selling companies is highly competitive, and involves a high degree of uncertainty. The Funds will encounter competition from other persons and entities with similar investment objectives. These competitors are likely to include other investment partnerships, small business investment companies, large industrial and financial companies investing directly or through affiliates, foreign investors of various types, and individuals. The General Partner's competitors may have greater financial and other resources and may have better access to suitable investment opportunities. There can be no assurance that the Funds will be able to locate suitable investment opportunities, acquire them at appropriate prices, achieve its targeted rate of return, or fully invest their committed capital.

**Lack of Liquidity.** Investments made by the Funds, to a large degree, will have limited liquidity. It is unlikely that there will be a public market for the securities of Portfolio Companies held by the Funds. The Funds' exit strategies with respect to one or more investments can be affected adversely by numerous factors, many of which may be unforeseen or unexpected at the time the investment is made. Moreover, the limited liquidity of investments may adversely affect their ability to implement their exit strategies in the face of unexpected developments. In addition, practical limitations may restrict the ability of the Funds to sell or distribute their securities in Portfolio Companies if such companies are privately held or if customers of such companies, joint investors, financial institutions, or management are relying on the Funds' continued investment in such companies. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. The lack of liquidity of the Funds' investments in Portfolio Companies may preclude or delay any disposition of such investments, or reduce the proceeds that might otherwise be realized from any such disposition.

**No Market for Interests in the Funds; Restrictions on Transfer.** Interests in the Funds have not been registered under the Securities Act and state securities laws, and therefore cannot be sold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from such registration is available. There is currently no public market for interests and it is highly unlikely that one will develop. Moreover, pursuant to the applicable partnership agreements, limited partners are not be permitted to transfer or assign their interests without the consent of the General Partner. Consequently, limited partners may not be able to liquidate their investment in the event of emergency or for any other reason. Further, investors may not be able to liquidate their interests for a lengthy period of time, which may not be prior to the time the Funds liquidate the investments they make. In addition, any such liquidation may be in the form of non-cash distributions to the investors. Such factors also may adversely affect the price that a limited partner will be able to obtain for its interest prior to full distribution of the profits, if any, of the applicable Fund.



**Reliance on Management of Portfolio Companies.** Although it is the intent of the Funds to invest in companies with strong and stable management, there can be no assurance that the existing management team of a Portfolio Company, or a new one, will be able to operate such company successfully or in accordance with the General Partner's wishes. Furthermore, although the General Partner will monitor the performance of each Portfolio Company, company management will have primary responsibility for operating the business on a day-to-day basis. If the management personnel of the companies in which the Funds invest do not adequately perform their duties or execute the business plans for such companies, or if the General Partner is unable to adequately monitor management of these companies, the Funds' business and results may be adversely affected.

**Reliance on Government Contracts.** The Funds are likely to invest in Portfolio Companies that are heavily dependent on U.S. government contracts, which may be only partially funded. These contracts are subject to the government's political and budgetary constraints (which can change), changes in short-range and long-range plans, the timing of contract awards, the congressional budget authorization and appropriation processes, the government's ability to terminate contracts for convenience or for default, as well as other risks such as contractor debarment in the event of certain violations of legal and regulatory requirements. Portfolio Companies providing services under U.S. government contracts are also subject to extensive regulation and audit by agencies of the U.S. government. If such Portfolio Companies are subject to adverse audits or regulatory or legal actions by the U.S. government, such Portfolio Companies could be subject to liabilities, penalties, and disqualification from future government contracts, adversely affecting the business and results of the Funds.

**Contingent Liabilities on Disposition of Portfolio Investments.** In connection with the disposition of an investment in a Portfolio Company, the Funds may be required to make representations about the business and financial affairs of such company, and to indemnify the purchasers of such company if those representations ultimately prove to be inaccurate. The General Partner will establish reserves as appropriate to provide for such contingent liabilities. In the event that the amount of such contingent liabilities exceeds the reserves and other assets of the Funds, the limited partners may be required to repay to the Funds all or a portion of distributions previously received by them in respect of such Portfolio Company.

**Board Participation Risks.** The Funds may be represented on the boards of directors (or comparable governing bodies) of certain of their Portfolio Companies. While such representation is expected to enhance the Funds' ability to manage their investments, it may also impair the Funds' ability to sell the related securities because the Funds may be subject to fiduciary duties and other potential legal claims. In addition, the Funds, the General Partner, the Firm or their personnel may become exposed to claims as a result of such board service. Subject to the provisions of the partnership agreement, the Funds will indemnify the Firm and the Funds' personnel for claims arising from such board representation and service.

**Risk of Minority Positions in Portfolio Companies.** If, as part of their overall investment strategies, the Funds elect at any time to hold a minority position in one or more Portfolio Companies, they may not be able to exercise control over such companies, limiting the Funds' ability to influence management and performance of the company and the Funds business and results could therefore be adversely affected.

**Side Letters.** From time to time, the General Partner, the Firm and/or the Funds may enter into letter agreements or other similar arrangements ("Side Letters") with one or more limited partners

that alter or supplement the terms of the partnership agreement and any Subscription Agreement solely with respect to such limited partners. As a result of such Side Letters, certain limited partners may receive economic, information or other rights, terms and other benefits that other limited partners will not receive. The General Partner and Firm are not required to notify the other limited partners of any such Side Letters or any of the rights or terms or provisions thereof, nor will the General Partner or Firm be required to offer such additional or different rights or terms to all other limited partners. The other limited partners generally will have no recourse against the Funds in the event that certain limited partners receive additional or different rights, terms or other benefits as a result of such Side Letters.

**Phantom Income.** There can be no assurance that the Funds will have sufficient cash flow to permit them to make annual distributions in the amount necessary to enable limited partners to pay all federal, state, and local income tax liabilities resulting from the limited partners' ownership of interests.

**Valuation of Investments.** The General Partner is responsible for valuing the securities and other investments comprising the assets of the Funds in accordance with the applicable partnership agreements. The General Partner generally values the Funds' portfolios using U.S. generally accepted accounting principles ("U.S. GAAP"). Where a security is subject to any resale restriction, lack of available price quotations, illiquid market conditions or other factors preventing immediate liquidity of the Funds' entire positions, the General Partner has the sole and absolute discretion to value such securities using its best good faith estimate as to fair value. This causes the potential for a conflict of interest due to the fact that a higher fair value assigned to such security will result in greater management fees. Valuations assigned to securities and other investments are not necessarily equivalent to the value that can be realized by the Funds on the sale of those securities and other investments. In addition, there is a risk that the valuations of a security made pursuant to U.S. GAAP may differ from the price at which the security may actually be sold.

**Certain Regulatory Considerations.** Various agencies and departments of the U.S. government regulate the businesses in the Target Sectors in which the Funds intend to invest. New and existing regulations and burdens of regulatory compliance may have a material adverse effect on Portfolio Companies that operate in these industries. Certain of the Funds' investments may result in reporting and compliance obligations under the Securities Exchange Act of 1934 ("Exchange Act"), as amended and/or the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The cost of compliance will be borne by the Funds. Furthermore, although neither the Funds nor the Firm anticipate becoming registered under the Investment Company Act, the Advisers Act or the Exchange Act, regulatory and legal changes could make such registration advisable or necessary which could impose substantial compliance burdens and costs upon the Funds, the General Partner and/or the Firm.

**Defaulting Limited Partners.** A limited partner may forego its right to participate in its pro rata share of existing portfolio investments as well as any future investments, and may suffer other materially adverse economic consequences (as set forth in the partnership agreement, including, without limitation, the imposition of interest on the defaulted amount at up to 18% per annum and a reduction of up to 25% in such limited partner's interest in the applicable Fund), if such limited partner fails to contribute any portion of its commitment, unless such capital contribution would otherwise be excused under the partnership agreement for certain regulatory or other legal reasons applicable to that limited partner.

**Mandatory Withdrawal.** The General Partner has the authority to require a limited partner to withdraw from the applicable Fund if the General Partner determines that the continued participation in the Fund of such limited partner could materially adversely affect the Fund (for example, by causing the Fund to be registered as an investment company under the Investment Company Act, or causing the Fund's assets to be treated as "plan assets" under the Employee Retirement Income Security Act of 1974, as amended).

**Follow-On Investments.** The Funds may be presented opportunities to make additional, "follow-on" investments in their existing Portfolio Companies, either because the company's performance and/or liquidity have been below expectations or because additional capital is required to fund growth. There can be no assurance that the Funds will desire to make follow-on investments or that they will have sufficient funds to do so. Any decision by a Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on a Portfolio Company in need of such an investment and may dilute the Fund's existing investments and/or may diminish the Fund's ability to influence the Portfolio Company's future development.

**Obligation to Return Distributions for Certain Claims and Expenses.** In addition to each limited partner's obligation to contribute its commitment, each limited partner will be required to return their pro rata share of certain distributions to pay indemnification claims and expenses of the applicable Fund as provided in the applicable partnership agreement. This obligation will extend until the third anniversary of receipt of proceeds from the disposition of the applicable portfolio investment and may extend beyond the date of the Fund's liquidation. The amount of a limited partner's aggregate contribution obligation shall not exceed 50% of the aggregate distributions received by such limited partner from the applicable Fund, or, in the case of any specific portfolio investment, the aggregate distributions received by such partner with respect to such portfolio investment.

**Changes in Applicable Law.** The Funds and the Portfolio Companies in which they invest must comply with various legal requirements, including, but not limited to, requirements imposed under government contracting laws and rule, United States federal tax law and federal and state securities laws. If any of the laws and regulations currently in effect should change or any new laws or regulations should be enacted, the legal requirements to which the Funds, the Portfolio Companies, and the investors may be subject could differ materially from current requirements and may materially and adversely affect the Funds, their businesses, and results.

In addition, changes to tax rates (including proposals to change the taxation of so-called "carried interest") or legislation in the jurisdictions in which the Funds or the Portfolio Companies operate could decrease the proportion of profits the Funds and the Portfolio Companies are entitled to retain, or the Funds' or the Portfolio Companies' interpretation of various tax laws and regulations may prove to be incorrect, resulting in higher than expected tax charges. Changes in the taxation of carried interest could reduce or otherwise affect the after-tax returns to the General Partner and its affiliates and thereby affect their incentives in making investments for the Funds.

**Risks of Political and Economic Developments.** The Funds and the Portfolio Companies in which they invest will be exposed to the inherent risks of global and regional adverse political, economic, and financial market developments, including recession, inflation, availability of affordable credit, and currency fluctuations that could lower revenues and reduce income. This may result in deterioration of results of the business and results of the Funds and the Portfolio Companies.

**Limited Liability of General Partner and the Firm; Indemnification.** The partnership agreement of each Fund provides that the General Partner, the Firm, and their respective affiliates and their respective directors, partners, members, shareholders, officers, employees, or agents will not be personally liable, responsible, or accountable in damages or otherwise to the Fund or to any investor for any breach of fiduciary duty. The partnership agreements each also provide that, to the maximum extent permitted by applicable law, the Fund will indemnify the General Partner, the Firm, the members of the advisory committee, and the respective officers, directors, stockholders, partners, members, employees, representatives, and agents of any of the foregoing (each an “Indemnitee”) from and against any and all claims, liabilities, costs, damages, and expenses, including legal fees, judgments, and amounts paid in settlement (collectively, “Damages”), to which they may be or become subject arising out of or incidental to the business of the Fund, so long as the action giving rise to Damages has not been determined in a final judicial judgment not subject to appeal to constitute “Disabling Conduct” (meaning a willful breach of the applicable partnership agreement (beyond a ten business day cure period), fraud, gross negligence, bad faith, willful misconduct or willful violation of law) on the part of the Indemnitee seeking indemnification. Each partnership agreement also provides that attorneys’ fees and expenses incurred by an indemnified person in connection with any matter for which indemnification may be sought under the partnership agreement shall be paid by the Fund.

**Investments In Countries Outside the United States.** The Funds may make certain investments in countries outside of the United States. The value of such non-U.S. investments could be materially adversely affected by relative inflation, currency devaluation, interest rate fluctuations, exchange rate fluctuations, changes in governmental policies (including foreign investment policy, trade policy, and taxation), social instability, and other economic or political developments in such countries or the United States.

**Currency and Foreign Exchange Risks.** The Funds’ books and records will be denominated in United States dollars, and distributions will generally be made in United States dollars (or, in certain circumstances in securities in kind). However, the Funds may make investments in other currencies, and changes in the exchange rates between such currencies and the United States dollar could have an adverse effect on the Funds, including the amounts available for distribution and the value of securities to be distributed in-kind.

**Considerations for Investments by Benefit Plans.** The Firm intends that the assets of the Funds will not be “plan assets” for purposes of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and/or Section 4975 of the Internal Revenue Code of 1986, as amended (the “IR Code”). No assurance can be given, however, that the Funds’ assets will never constitute “plan assets.” If the Funds’ assets were deemed to be “plan assets” for purposes of ERISA and/or the IR Code, the General Partner and/or the Firm could be deemed fiduciaries with respect to plan assets and there could be adverse consequences for the Funds. Benefit plan investors and their financial and legal advisers should consider accordingly any purchase of an interest in the Funds. The Funds may limit participation in the Funds by benefit plan investors and, among other things, will have the right at any time to require benefit plan investors to withdraw from the Funds or to transfer all or a portion of their interests in the Funds to substitute partners that are not benefit plan investors.

**Co-Investment Risks.** DC Capital has various business dealings and relationships with strategic investors and institutional and high-net-worth investors, and DC Capital, in its sole and absolute discretion, may permit such investors to co-invest with the Funds in certain of the Funds’ portfolio investments. In particular, co-investments may occur when the General Partner determines, in its sole discretion, that it is appropriate and consistent with the best interests of the

Funds not to take an entire investment opportunity. In addition, subject to the limitations described elsewhere in the applicable partnership agreements, or other relevant Offering Document, affiliates of DC Capital may co-invest with the Funds in certain of the Funds' portfolio investments. Such co-investments may have the effect of limiting the size of the Funds' investment in such opportunities. Co-investments with other persons or entities in private transactions may be made through collectively owned special purpose vehicles and otherwise. Assets of each co-investing person or entity (including the Funds) may become exposed to the risk of claims involving one or more other co-investing person or entity, *e.g.*, a third party to a transaction may require the co-investing persons or entities to agree to joint and several liability. DC Capital intends to mitigate such risks as it deems appropriate from time to time, but there can be no guarantee that such risks will be mitigated in full. Co-investments with outside third parties through partnerships, joint ventures or other entities may involve risks not present in investments where a third party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Funds, may be in a position to take action contrary to the investment objectives of the Funds, or may fail to fund their share of capital requirements or otherwise default on their obligations with respect to such co-investment. The Funds may in certain circumstances also be liable for actions of its third-party co-venturer or partner. In addition, the Funds' ability to exercise control or significant influence in connection with these cooperative arrangements may be limited and will depend on the nature of the relevant documentation.

#### **Potential Conflicts of Interest:**

Generally. The structure and operations of the Funds will be subject to actual and potential conflicts of interest, including those described above and those set forth below.

Other Business Activities. DC Capital, and other professional employees of the General Partner and the Firm will not devote their business time exclusively to the management of the Funds and its business but will, however, generally devote substantially all of their business time to the conduct of the Funds and their portfolio investments during the investment period in accordance with the requirements set forth in the partnership agreements. Such persons may perform similar or different services for others, and, subject to the limitations set forth in the partnership agreement, DC Capital may sponsor or establish other private and public investment funds, vehicles and accounts, during the same period that they provide services to the Funds (including, without limitation, a successor fund). Therefore, each of these persons will have conflicts of interest in dividing their management time, services and functions among the various entities for which they provide services.

Placement Fees and Similar Fees. Placement agents may have a conflict of interest in advising prospective investors whether to purchase interests because such placement agents may receive payments based upon a percentage of such investors' commitments or the management fees and/or carried interest distributions that are attributable to such investors' commitments.

Other Investment and Trading Activities. DC Capital may in the future invest and trade for other investment funds with investment objectives and strategies that are the same as, or overlap with, those of the Funds (subject to the limitations described above with respect to successor funds) and for investment funds or accounts in which employees of DC Capital and their respective affiliates (collectively, "employees and affiliates") have substantial ownership interests from time to time. In addition, DC Capital currently holds various investments and may make additional investments from time to time, and DC Capital's employees and affiliates may from time to time invest and trade for their own accounts or the accounts of family members, friends or investment vehicles

established for the benefit of any of such persons. In addition, in their respective investing and trading for proprietary and other accounts, DC Capital and its employees and affiliates may take positions that are the same as or different from those taken on behalf of the Funds, subject to DC Capital's internal policies. All investing and trading by employees and affiliates of DC Capital for their proprietary accounts and other accounts not managed by DC Capital will be subject to DC Capital's code of ethics and internal policies. The records of any such investing and trading will not be available for inspection by investors except to the extent required by law.

The determination as to whether an investment opportunity is within the scope of the Funds' investment objectives and therefore must be made available to the Funds before being offered to other persons or entities will be made by the General Partner in its sole and absolute discretion. DC Capital may receive different compensation from, and DC Capital and its employees and affiliates have or may invest different amounts of proprietary capital in, different funds or investments, and it may have a financial incentive to favor funds or investments with respect to which DC Capital receives greater compensation or in which DC Capital, its employees and affiliates have invested significant amounts of proprietary capital.

Carried Interest Distributions. The existence of the carried interest distributions may create an incentive for the General Partner to make portfolio investments that are more speculative or subject to greater risk of loss than would be made if no such arrangements existed. In addition, the carried interest distributions, if made, could result in distributions to the General Partner which are greater than the amounts allocable or distributable to general partners and managers of similar investment funds and vehicles.

Diverse Partners. The partners may have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests of individual partners may relate to or arise from, among other things, the nature of the portfolio investments made by the Funds, the structuring or the acquisition of portfolio investments and the timing of disposition of portfolio investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner, including with respect to the nature or structuring of portfolio investments, that may be more beneficial for one partner than for another partner, especially with respect to partners' individual tax situations. In selecting and structuring investments appropriate for the Funds, the General Partner will consider the investment and tax objectives of the Funds and its partners as a whole, not the investment, tax or other objectives of any partner individually. There can be no assurance that a result will not be more advantageous to one or more partners than to a particular limited partner.

Advisory Committee. The advisory committee has the authority under the partnership agreements to approve valuation methodologies and transactions in which the General Partner reasonably believes that the General Partner, any principal, DC Capital or their affiliates may have a conflict of interest.

Unified Counsel. The Funds, the General Partner and the Firm have been represented by unified legal counsel. Such counsel has not represented and will not represent any limited partner with respect to the offering of interests. To the extent that the limited partners could benefit from a review of this offering by independent counsel, such benefit will not be available.

## **Item 9. Disciplinary Information**

There have been no legal or disciplinary events involving either DC Capital or any of its

management persons that are material to DC Capital's advisory business.

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

- A. Neither DC Capital nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither DC Capital nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Neither DC Capital nor any of its management persons have affiliations with broker-dealers, municipal securities dealers, government securities dealers, investment companies or other pooled investment vehicles, other investment advisers or financial planners, futures commission merchants, registered commodity pool operators, registered commodity trading advisors, banking or thrift institutions, accountants or accounting firms, lawyers, law firms, insurance agencies or companies, pension consultants, real estate brokers or dealers or other sponsors or syndicators of limited partnerships.
- D. DC Capital does not recommend or select other investment advisers for its Funds.

#### **Item 11. Code of Ethics, Participation or Interests in Fund Transactions and Personal Trading**

- A. DC Capital has adopted a Code of Ethics (the "Code") to comply with Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Code describes the Firm's fiduciary duties and responsibilities to its Funds, requires that the Firm's employees act in the best interests of Funds to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with Funds to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. DC Capital's employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws by DC Capital or its employees. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of DC Capital's employees.

The Code prohibits personal securities transactions of issuers who have been placed on the Firm's restricted list, and requires written pre-approval for all initial-public offerings, private placements, and transactions in "Reportable Securities". The Code requires employees to report all securities transactions and provide a summary of securities holdings initially upon hire and on an annual basis thereafter. The Code also addresses outside activities of employees, conflicts of interest, policies and procedures concerning the prevention of insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions. DC Capital will provide a complete copy of its Code to any investor upon request sent to Gail Dady, Chief Compliance Officer of DC Capital, at [gdady@dccapitalpartners.com](mailto:gdady@dccapitalpartners.com).

- B. Subject to certain exceptions set forth in the Offering Documents, neither DC Capital nor any of DC Capital's related persons recommend to Funds, or buys or sells for Fund accounts, securities in which DC Capital or DC Capital's related person has a material financial interest.

- C. Subject to certain exceptions set forth in the Offering Documents, neither DC Capital nor any of DC Capital's related persons invest in the same securities that DC Capital or DC Capital's related persons recommends to its Funds.
- D. Subject to certain exceptions set forth in the Offering Documents, neither DC Capital nor any of DC Capital's related persons recommends securities to its Funds, or buys or sells securities for Fund accounts, at or about the same time that DC Capital or DC Capital's related persons buys or sells the same securities for DC Capital's own, or DC Capital's related person's own account.

#### **Item 12. Brokerage Practices**

DC Capital does not make regular use of brokers for the purposes of purchasing or selling securities on behalf of Funds because the securities that it typically purchases or sells on behalf of Funds are acquired and/or disposed of in privately negotiated purchase and sale transactions.

From time to time, DC Capital may use a broker to effect transactions in public securities resulting from, or in connection with, portfolio investments. In those instances, DC Capital has full discretionary authority with respect to the selection of, and commissions paid to, brokers. If DC Capital determines to engage a broker, it will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness, and the value of research provided, if any. In order to minimize execution costs and obtain best execution for all Funds, DC Capital may aggregate orders for multiple Funds, as long as aggregating would be in the best interests of each participating Fund.

DC Capital does not utilize any soft dollar benefits or client referrals from broker-dealers in connection with the Funds' transactions.

#### **Item 13. Review of Accounts**

- A. DC Capital's partners meet at least weekly to evaluate and discuss both current and prospective investments. The partners conduct in-depth reviews of the performance and outlook for each Portfolio Company. Additionally, the partners monitor all cash inflows and outflows from the Funds.
- B. DC Capital's partners review the Funds' accounts on a continuous and periodic basis, therefore there are no additional "triggering" events that would warrant a review.
- C. Audited financial statements are provided to investors in each Fund, generally within 120 days of the end of the Fund's fiscal year. Unaudited financial statements and investor-specific account statements are generally provided to all Funds and investors on a quarterly basis.

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

- A. The Firm does not receive an economic benefit from anyone, other than its Funds, for providing investment advice or other advisory services to the Funds.
- B. Neither DC Capital nor any related person directly or indirectly compensates any person who is not a supervised person for Fund referrals. However, in the context of raising capital for a Fund, DC Capital has compensated a placement agent for referrals of Fund investors, and may continue



to compensate placement agents going forward. A prospective investor solicited by a placement agent or other third party will be advised of any such arrangement, including the receipt of fees. All fees in connection with the use of third party placement agents will be borne by the Funds, but will reduce the management fees paid by the Funds.

#### **Item 15. Custody**

Under Rule 206(4)-2 of the Advisers Act (“Custody Rule”), DC Capital is deemed to have custody of the assets of the Funds due to the Firm’s ability to withdraw the Funds’ cash and/or securities held with a qualified custodian upon the Firm’s instruction to the qualified custodian.

In accordance with the Custody Rule, the Firm adheres to the applicable requirements of the Custody Rule with respect to the Funds’ public assets. All cash and certificated securities for the Funds will be held in custody by independent qualified custodians. The CCO will ensure that all privately offered securities, not held at a qualified custodian, do not violate the “Private Security Exemption” provided in the Custody Rule. DC Capital’s partners are responsible for arranging for annual independent audits of the Funds by an independent public accountant within 120 days of the Funds’ fiscal year end and for obtaining audited financial statements prepared in accordance with GAAP. DC Capital will arrange for the delivery of such audited financial statements to investors of the Funds within 120 days of the Funds’ fiscal year end.

#### **Item 16. Investment Discretion**

Pursuant to the Funds’ Offering Documents, and in accordance with the investment management agreements entered into by the Firm with such Funds, DC Capital accepts discretionary authority to manage securities accounts on behalf of the Funds. Furthermore, affiliates of the Firm, such as the general partner to the Funds, may accept discretionary investment authority for the applicable Fund.

#### **Item 17. Voting Fund Securities**

While the expected investments made by Funds are not typically the subject of proxies, there could be certain circumstances where DC Capital, having discretionary authority over the accounts of certain Funds, may be asked to vote the securities of such Funds on restructuring or other corporate matters. DC Capital ensures that a record of each securities position held by each Fund is maintained and, where any such vote is to occur, ensures that it receives all relevant information, disclosure materials and such proxies or consents as are necessary for it to cast votes in a timely manner.

DC Capital also determines where there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interests of a Fund. If DC Capital determines that there is no material conflict of interests, then it will make the voting determination and take the required voting action. If DC Capital determines that, due to a conflict of interests, it is not capable of making an independent determination as to the voting decision then the voting decision will be that recommended by the applicable limited partner advisory committee.

The Funds generally do not have the authority to direct DC Capital’s vote in a particular solicitation. A copy of the proxy voting policies and procedures will be provided to any Fund or investor (including prospective Funds and investors) upon request.

**Item 18. Financial Information**

DC Capital does not require or solicit prepayment of client fees more than six months in advance.

DC Capital is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds. DC Capital has not been the subject of a bankruptcy petition within the preceding ten years.

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

Not Applicable.