



## **PART 2A OF FORM ADV: FIRM BROCHURE**

**David Capital Partners, LLC  
February 2021**

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**This brochure provides information about the qualifications and business practices of David Capital Partners, LLC (“David Capital”, the “Firm”, or the “Manager”). If you have any questions about the contents of this brochure, please contact Corey Vnoucek, the Manager’s Chief Compliance Officer, at (312) 878-0252 or [corey@davidpartners.com](mailto:corey@davidpartners.com). 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.**

**Additional information about David Capital Partners, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any reference to David Capital as a registered investment adviser does not imply a certain level of skill or training.**

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**Item 2.           Material Changes**

David Capital is no longer able to claim the private fund adviser exemption, and therefore is filing this initial Form ADV Part 2A as part of its transition registration with the SEC reflecting the Manager's advisory activities upon registration.

In the future, this Item 2 will discuss material changes that have been made since the last annual filing.

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

##### **Item 4.A.**

David Capital is an investment adviser organized as a limited liability company under the laws of the State of Delaware with its principal place of business in Chicago, Illinois. David Capital was co-founded in June 2011 by Mr. Adam J. Patinkin, CFA, the Firm's Managing Partner and principal owner (the "**Principal**").

##### **Item 4.B.**

David Capital provides investment advisory services on a discretionary basis to a privately offered pooled investment vehicle, David Capital Partners Fund, LP (the "**Fund**"). David Capital serves as general partner of the Fund. Investors in the Fund are limited partners ("**Limited Partners**").

David Capital acts as investment manager on a discretionary basis to an affiliated pooled investment vehicle, David Capital Partners Opportunity Fund, LP (the "**Opportunity Fund**"). David Capital acts as a sub-adviser on both a discretionary and non-discretionary basis to unaffiliated pooled investment vehicles (the "**Discretionary Sub-Advised Account**" and the "**Non-Discretionary Sub-Advised Account**").

The Fund, the Opportunity Fund, and the Discretionary Sub-Advised Account are together referred to as the "**Discretionary Accounts**". The Opportunity Fund, the Discretionary Sub-Advised Account, and the Non-Discretionary Sub-Advised Account are collectively referred to as the "**Advised Accounts**". The Fund and the Advised Accounts are collectively referred to as the "**Clients**".

The Manager's investment advisory services generally focus on advice related to investments, both long and short, primarily in publicly traded equity securities. As discussed in the relevant operative documents, David Capital may also invest in other types of securities and may engage in other investment strategies so long as doing so does not interfere with achieving the stated and agreed upon investment objective.

##### **Item 4.C.**

The Firm's advisory services are provided to Clients pursuant to the terms of the Clients' private placement memorandum, operating agreement, limited partnership agreement, sub-advisory agreement, and/or investment management agreement, as applicable (collectively, the "**Governing Documents**") and based on the specific investment objectives and strategies as disclosed therein. Clients may impose restrictions on investing in certain types of securities in accordance with each Governing Document. The Manager does not tailor advisory services to the individual needs of any Client's underlying investors, except as may be set forth in each relevant Governing Document.

##### **Item 4.D.**

Not applicable. David Capital does not participate in, nor does it sponsor, wrap fee programs.

##### **Item 4.E.**

As of December 31, 2020, David Capital managed approximately \$207,854,074 in regulatory assets under management on a discretionary basis.

*See Item 8 of this brochure for a more detailed discussion of David Capital's investment strategies.*

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

### **Item 5.A.**

Fees payable by Clients to David Capital or its related persons are set forth in detail in the Governing Documents of the applicable Client. A brief summary of those fees is provided below.

#### *Management Fee*

David Capital receives a fixed management fee from the Fund, calculated quarterly in advance, in an amount equal to an annual rate ranging from 1.5% to 2.0% of the net asset value of the capital account of each Limited Partner. The management fee rate for each Limited Partner may differ based on the liquidity associated with the relevant class of interest subscribed for, with less liquid interests generally subject to a lower management fee.

The management fee is paid by the Fund quarterly in advance. The Manager requires at least sixty (60) day prior written notice for capital account withdrawals, resulting in the proration of the management fee for partial periods. The Manager may waive all or part of the management fee otherwise due with respect to any investor including, without limitation, its affiliates, members, and/or employees.

The Fund's terms, classes of interest, and management fee calculations are more fully described in the Governing Documents of the Fund.

The Manager does not have a standard fee schedule for the Advised Accounts. Any management fees received by David Capital and/or its related persons with respect to the Advised Accounts are calculated and paid in accordance with each Advised Account's Governing Documents.

#### *Performance-Based Compensation*

David Capital receives a performance-based incentive allocation from Limited Partners of the Fund in an amount equal to between 10% and 20% of net profits (including unrealized gains). The incentive allocation percentage for each Limited Partner may differ based on the liquidity associated with the relevant class of interest subscribed for, with less liquid interests generally subject to a lower incentive allocation.

For certain classes of interests, the incentive allocation may be subject to a loss recovery provision. The Manager may waive all or part of the incentive allocation with respect to any investor including, without limitation, its affiliates, members, and/or employees.

The Fund's terms, classes of interest, loss recovery provision, and incentive allocation calculations are more fully described in the Governing Documents of the Fund.

Any performance-based compensation received by David Capital and/or its related persons with respect to the Advised Accounts is calculated and paid and/or allocated in accordance with each Advised Account's Governing Documents.

#### *Early Withdrawal Fees*

In certain circumstances as set forth in the Fund's Governing Documents, Limited Partners may be charged an early withdrawal fee for withdrawing capital prior to their scheduled liquidity dates. In the event this fee is charged, it is paid to the Fund and not paid directly to David Capital.

**Item 5.B.**

All management fees or incentive allocations received by David Capital with respect to Limited Partners of the Fund are deducted from the capital accounts of such Limited Partners at the frequency described in 5.A.

Any management fees or performance-based compensation received by David Capital and/or its related persons with respect to the Advised Accounts are received in accordance with each Advised Account's Governing Documents.

**Item 5.C.**

David Capital renders services to Clients at its own expense and is responsible for overhead costs including office rent, utilities, furniture and fixtures, employee compensation and insurance, and payroll taxes.

The Fund is responsible for the ordinary and necessary expenses of its operation including, without limitation, brokerage commissions, research expenses, investment and research-related travel costs, data provider expenses, trading costs and other investment-related expenses, legal and auditing expenses, accounting fees, fund administration expenses, custody fees and expenses, insurance premiums of the Fund, expenses incurred with respect to the preparation of annual reports and other financial information, subscription fees, and other ongoing operational or service provider expenses.

The Manager may, in its sole discretion, elect to assume certain of the expenses of the Fund on an ongoing basis, and to no longer assume such expenses at any time in its sole discretion.

Any expenses paid by the Advised Accounts are set forth in each Advised Account's Governing Documents, and include brokerage and certain other transaction costs.

*See Item 12 of this brochure for a more detailed discussion of David Capital's brokerage practices.*

**Item 5.D.**

The management fees paid by the Fund and the Discretionary Sub-Advised Account are calculated and paid quarterly in advance.

As the Manager requires at least sixty (60) day prior written notice for capital account withdrawals by Limited Partners from the Fund and for withdrawals from the Discretionary Sub-Advised Account, and as such withdrawals may only occur on the first day of each calendar month, any pro-ration of management fees is incorporated into the management fee calculated and paid on a quarterly basis, such that refunds of management fees paid in advance should not occur.

**Item 5.E.**

Not applicable. Neither David Capital nor its supervised persons are compensated for the sale of securities or other investment products.

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

As more fully described in 5.A., the Manager receives performance-based compensation including a performance-based incentive allocation from Limited Partners of the Fund. In addition, the Manager and/or

its related parties may receive performance-based compensation with respect to the Advised Accounts as set forth in each Advised Account's Governing Documents.

Performance-based compensation may vary with respect to each Client, which may create an incentive to favor Clients who pay higher performance-based compensation. The Manager has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of Client accounts, including accounts with varying fee arrangements, and the allocation of investment opportunities. The Manager reviews investment decisions for the purpose of verifying that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts are also regularly compared to determine whether there are unexplained significant discrepancies. In addition, the Manager's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on current assets under management and subject to each Client's Governing Documents. These areas are monitored by the Manager's Chief Compliance Officer.

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

As described in Item 4, the Manager's Clients consist of privately offered pooled investment vehicles, including the Fund and the Advised Accounts.

The Fund is intended for investment by certain investors who are accredited investors as defined under federal securities law and who meet certain other minimum requirements as set forth in the Governing Documents. The minimum investment required to invest in the Fund is \$250,000. The Manager, in its sole discretion, may waive, reduce, or increase the minimum investment amount.

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

### **Item 8.A.**

#### *Methods of Analysis and Investment Strategies*

The methods of analysis utilized by David Capital are substantially similar for all Clients, including those advised on a discretionary basis and those advised on a non-discretionary basis, unless otherwise noted below.

David Capital follows a "valuation plus a catalyst" investment philosophy for long positions. Specifically, the Manager seeks to identify investment positions that are materially mispriced relative to the Manager's assessment of intrinsic value and that also have a clear catalyst event path for the valuation discount to be corrected.

David Capital follows a "supply-side shorting" investment philosophy for short positions. Specifically, the Manager seeks to identify businesses or industries that may be affected by competitive pressures, overbuilding, or overproduction that may lead to lower future levels of profitability, but where such an outcome is not (in the Manager's view) already sufficiently incorporated into security prices.

David Capital employs a research-intensive, fundamental process for evaluating both long and short investment opportunities.

David Capital provides investment advisory services to its Clients pursuant to the particular investment objectives, policies, and strategies described in each Client's Governing Documents.

### *Risk of Loss*

Investments managed or sub-advised by David Capital may involve significant risks, including the risk of loss, and are suitable only for investors who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. There can be no assurance Clients will achieve their investment objectives.

Investments managed or sub-advised by David Capital carry the inherent risks associated with investments in equities and equity-related securities and the use of leverage and short sales. Prospective investors should carefully review the Governing Documents and/or other operative documents prior to deciding to place assets with David Capital for investment advisory services.

### **Items 8.B. and 8.C.**

The following summary identifies certain material risks related to David Capital's investment strategies. This summary does not intend to identify all possible risks associated with investment advisory services provided by David Capital, and certain risks may apply only to particular strategies. For a more detailed description of identified risks, please carefully review the risks described in the applicable Governing Documents.

#### General Investment Risks

*Generally.* The securities business is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for securities change rapidly and are affected by a variety of factors including interest rates, merger activities, and general economic trends.

*Potential of Loss.* Investments managed or sub-advised by David Capital are speculative and involve a high degree of risk. Past performance of investments managed or sub-advised by David Capital is no guarantee of future performance. There is no assurance Clients will be profitable. There is no assurance the strategies employed by David Capital will achieve attractive returns or be successful. Given the factors described herein, there exists a possibility that an investor could lose all or substantially all of an investment managed or sub-advised by David Capital.

*Expenses May be a High Percentage of Assets.* Client operating expenses may be a high percentage of net asset value and, even if the strategy is successful, such investments may therefore still not be profitable. For example, it is possible that a Client may have trading gains while the net asset value does not increase or even decreases as a result of expenses borne.

*Reliance on Key Personnel.* David Capital relies on the services of the Principal. As a result, the success of David Capital for the foreseeable future will depend largely upon the abilities of the Principal. Should the Principal terminate his relationship with David Capital, die, or otherwise become incapacitated for any period of time, the profitability of Clients may suffer. In addition, should David Capital terminate its relationship with a Client, the profitability of such Client may suffer.

*Performance-Based Compensation.* David Capital and/or its related persons may receive performance-based compensation. A performance-based compensation structure may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation.

*No Current Income.* Investments managed or sub-advised by David Capital should be considered speculative as there can be no assurance that David Capital's assessments of the short-term or long-term



prospects of such investments will generate a profit. In view of the fact that investments managed or sub-advised by David Capital may not pay current income, investments managed or sub-advised by David Capital may not be suitable for investors seeking dividend income for financial or tax planning purposes.

*Cybersecurity, Security Breaches, and Disruptions.* In the ordinary course of business, David Capital and its service providers collect and store, on such parties' networks and/or on the networks of their third-party vendors, sensitive data including the intellectual property, trading data, and personally identifiable information of investors and clients. The secure processing, maintenance, and transmission of this information is critical to investments managed or sub-advised by David Capital. David Capital has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time resulting in the information stored therein being accessed, publicly disclosed, lost, and/or stolen. Hardware or software acquired from third-parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network-connected services provided by third-parties to David Capital may be susceptible to compromise, leading to a breach of David Capital's network. David Capital's systems or facilities may be susceptible to attacks by hackers and/or breaches as a result of employee error or malfeasance, government surveillance, or other security threats and technological disruptions. Online services provided by David Capital to investors may also be susceptible to compromise. Breach of David Capital's information systems may cause information relating to the transactions of Clients and personally identifiable information of Clients' underlying investors to be lost or improperly accessed, used, or disclosed. The service providers of David Capital are also subject to electronic information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of Clients and personally identifiable information of Clients' underlying investors may be lost or improperly accessed, used, or disclosed. The loss or improper access, use, or disclosure of David Capital's proprietary information may (1) have legal ramifications (including legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties under federal and/or state securities laws) and result in the disclosure or misuse of confidential information concerning investors, and/or (2) cause financial loss, the disruption of its business, liability to third-parties, regulatory intervention, or reputational harm to David Capital and/or Clients (and may increase their respective costs). Any of the foregoing events could have a material adverse effect on investments managed or sub-advised by David Capital.

#### *Risks Arising from Particular Activities or Types of Securities*

*Specifically.* In addition to the above-mentioned general investment risks, David Capital may use investment techniques that could be affected by more specific risks. Some, but not all, of these techniques and risks are summarized below.

*Equity Securities.* The Manager may invest in long and short positions in common and preferred stocks. Equity securities fluctuate in value, often based on factors unrelated to the fundamental economic condition of the issuer of the securities, and these fluctuations can be pronounced. David Capital may purchase securities in all available securities trading markets and may invest in equity securities without restriction as to market capitalization, such as those issued by smaller capitalization companies.

*Derivatives.* The Manager may trade derivatives. The risks posed by derivatives include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations), (2) market risks (adverse movements in the price of a financial asset or commodity), (3) legal risks (an action by a court or by a regulatory or legislative body that could invalidate a financial contract), (4) operational risks (inadequate controls, deficient procedures, human error, system failure, or fraud), (5)

documentation risks (exposure to losses resulting from inadequate documentation), (6) liquidity risks (exposure to losses created by the inability to prematurely terminate a derivative), (7) systemic risks (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system), (8) concentration risks (exposure to losses from concentration of closely-related risks such as exposure to a particular industry or exposure linked to a particular entity), and (9) settlement risks (the risk a Client faces when it has performed its obligations under a contract but has not yet received value from its counterparty).

*Options.* The Manager may engage in various types of options transactions. An option gives the purchaser the right, but not the obligation, upon exercise of the option, either to buy or sell a specific amount of the underlying security at a specific price (the “strike” price or “exercise” price) or in the case of a stock index option, to receive a specified cash settlement. To purchase an option, the purchaser must pay a “premium” which consists of a single, nonrefundable payment. Unless the price of the security underlying the option changes and it becomes profitable to exercise or offset the option before it expires, Clients may lose the entire amount of the premium. The purchaser of an option runs the risk of losing the entire investment. Thus, a Client may incur significant losses in a relatively short period of time. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities becomes restricted. Options trading may also be illiquid in the event that assets are invested in contracts with extended expirations. The Manager may purchase or write put and call options on specific securities, on stock indexes, or on other financial instruments and, to close out its positions in options, may make closing purchase transactions or closing sale transactions. In theory, the exposure to loss is potentially unlimited in the case of an uncovered call writer (i.e., a call writer who does not have and maintain during the term of the call an equivalent long position in the stock or other security underlying the call). The risk for a writer of an uncovered put option (i.e., a put option written by a writer who does not have and maintain an offsetting short position in the underlying stock or other security) is that the price of the underlying security may fall below the exercise price.

*Hedging Transactions.* The Manager may utilize a variety of financial instruments such as derivatives, options, swaps, and forward contracts, both for investment purposes and for risk management purposes. Hedging also involves special risks including the possible default by the other party to the transaction, illiquidity, and, to the extent the Manager’s assessment of certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if hedging had not been used. Clients are subject to the risk of the failure or default of any counterparty to a hedging transaction. If there is a failure or default by the counterparty to such a transaction, such Clients will have contractual remedies pursuant to the agreements related to the transaction (which may or may not be meaningful depending on the financial position of the defaulting counterparty). Clients may seek to minimize counterparty risk through the selection of financial institutions acting as counterparty and the types of transactions employed. However, operational mechanisms may involve counterparty and other risk elements that may create unforeseen exposures.

*Futures.* The Manager may engage in futures transactions for investment and for hedging purposes. Futures are standardized exchange-traded contracts which obligate a purchaser to take delivery and a seller to make delivery of a specific amount of an asset at a specified future date at a specified price. No price is paid upon initiation of a futures contract. Rather, Clients are required to deposit margin equal to a percentage of the contract value, and will then receive or pay maintenance margin based on the gains or losses experienced on an ongoing basis. Futures therefore may involve substantial leverage. As a result, Clients can suffer losses that significantly exceed the amount deposited with the prime brokers. Futures positions may be illiquid because, for example, most US commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the futures can neither be taken nor liquidated unless traders are willing to

effect trades at or within the limit. Futures contract prices in various commodities occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Manager from promptly liquidating unfavorable positions and could result in Clients being subject to substantial losses. In addition, the Manager may not be able to execute futures contract trades at favorable prices if trading volume is low. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order trading in a particular contract be conducted for liquidation only.

*Forward Trading.* The Manager may engage in forward contracts. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market due to unusually high trading volume, political intervention, or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Manager would otherwise recommend, to the possible detriment of Clients. In respect of such trading, Clients would be subject to the risk of counterparty failure or the inability or refusal of a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in substantial losses to Clients.

*Short Selling.* The Manager may sell short securities of an issuer in the expectation of covering the short sale with securities purchased in the open market at a price lower than that received in the short sale. The Manager may adjust a Client’s net exposure as it determines to be appropriate in light of market conditions. The Manager may apply short positions to seek to take advantage of deteriorating fundamentals at the individual security level and may also periodically hedge each long position through short selling sector, industry, and market ETFs, or through the use of several smaller “basket” positions that, in aggregate, the Manager believes would theoretically hedge individual long positions or long industry or sector exposure. If the price of the issuer’s securities declines, the Client may then cover the short position with securities purchased in the market. The profit realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. The possible losses from selling short a security differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities are also subject to restrictions imposed by federal securities laws and the various national and regional securities exchanges, which restrictions could limit investment activities. There can be no assurance that securities necessary to cover a short position will be available for purchase.

*Leverage.* The Manager may use leverage when deemed appropriate and subject to applicable regulations. At times, the amount of such leverage may be substantial. Clients are not subject to any limitations on borrowing or other forms of leverage. Indirect forms of leverage include leverage via short sales or derivative instruments such as options techniques, which have embedded leverage features. The Manager may also leverage assets by entering into reverse repurchase agreements whereby it effectively borrows funds on a secured basis by “selling” interests in investments to a financial institution for cash and agreeing to “repurchase” such investments at a specified future date for the sales price paid plus interest at a negotiated rate. Leverage creates an opportunity for greater yield and total return, but at the same time increases exposure to capital risk and higher current expenses. If loans are collateralized with securities that decrease in value, the Client may be obligated to provide additional collateral to the lender in the form of cash or securities to avoid liquidation of the pledged securities. Any such liquidation could result in

substantial losses. Moreover, counterparties, in their sole discretion, may change the leverage limits they extend to Clients.

*Special Situations.* The Manager may invest in “special situations” to take advantage of pricing inefficiencies among investment assets. In such special situations, David Capital may not correctly evaluate the value of investment assets and the circumstances driving the apparent pricing inefficiency, resulting in a possible loss on such investments.

*Bonds and Other Fixed Income Securities.* The Manager may invest in bonds and other fixed income securities and may take short positions in these securities. Clients will invest in these securities when the Manager determines they offer opportunities for capital appreciation (or capital depreciation in the case of short positions) and may also invest in these securities for temporary defensive purposes and to maintain liquidity. Fixed income securities include, among other securities: (1) bonds, notes, and debentures issued by U.S. and non-U.S. corporations, (2) U.S. Government securities or debt or other securities issued or guaranteed by a non-U.S. government, (3) municipal securities, and (4) mortgage backed and asset backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility resulting from, among other things, interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity (i.e., market risk). Clients may invest in both investment grade debt securities and non-investment grade debt securities (commonly referred to as junk bonds). Non-investment grade debt securities may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than issuers of higher-grade debt securities. An economic downturn affecting an issuer of non-investment grade debt securities may result in an increased incidence of default. In addition, the market for lower grade debt securities may be less liquid and less active than for higher grade debt securities. Because investors generally perceive there to be greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

*American Depositary Receipts.* The Manager may purchase or sell short equity and debt securities of non-U.S. issuers. Equity securities may be purchased directly or in the form of American Depositary Shares (“**ADRs**”). ADRs, which generally are dollar-denominated receipts issued by domestic banks, represent the deposit with the bank of a security of a foreign issuer and are publicly traded on exchanges or over-the-counter in the United States. Clients may invest in both sponsored and unsponsored ADR programs. Issuers of securities underlying unsponsored ADRs will not have, and issuers of securities underlying sponsored ADRs may not have, reporting obligations with the SEC. There are certain additional risks associated with investments in unsponsored ADR programs. Because the non-U.S. company does not actively participate in the creation of an unsponsored program, the underlying agreement for service and payment will be between the depositary and the shareholder. The company issuing the stock underlying the ADRs pays nothing to establish the unsponsored facility, as fees for ADR issuance and cancellation are paid by brokers. Investors directly bear the expenses associated with certificate transfer, custody, and dividend payment. In an unsponsored ADR program, there also may be several depositaries with no defined legal obligations to the non-U.S. company. The duplicate depositaries may lead to marketplace confusion because there is no central source of information to buyers, sellers, and intermediaries. The efficiency of centralization gained in a sponsored program can greatly reduce the delays in delivery of dividends and annual reports.

*Private Investments in Public Equities.* The Manager may invest in private investments in public equities (“PIPEs”) and other privately-traded securities. PIPEs and other privately-traded securities are subject to numerous risks, some of which are described herein, most notably that there is a very limited market for, and substantial restrictions on, the resale of privately-traded securities. Typical PIPE deals are structured as private placements of a public company’s securities to sophisticated investors. Generally, the issuer’s key undertaking in a PIPE transaction is to file and seek the effectiveness of a resale registration statement promptly after the closing of the private placement. There is no assurance that these conditions will occur or that these registration rights will otherwise be exercisable. Until the resale registration statement is declared effective, or an investor has held the securities for the required holding period with respect to any legal restrictions on resale (such as Rule 144 of the Securities Act), Clients will have limited liquidity. In the event that the resale registration is delayed or never takes place, the period of illiquidity with respect to Client assets invested in the PIPE will be longer and may even be indefinite. Additionally, in the event the PIPE is not structured properly, the SEC may re-characterize a resale registration as a primary offering on behalf of the issuer, thus causing PIPE investors who wish to sell to be deemed statutory underwriters with concomitant liability. Even if PIPE investors would not be considered underwriters, selling securities pursuant to a resale prospectus still bears the risk of liability for resales under a prospectus that contains materially false or misleading statements or omits material facts under U.S. securities laws. Furthermore, there is a risk the issuer may not honor the contractual provisions of the PIPE transaction and a Client would seek to enforce its contractual rights through the court system which is both time consuming and expensive. A participant in a PIPE may be the recipient of material non-public information (“MNPI”) relating to the PIPE issuer. If a Client has a long or short position with respect to a PIPE issuer’s publicly traded securities and subsequently receives MNPI relating to the PIPE issuer, a Client may not be able to sell its long position or cover its short position or make additional investments relating to the PIPE issuer unless and until it no longer has such MNPI.

*Illiquidity of Investments.* It may not always be possible for the Manager to execute a buy or sell order on exchanges at the desired price or to liquidate an open position due to market conditions, including the operation of daily price fluctuation limits. Realization of value from such investments may be difficult in the short-term, or may have to be made at a substantial discount compared to other freely tradable investments. If trading on an exchange is suspended or restricted, the Manager may not be able to execute trades or close out positions on terms the Manager believes are desirable. Moreover, to the extent any portion of a Client’s underlying investor’s interests have been segregated in a sub-account, such underlying investor will not receive its share of assets attributable to such sub-account assets until the Manager, in its sole discretion, determines that such investment no longer constitutes a sub-account asset, liquidates such investment in whole or in part (to the extent liquidated), or determines to make an in-kind distribution of the same to the withdrawing underlying investor. It is possible that certain circumstances (including, without limitation, market turmoil, restrictions on resale of an issuer’s securities, and/or issues affecting one or more of a Client’s counterparties) could affect liquidity and the Manager may invest in securities that are instruments, assets, or investments that are difficult to value or liquidate. Because of the absence of any trading market, or limited trading, for illiquid investments, the Manager may take longer to liquidate these positions than would be the case for publicly traded securities. Accordingly, the Manager’s ability to respond to market movements may be impaired and Clients may experience adverse price movements upon liquidation of investments. Although these securities may sometimes be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid. Additionally, accurately valuing and realizing such investments or closing out positions in such investments at appropriate prices may not always be possible. Finally, if a substantial number of investors or clients were to withdraw from a Client and the Client did not have a sufficient number of liquid securities, the Manager may then have the right to suspend or limit withdrawals or to meet such withdrawals through distributions of assets in-kind.

*Certain Securities.* Investing in the securities of companies (and governments) in certain countries (such as emerging nations or countries with less regulated securities markets) involves considerations not usually associated with investing in securities of United States companies or the United States Government. For instance, there are, among other things, political and economic considerations such as greater risks of expropriation, nationalization, and general social, political, and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; certain government policies that may restrict investment opportunities; and in some cases less effective government regulation than is the case with securities markets in the United States.

*Investment Concentration; Diversification.* A Client's assets may be invested in the securities of a limited number of issuers. To the extent a Client's investments are concentrated in a single issuer, industry (or sector thereof), and/or geographic region, such Client will be susceptible to a greater degree of risk affecting investments in that issuer, industry, and/or region than would otherwise be the case. Such concentration of investments may increase the volatility of the value of portfolio investments. Furthermore, a Client's assets may not be diversified across particular industries, markets, or countries as the Manager is not required to diversify assets. Accordingly, a Client may not be afforded the protection otherwise available through greater diversification of its investments and may be subject to more rapid change in value than would be the case if a Client were required to maintain a wide diversification among industries, investment areas, and types of securities and issuers. Clients may not be constrained by any formal diversification policy.

*Activist Investments.* As part of the investment strategy of certain Clients, the Manager may engage in activist strategies which may include proxy solicitations, shareholder proposals, and other techniques for the purpose of effecting change with respect to the companies in which the Client invests. Such strategies may cause a Client to incur expenses not associated with most other investment funds. These expenses may include, but are not limited to, fees of attorneys and proxy solicitors and printing, publishing, or mailing costs, which could be substantial. Furthermore, there is no guarantee the Manager will be successful in implementing any activist strategy.

*Trading on Non-United States Exchanges.* The Manager may invest and trade on exchanges and with counterparties located outside the United States, where the protections provided by U.S. regulations do not apply. In the case of trading or investing in non-U.S. markets or with non-U.S. counterparties, Clients may be subject to the risk of the inability of or refusal by its counterparties to perform with respect to their contracts and the difficulties of enforcing contractual obligations subject to non-U.S. law. The Manager also may not have the same access to certain investments and opportunities as do various other participants in non-U.S. markets. The Net Asset Value of Clients will be determined in U.S. Dollars, and therefore may be subject to the risk of fluctuation in the exchange rate between the local currency and U.S. Dollars and to the possibility of exchange controls.

*Special Risks of Non-U.S. Investments.* Non-U.S. investments made by the Manager could be adversely affected by political, legal, tax, or economic developments in the non-U.S. markets in which the Manager may invest. In addition, non-U.S. investments by the Manager will be subject to the risks of adverse market conditions due to changes in national or local economic conditions, changes in interest rates, and changing governmental rules and policies.

***The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment managed or sub-advised by David Capital. Prospective investors should read the relevant Governing Documents in their entirety and consult with their own advisors before deciding to invest.***

## **Item 9. Disciplinary Information**

Not applicable. David Capital and its supervised persons have no legal or disciplinary events to disclose.

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

**Item 10.A.**

Not applicable. Neither David Capital nor any of David Capital's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**Item 10.B.**

Not applicable. Neither David Capital nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing.

**Item 10.C.**

David Capital serves as general partner of the Fund. David Capital serves as investment manager of the Opportunity Fund. In addition, DCP MAM, LLC, an entity co-owned by David Capital and therefore a related person, serves as general partner of the Opportunity Fund. David Capital acts as a sub-adviser of the Discretionary Sub-Advised Account and the Non-Discretionary Sub-Advised Account.

These relationships may create an incentive for the Manager to make investments that may be riskier or more speculative than would be the case if David Capital and/or its related persons did not receive performance-based compensation from Clients. David Capital provides discretionary and non-discretionary investment advisory services to more than one pooled investment vehicle, each of which may have similar or dissimilar investment objectives and strategies. David Capital may have financial or other incentives to favor one such pool over another, including as a result of the relationships described above. David Capital's decisions for one Client may differ from time to time from those recommended for another Client. When there is a limited supply of investments, the Manager uses reasonable efforts to fairly allocate investment opportunities, but the Manager cannot assure absolute equality among all its Clients.

The Manager has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of Client accounts, including accounts with varying fee arrangements, and the allocation of investment opportunities. The Manager reviews investment decisions for the purpose of verifying that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts are also regularly compared to determine whether there are unexplained significant discrepancies. In addition, the Manager's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on current assets under management and subject to each Client's Governing Documents. These areas are monitored by the Manager's Chief Compliance Officer.

**Item 10.D.**

Not applicable. David Capital 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**

**Item 11.A.**

The Manager has adopted a Code of Ethics (the “**Code**”) that obligates the Manager and its supervised persons to put the interests of Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. The Manager’s supervised persons are also required to comply with applicable federal securities laws. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by supervised persons. Any exceptions to the below policies require the prior approval of the Chief Compliance Officer. Additionally, any violations of the Firm’s Code are required to be reported to the Chief Compliance Officer for documentation and remediation.

As outlined in the Code, in order to avoid conflicts of interest, David Capital has adopted a highly restrictive personal trading policy for its supervised persons. It is the Firm’s policy to limit securities transactions made or directed by supervised persons to (i) purchases or sales of open-ended investment companies or (ii) purchases or sales of cash and cash equivalents. Sales transactions of other securities are permitted only to close existing positions held by a supervised person prior to joining the Firm and must be pre-cleared with the Chief Compliance Officer. All personal accounts of supervised persons must adhere to the disclosure requirements and restrictions stated in the Code, which require supervised persons to disclose transactions in, and holdings of, reportable securities from time to time in accordance with the Code.

Additionally, the Code details: (1) a statement of the standard of business conduct, (2) restrictions and reporting requirements regarding the giving or receiving of gifts and/or entertainment to and/or from, among others, current or prospective investors, government officials, and union officials, by any of the Firm’s employees, (3) restrictions and reporting requirements related to political contributions, and (4) the requirement for all employees to acknowledge, in writing, having received and read a copy of the Code.

A copy of the Code is available to clients or investors and prospective clients or investors upon their individual request.

#### **Items 11.B., 11.C., and 11.D.**

David Capital does not engage in principal transactions. In addition, as further detailed in 11.A, David Capital has adopted a highly restrictive personal trading policy for its supervised persons which restricts the ability of supervised persons to purchase or sell individual securities except in limited circumstances and with the pre-clearance of the Chief Compliance Officer.

David Capital may restrict personal trading by supervised persons in any circumstances where David Capital considers it to be in the best interests of the Firm and/or Clients. David Capital may also reverse, cancel, or freeze any transaction or position in an account of a supervised person who in its discretion it believes is inconsistent with the Code. Employees of David Capital are prohibited from using their knowledge of Client transactions to cause any non-Client account to profit from the market effect of such transactions or to give such information to a third party who may so profit. David Capital, as a fiduciary, endeavors to make decisions in the best interests of Clients if conflicts of interest arise.

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

##### **Item 12.A.1.**

David Capital retains full discretion to determine the broker-dealer to be used for each securities transaction for the Discretionary Accounts and seeks to obtain best execution by placing orders for the purchase and sale of securities with broker-dealers based on the Firm’s evaluation of such broker-dealers. Factors considered



by the Firm in determining best execution include, but are not limited to, the ability to effect prompt and efficient executions at competitive rates, reputation, financial strength and stability, research (including economic forecasts, fundamental advice on securities, and other services provided), and compensation.

In selecting a broker-dealer to execute transactions and determining the reasonableness of the broker-dealer's compensation, the Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Manager's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for Soft Dollar Services (as defined below) provided by a broker-dealer which are included in the commission rate. The Manager's Chief Compliance Officer and portfolio manager meet periodically to evaluate the broker-dealers used by the Manager to execute trades using the foregoing factors.

The Manager may receive research or other products or services other than execution from broker-dealers in connection with Client securities transactions (the "**Soft Dollar Services**") provided such Soft Dollar Services are within the safe harbor established by Section 28(e) (the "**Safe Harbor**") of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). The Safe Harbor allows investment advisers to use client funds, by way of commission dollars, to purchase certain "brokerage and research services." Pursuant to such Safe Harbor, the brokerage and research services must provide lawful and appropriate assistance in the performance of David Capital's investment decision-making responsibilities. Further, the amount of commissions paid must be reasonable in light of the value of the brokerage or research services offered, taking into account various factors including commission rates, financial responsibility, and strength and ability of the broker to efficiently execute transactions. Accordingly, if the Manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the Soft Dollar Services provided by such broker, Clients may pay commissions to such broker in an amount greater than the amount another broker might charge.

Safe Harbor research services provided by brokers generally include advice, analyses, and reports, and may specifically include traditional research reports analyzing the performance of a particular company or stock, certain financial newsletters and trade journals, quantitative analytical software, software that provides analyses of securities portfolios, seminars, conferences, corporate access, and other services that reflect substantive content and provide lawful and appropriate assistance to David Capital in the performance of its investment decision-making responsibilities.

The use of brokerage commissions to obtain Soft Dollar Services may raise conflicts of interest. For example, the Manager may not have to produce or pay for the products and services itself. This creates an incentive for the Manager to select or recommend a broker-dealer based on its interest in receiving Soft Dollar Services. Research and brokerage services obtained using commissions arising from a Client's portfolio transactions may be used by the Manager in its other investment activities, including, for the benefit of other Client accounts. The Manager does not always seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate.

It is the Manager's policy to endeavor to only enter into Soft Dollar Services that are within the scope of the Safe Harbor. If the Manager does enter into soft dollar arrangements that are beyond the scope of the Safe Harbor, it may be deemed to be paying for services other than research or permissible investment related services through the commission rate. In such event, the Manager seeks to make a reasonable allocation of the cost between that portion which is eligible as research or brokerage services and that portion which is not so qualified. The portion eligible as research or other brokerage services under the Safe Harbor is paid for with discretionary client commissions and the non-eligible portion which is not eligible for the Safe Harbor is paid for by the Manager.

#### **Item 12.A.2.**

David Capital does not select or recommend broker-dealers in exchange for client referrals.

**Item 12.A.3.**

David Capital does not recommend, request, require, or permit a Client to direct the Firm to execute transactions through a specified broker-dealer.

**Item 12.B.**

The Manager may purchase or sell the same security for more than one Client contemporaneously at or near the same time. It is the Manager's practice, where possible, to aggregate Client orders from Discretionary Accounts for the purchase or sale of the same security submitted at or near the same time. Such aggregation may enable the Manager to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is filled, the Manager allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker-dealer is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Manager's procedures provide that the securities or proceeds are allocated in a manner deemed fair and equitable to Clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Clients.

**Item 13. Review of Accounts**

**Items 13.A. and 13.B.**

Each Client account is reviewed by the portfolio manager of David Capital on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines, and the performance of each Client account.

**Item 13.C.**

Limited Partners of the Fund typically receive, among other things, a written copy of the audited financial statements of the Fund within 120 days after the fiscal year end of the Fund. In addition, investors in the Fund typically receive periodic written reports containing unaudited summary financial information regarding the Fund.

Any reports with respect to the Advised Accounts are provided in accordance with each Advised Account's Governing Documents.

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

**Item 14.A.**

David Capital does not directly or indirectly compensate any person for client referrals.

As noted in Item 12, David Capital may receive certain Soft Dollar Services. These Soft Dollar Services may create an incentive for the Manager to select or recommend broker-dealers based on the Manager's

interest in receiving the Soft Dollar Services of such broker-dealer, and may result in the selection of a broker-dealer on the basis of considerations that are not limited to achieving the lowest commission rates. Please see Item 12 for further information regarding Soft Dollar Services, including the Manager's procedures for addressing conflicts of interest that may arise from such practices.

Other than such Soft Dollar Services and any consideration received by David Capital via its co-ownership of DCP MAM, LLC, which serves as general partner of the Opportunity Fund (as is more fully-described in 10.C and the Opportunity Fund's Governing Documents), David Capital does not receive a direct economic benefit from any person who is not a Client for providing investment advice or other advisory services to Clients.

#### **Item 14.B.**

Currently, neither David Capital nor any of its related persons have any arrangements with placement agents or arrangements to compensate third party persons or entities for client referrals or to solicit clients. David Capital is permitted to enter into agreements with certain solicitors or placement agents that provide for compensation to be paid to the solicitor or placement agent for referring investors to the Fund, and may do so in the future.

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

As David Capital acts as general partner to the Fund, David Capital is deemed to have custody of the Fund's assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Custody Rule**"). In addition, as DCP MAM, LLC (a related person of David Capital) acts as general partner to the Opportunity Fund, David Capital is deemed to have custody, under the Custody Rule, of the Opportunity Fund's assets.

As such, and as is required by the safekeeping requirement in Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, all assets of the Fund and the Opportunity Fund are held by a qualified custodian. On an annual basis, it is the policy of David Capital and/or its related parties to have the financial statements for these Clients prepared in accordance with US generally accepted principles audited by auditors registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and to deliver such audited financial statements to underlying investors within 120 days of each Client's fiscal year-end.

David Capital does not currently maintain custody over any of the Advised Accounts.

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

David Capital accepts discretionary authority to manage securities on behalf of the Discretionary Accounts. David Capital therefore determines which securities and the amounts of securities it buys and sells for such clients. This authority has been granted to David Capital by means of the execution of the relevant Governing Documents that set forth the scope of, and any limitations placed on, the Firm's discretion with respect to the Discretionary Accounts.

#### **Item 17. Voting Client Securities**

##### **Item 17.A.**

As applicable, David Capital has the authority to vote proxies on behalf of the Discretionary Accounts due to the fact that it has discretionary authority over the securities held by the Discretionary Accounts. Accordingly, the Firm understands its fiduciary responsibility to monitor corporate events, to vote proxies, and to cast votes in the best economic interests of its clients, and to put the interests of Clients ahead of its

own interests.

David Capital follows a proxy voting policy to ensure that proxies the Firm votes on behalf of the Discretionary Accounts are voted to further the best interest of each respective client. The policy establishes a mechanism to address any conflicts of interests between David Capital and its Clients. If a material conflict of interest between David Capital and a Client exists, David Capital determines whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interest of the Client or whether it is necessary to take some other appropriate action.

David Capital may choose not to submit proxy votes depending on the circumstances. David Capital generally votes with board recommendations on routine matters. Clients are not permitted to direct the Firm's vote in a particular proxy solicitation.

Clients may obtain information regarding how David Capital voted its securities by requesting records from the Chief Compliance Officer, who is responsible for retaining all records related to proxy voting. Additionally, clients may obtain a copy of the Firm's Proxy Voting Policies and Procedures upon request of the Chief Compliance Officer.

**Item 17.B.**

David Capital has authority to vote securities on behalf of the Discretionary Accounts. David Capital does not have authority to vote client securities as it applies to non-discretionary accounts, including the Non-Discretionary Sub-Advised Account. Clients receive their proxies or other solicitations directly from their custodian or transfer agent.

**Item 18. Financial Information**

Not applicable. David Capital has not been the subject of a bankruptcy petition at any time during the past ten years, nor does it require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Last, David Capital does not have any financial condition that is reasonably likely to impair the Firm's ability to meet its contractual and fiduciary commitments to its Clients.