

## Part 2A of Form ADV: Firm Brochure

### Item 1: Cover Page

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This brochure provides information about the qualifications and business practices of Davis Capital Advisors, LLC (DCA). If you have any questions about the contents of this brochure, please contact us at 212-796-8440 or via email at [info@daviscapitaladvisors.com](mailto:info@daviscapitaladvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about DCA also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number known as a CRD number. The CRD number for DCA is 153496.

March 29, 2019

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

There have been no material changes since our last update on March 29, 2019

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (212) 796-8440 or by email at: [info@daviscapitaladvisors.com](mailto:info@daviscapitaladvisors.com).

### Item 3: Table of Contents

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## **Item 4: Advisory Business**

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### **Firm Description**

DCA, a Delaware limited liability corporation, is a New York state registered investment adviser. DCA was founded in 2010. DCA provides continuous investment management services based on the stated objectives of the client.

The firm's compensation is derived from investment management fees and/or performance fees paid directly by clients. The firm also receives commission-based compensation on clients' purchases of various financial products. DCA will manage advisory accounts on a discretionary or non-discretionary basis.

Assets under the direct management of DCA are solely held by independent custodians, including Wedbush Securities, Inc., in the client's name.

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### **Principal Owners**

Eric Davis is 100% owner of DCA.

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### **Types of Advisory Services**

**Investment Management Services.** We emphasize continuous and regular account supervision. As part of our investment management service, we generally create a portfolio investing client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, DCA develops a client's personal investment policy and creates and manages a portfolio based on that policy. DCA will manage advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income). DCA offers portfolio management services, where appropriate, to individuals, pension and profit sharing plans, pooled investment vehicles, trusts, estates or charitable organizations and corporations or other business entities.

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### **Tailored Relationships**

At DCA, advisory services are tailored to the individual needs of clients. Client goals and objectives are clarified in meetings and via correspondence, and are used to determine the course of action for each individual client. The goals and objectives for each client are documented in our client files, either in hard copy or in electronic files. Clients may impose restrictions on investing in certain securities or types of securities. This must be done in writing and be signed by the client.

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### **Managed Assets**

As of December 31, 2018, DCA manages fifty-nine accounts with approximately \$20,307,530 in assets on a discretionary and non-discretionary basis.

## Item 5: Fees and Compensation

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### Description

DCA bases its management fees on a percentage of assets under management. Investment management services are offered through two types of accounts:

(1) a non-wrap account where clients are charged separate advisory fees, transaction charges, and administrative charges. In addition, for certain accounts that qualify, performance fees may be charged; and

(2) a "wrap fee account" in the Davis Capital Advisors Wrap Fee Program ("DCA WFP" or "Program") which bundles advisory, administrative, and transaction charges into one asset-based fee.

**Non-wrap Accounts:** There is no minimum of assets under management or minimum annual fee required for clients participating in this type of fee arrangement. The annual fee for portfolio management services in non-wrap fee accounts will be charged as a percentage of assets under management, according to the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
0 to \$249,999	1.75%
\$250,000 to \$499,999	1.55%
\$500,000 to \$999,000	1.35%
\$1,000,000 to \$2,999,999	1.15%
\$3,000,000 to \$4,999,999	1.05%
\$5,000,000 or more	0.95%

There is no minimum of assets under management required for this service. DCA may group certain related client accounts for the purposes of determining the annualized fee.

**Fees Offset By Commissions:** If a client executes recommended securities transactions through associated persons of DCA in their separate capacities as registered representatives of Davis Securities ("DS"), a FINRA broker dealer member firm, these individuals will earn commissions which are separate and distinct from fees charged for advisory services. In some instances, depending on the size of the transaction, advisory fees may be discounted, at DCA's discretion, for commissions earned. Commissions will not be credited toward future advisory fees.

For clients who direct brokerage to DCA's related broker dealer, DS, (see below at Item 12), commissions are typically charged according to the following schedule:

**For accounts with assets under management GREATER than \$500,000:**  
Equities (including ETFs) - \$0.03 per share or \$30.00 minimum charge.

Bonds - Commission varies on size and maturity of bond transactions.  
Options - \$30.00 minimum or \$3.00 per/contract whichever is greater.  
Mutual Funds - \$25.00 service fee for all mutual funds transactions.

***For accounts with assets under management LESS than \$500,000:***

Equities (including ETFs) - \$0.035 per share or \$35.00 minimum charge.  
Bonds - Commission varies on size and maturity of bond transactions.  
Options - \$35.00 minimum or \$3.50 per/contract whichever is greater.  
Mutual Funds - \$25.00 service fee for all mutual funds transactions.

There is also a postage and handling fee of \$3.00 per transaction and a postage and handling fee of \$25.00 for mutual fund exchanges within the same mutual fund family.

**Wrap Fee Accounts:** As previously disclosed, clients participating in the Davis Capital Advisors Wrap Fee Program ("DCA WFP") pay an all-inclusive wrap fee which includes charges for advisory services, custody, clearing, account reporting, and transaction execution. Clients participating in these programs also agree to direct brokerage in their DCA WFP account(s) through DS, a FINRA member broker dealer under common ownership with DCA. Therefore, in evaluating such an arrangement, a client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by DCA, and best execution may not be achieved.

In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other DCA clients. The client should also consider that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if DCA were free to negotiate commissions and seek best price and execution of transactions for the client's account.

The annual fee for portfolio management services in wrap fee accounts will be charged as a percentage of assets under management, according to the following schedule:

**Equity Wrap Accounts:**

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
\$0 to \$249,999	2.50%
\$250,000 to \$499,999	2.25%
\$500,000 to \$999,999	2.00%
\$1,000,000 to \$2,999,999	1.75%

\$3,000,000 to \$4,999,999	1.50%
\$5,000,000 or more	1.25%

**Fixed Income Wrap Accounts:**

**Assets Under Management Annual Fee (%)**

\$0 to \$249,999	1.75%
\$250,000 to \$499,999	1.50%
\$500,000 to \$999,999	1.25%
\$1,000,000 to \$2,999,999	1.00%
\$3,000,000 to \$4,999,999	0.85%
\$5,000,000 or more	0.75%

There is no minimum of assets under management or minimum annual fee required for clients participating in the DCA WFP. DCA may group certain related client accounts for the purposes of determining the annualized fee. Clients and prospective clients of the DCA WFP will be provided a separate disclosure document – ADV Part 2, Appendix 1. These clients should review this document for additional information about the services provided and the fees to be charged in these accounts.

**Fixed Fee Accounts:** For an Annual Fixed Fee of up to \$500, which is negotiable, DCA offers consultation and independent fiduciary services for Plan participants in employer-sponsored, tax-deferred retirement plans, including, but not limited to, variable annuity contracts, defined benefit (pension) plans, 401(k), 403(b) and deferred compensation plans, including 457 plans. Adviser will assist Plan Participants in determining an appropriate selection of mutual funds or other investment options. Adviser will monitor, and on a periodic basis, will advise the Plan Participants whether or not any recommended mutual funds or other investment options should be replaced. Adviser will not be involved in executing securities transactions for Plan Participants.

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**General Fee Information**

Each client fee schedule is negotiated with DCA within the range(s) provided above, on a client-by-client basis. Fees for all of our services are negotiable based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.), and discounts, not generally available to our advisory clients, may be offered to family members and friends.

We may group certain related client accounts for the purposes of determining the annualized fee and/or minimum account size.

Clients should note that similar advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

The use of margin is permitted in certain investment advisory accounts as per Client's wishes and approval, subject to Investment Manager's approval and/or discretion. A margin debit balance does not reduce the market value of eligible assets. Using margin in an investment advisory account will increase your asset-based fee. If you use margin to purchase additional securities, your total value of eligible assets increases, as does your asset-based fee. In addition, you will be charged margin interest on the debit balance in your account. The increased asset-based fee that you pay may provide an incentive for your Investment Manager to recommend the use of margin. However, please note that using margin is not suitable for all investors; the use of margin increases leverage in your account and therefore increase its risk. Please see the "Margin disclosure statement," for more details on the risks of margin use.

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### **Fee Billing**

**For non-wrap fee and wrap accounts.** Per their preference, clients will be invoiced or their account directly debited, as authorized, in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. DCA will not directly debit any client account without receiving written authorization from the client.

**For performance fee –based accounts.** In addition to the managed fee and commissions charged, a performance fee may be charged to those clients that qualify. The performance fee charged is calculated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of the client's assets. Per their preference, clients will be invoiced or their account directly debited, as authorized. Fees are charged in arrears based upon the value ((market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter.

**For fixed fee accounts.** The annual fixed fee is invoiced and billed in advance at the time of signing the agreement and an invoice is given to the client for payment prior to initiation of advisory services.

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**Mutual Fund and ETF Fees and Expenses:** All fees paid to DCA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs (collectively, the Funds) to their shareholders. These fees and expenses are described in each Fund's prospectus. These fees will generally include a management fee, other Fund expenses, and a possible distribution fee. If the Fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a Fund directly, without the services of DCA. In that case, the client would not receive the services provided by DCA which are designed, among other things, to assist the client in determining which Fund or Funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by

the Funds and the fees charged by DCA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. Please see the section entitled “Brokerage Practices” on page 6 for more information.

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### **Other Fees and Expenses**

In addition to DCA's advisory fees, non-wrap account clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers. Such fees may include, but are not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports.

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### **Termination/Assignment of Agreement**

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Agreements may not be assigned without client consent.

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### **Compensation for Sales of Investment Products**

Investment adviser representatives are also registered securities representatives agents with Davis Securities and insurance brokers with various insurance companies. In these capacities, these individuals may recommend securities, insurance, or other products, and receive normal securities and/or insurance transactions commissions if products are purchased through Davis Securities or insurance companies with which these individuals are appointed. Thus, a conflict of interest exists between the interests of these individuals and those of the advisory clients, creating an incentive for them to recommend investment and/or insurance products based on the compensation received, rather than on a client's needs. However, clients are under no obligation to act upon any recommendations of these individuals or to effect any transactions through them if they decide to follow the recommendations. These individuals do not limit their recommendations to products or services offered by DS and ensure that all recommendations are appropriate for a client's specific needs. Clients have the option to purchase investment and insurance products recommended through other brokers and insurance companies not affiliated with our firm. Please refer to Item 10 of this Brochure for a more detailed explanation of how our firm handles and mitigates these conflicts of interest.

Our firm's advisory fees are not reduced by the amount of commissions, markups, or 12b-1 distribution fees received by our Investment Managers.

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

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### **Sharing of Capital Gains**

DCA uses a performance-based fee structure for certain accounts that qualify. A performance-based fee allows DCA or its supervised persons to share in the capital gains upon or capital appreciation of the funds or any portion of the funds of the client's assets. Accounts are charged a stated percentage in arrears based upon the value (market value or fair market value in the absence of market value) of the client's account at the end of the previous quarter. It should be noted that no fee is charged if there is no increase in value.

DCA or its supervised persons can potentially receive greater fees from these accounts having a performance-based structure than from those accounts charged a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas, suggest ideas that carry a greater degree of risk to the client or allocate or sequence trades in favor of, to accounts that pay a performance fee.

As previously stated, DCA charges investment management fees based on a percentage of the assets of a client. These fees must be paid whether there is any increase in account value or not. Managing both kinds of fee structures at the same time presents a conflict of interest because DCA or its supervised persons have an incentive to favor accounts for which DCA and its supervised persons receive a performance-based fee. DCA mitigates this conflict in its investment policy that asset fee-based accounts trading the same or similar securities with that of performance fee-based accounts will be given trade sequence priority. In addition, two or more performance fee-based accounts will be invested in the same or similar securities in approximately the same percentages and trade sequence. All clients are treated equally, regardless of size or fee basis.

## **Item 7: Types of Clients**

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### **Description**

DCA generally offers portfolio management services, where appropriate, to individuals, pension and profit sharing plans, pooled investment vehicles, trusts, estates or charitable organizations and corporations or other business entities. Client relationships vary in scope and length of service.

DCA does not impose a minimum dollar value of assets or other condition for opening or maintaining an account.

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

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### **Methods of Analysis**

DCA may utilize a number of sources of financial information in the firm's analysis of securities including financial newspapers and magazines, research materials and reports

prepared by others, corporate rating services, timing services, annual reports, prospectuses, SEC filings and company press releases. Research services are received in various forms, which may include written reports, or information obtained on the World Wide Web. DCA may collect historical data, performance data, and data regarding market and industry trends to perform a detailed analysis of asset classes and investment vehicles for use in client portfolios. DCA does not independently verify third-party data.

DCA continuously monitors and evaluates securities relative to market and industry conditions and may use charting, fundamental, technical and cyclical analyses in this process.

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### **Investment Strategies**

DCA will create a portfolio consisting of one or more of the following: individual equities, bonds, private placements, no-load or load-waived mutual funds, ETFs, and other investment products. The mutual funds and ETFs will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. DCA will allocate the client's assets among various investments taking into consideration the objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income). Portfolio weighting between market sectors will be determined by each client's individual needs and circumstances. DCA will manage accounts on a discretionary or non-discretionary basis. Clients will retain individual ownership of all securities. An investment adviser representative of DCA will make recommendations with respect to changes to a client's account based on market, economic and political circumstances, and the individual characteristics of securities.

DCA may utilize one or more of the following investment strategies in servicing clients: long term purchase (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions, and option writing (including covered options, uncovered options, or spreading strategies). Because trading, short sales, margin transactions, and option writing can involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

The client may change their account objectives at any time. The client's goals and objectives are recorded during meetings and via correspondence with the client. Each client portfolio is constructed solely for that client. We do not use model portfolios, and we do not utilize composites to illustrate results.

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach keeps the risk of loss in mind. However, as with all investments, clients face investment risks including the following: Loss of Principal Risk, Interest-rate Risk,

Market Risk, Inflation Risk, Currency Risk, Reinvestment Risk, Business Risk, Liquidity Risk, and Financial Risk.

## **Item 9: Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in any legal or disciplinary events related to past or present activities.

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

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### **Activities & Affiliations**

Eric M. Davis, Chief Executive Officer ("CEO"), Managing Member and sole owner of DCA, is also the CEO, Managing Member and sole owner of DS, a FINRA member broker dealer; Managing Member and sole owner of Davis Management, LLC ("DM"); Managing Member and sole owner of Davis Capital Insurance Agency, LLC ("DCIA"); and Managing Member and sole owner of Davis Capital Management, LLC ("DCM"), the General Partner of the hedge fund, Davis Strategic Growth Fund, LP ("DSG Fund"). Mr. Davis expects to spend at least 30% of his time with these related business activities.

DS is a FINRA member broker dealer under common ownership and control with DCA. DS will be recommended by DCA to its advisory clients where appropriate to the needs of the clients. The executive officers and other employees of DCA may also be separately licensed as registered representatives of DS. As such, these individuals, in their separate capacities as registered representatives, will be able to effect securities transactions for clients, for which they will receive separate and customary compensation. Clients, however, are not under any obligation to engage DS and/or these individuals when considering implementation of advisory recommendations. The use of DS and the implementation of all recommendations are solely at the discretion of the client. These individuals may spend as much as 30% of their time with all of these related activities.

As noted above, DCM, the General Partner of the hedge fund, the DSG Fund, is under common ownership and control with DCA. The DSG Fund is a long/short equity hedge fund, focused primarily on large-cap equities in the S&P 500. The DSG Fund may also invest in early-stage, small-cap, and mid-cap companies, both private and public, and will employ short selling as a hedge against market risk.

DCA provides investment management and administrative services to the limited partners of the DSG Fund for which it is paid a management fee and a performance-based fee. DCA may recommend investment in the DSG Fund to advisory clients for whom such an investment may be suitable. Investment in the DSG Fund will typically involve the payment of fees and expenses separate from and in addition to the advisory fees charged by DCA to its clients. These additional fees (or a portion thereof) will

typically benefit DCM, the General Partner of the DSG Fund and a related person/entity of DCA. There is no referral compensation arrangement between DCA and DCM, or between DCA and the DSG Fund. Any investment in the DSG Fund will be made only after the client has received the proper documentation and has had ample opportunity to review such documentation. Because investment in the DSG Fund may involve certain additional degrees of risk, it will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Advisory clients are under no obligation to invest in the DSG Fund. DCA will disclose to clients its relationship to the DSG Fund at the time of the recommendation.

As previously indicated, additional disclosure information concerning DCA and its associated persons is available on the Internet at [www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_OrgSearch.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_OrgSearch.aspx). You can search this site by a unique identifying number, known as a CRD number. The CRD number for DCA is 153496. See Schedule D, Section 7.B. for additional information regarding the DSG Fund.

While DCA, its executive officers and other employees endeavor at all times to put the interest of the clients first as part of DCA's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

DM provides office space and administrative and logistical support to Mr. Davis' varied activities and serves as DCA's landlord.

DCIA promotes variable and fixed life insurance and annuities products through its affiliations with various insurance companies.

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

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### **Code of Ethics**

DCA has adopted a Code of Ethics which sets forth high ethical standards of business conduct that DCA requires of its employees, including compliance with applicable federal securities laws. DCA's code provides for oversight, enforcement and recordkeeping provisions. A copy of DCA's Code of Ethics is available to DCA's advisory clients and prospective advisory clients upon request to the Chief Compliance Officer at DCA's principal office address.

### **Participation or Interest in Client Transactions and Personal Trading**

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DCA and its employees may at times buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. DCA's Code of

Ethics stress that no person employed by DCA shall prefer his/her own interests to those of advisory clients and prohibits the use of material non-public information. DCA's Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by DCA's access persons. Among other things, DCA's Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering by the Chief Compliance Officer. Employees also comply with the provisions of DCA's "Policies & Procedures Manual".

## **Item 12: Brokerage Practices**

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### **Soft Dollars**

On behalf of an affiliated pooled investment vehicle, DCA is offered non-monetary benefits or "soft dollars" by brokers that DCA periodically engages to execute securities transactions. DCA does not enter into arrangements where commissions on client portfolio transactions are used to acquire research or brokerage services (such as third-party research, computer hardware or software, recordkeeping or performance software, quotation equipment or subscriptions) beyond basic broker-provided research coverage. The research provided regarding securities investments may be available for use by DCA or its affiliates in connection with transactions in which the affiliated pooled investment vehicle does not participate. The availability of these benefits will influence DCA's selection of brokers, although DCA intends to select Davis Securities LLC rather than another broker to perform services for this affiliated pooled investment vehicle whenever legally possible. DCA intends to use its best efforts to assure either that the fees and costs for services provided to this client by such brokers are no greater than they would be if the services were performed by equally capable brokers not offering such services or that this client also will benefit from the services.

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### **Directed Brokerage**

With the exception of one affiliated pooled investment vehicle, DCA does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid as clients must direct DCA as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that DCA will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

For clients in need of brokerage services, DCA requests that clients direct it to place trades through DS, a FINRA member broker dealer and a related company of DCA. DCA has evaluated DS and believes that it will provide its advisory clients with a blend of execution services, commission costs and professionalism that will assist DCA in meeting its fiduciary obligations to clients.

As previously disclosed, the recommendation of this broker creates a conflict of interest because investment adviser representatives may be licensed as registered representatives with the recommended firm.

As noted above, the principal executive officers and other associated persons of DCA are separately registered as representatives of DS. DS is required to supervise the securities trading activities of its representatives. Clients may request the brokerage transactions be directed to a particular broker or dealer other than DS. However, if DS believes that the use of that broker dealer would hinder it in meeting its supervisory obligations, DCA will not be able to accept the account.

Clients who decide to participate in DCA WFP are also choosing the brokerage services of DS. DCA has an arrangement with DS to provide brokerage services as part of DCA's wrap fee program.

Clients in DCA WFP should also note that the transactions in the client account, are effected 'net,' i.e., without separate commission charge to the client, and a portion of the wrap fee is generally considered as being in lieu of commissions. The client should consider therefore that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Not all advisers require clients to direct it use a particular broker dealer, though the sponsors of wrap fee programs typically do.

As it is not a custodian, DS uses the custodial and clearing services of Wedbush Securities, Inc., Member FINRA/SIPC/NYSE.

For the previously mentioned affiliated pooled investment vehicle, DCA has the authority to determine the broker-dealer used and the commission rates paid in effecting transactions for this account. DCA strives to achieve best execution (*i.e.* best overall qualitative execution and not necessarily the lowest commission cost considered in isolation) for this account in selecting broker-dealers and determining the reasonableness of their compensation. DCA periodically evaluates broker-dealers with whom it executes transactions based on a variety of factors, including, without limitation, the value of research provided, commission rates, the ability to negotiate commissions or volume discounts, execution capability, the financial condition of the broker-dealer and the responsiveness of the broker-dealer.

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### **Trade Aggregation**

DCA may block trades where appropriate and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Block trading may permit equity trades to be executed in a timelier and more equitable manner while allowing DCA to obtain an average share price for clients participating in the block.

DCA may not be able to block trades for client accounts who direct the use of a broker other than Davis Securities, and therefore a disparity in commission charges may exist between the commissions charged to other clients.

No advisory client or DCA associated person will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all DCA's transactions in a given security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction.

## **Item 13: Review of Accounts**

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### **Periodic Reviews**

The underlying securities within client accounts are continuously monitored by an investment adviser representative of DCA, currently, solely, Eric Davis. Accounts are also reviewed on a monthly basis by Robert J. Ricca, Chief Compliance Officer/Operations Manager in the following contexts:

- To determine that each client account being managed in line with the client's stated investment objectives and guidelines; and
- To verify accuracy of the account performance reported by the custodian.

DCA reconciles the custodian position activity and account balances to its Advent portfolio management system. DCA calculates the performance for all accounts based on standards drawn from industry sources, including GIPS (Global Investment Performance Standards). Performance is currently calculated by taking into account at least the following items: a time-weighted rate of return; cash flows into and out of the accounts; monthly valuations; and income accrued on fixed income securities.

### **Review Triggers**

Account reviews are performed more frequently when market conditions dictate, or when a client's objectives change. A review may be triggered by client request, changes in market condition, new information about an investment, changes in tax laws, or other important changes.

### **Regular Reports**

In addition to the monthly statements and confirmations of transactions that clients receive from their broker dealer and/or custodian, DCA will provide reports at least quarterly that summarize account performance, balances and holdings.

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

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### **Client Referrals**

From time to time, DCA may pay referral fees to employees and other firms and individuals for referring advisory clients to our firm. If a client is introduced to us by either an unaffiliated or an affiliated solicitor, we may pay that solicitor an initial and/or an ongoing referral fee, constituting a percentage of the referred client's advisory fee paid to our firm.

Payment of referral fees for prospective client referrals creates a potential conflict of interest to the extent that such a referral to our firm is not unbiased and the solicitor is, at least partially, motivated by financial gain. Therefore, such a referral may be made even if our advisory services are not suitable to a particular client's needs or entering into an advisory relationship with us is not, overall, in the best interest of the client. As these situations represent a conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. All such referral fees are paid in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements;
2. Any such referral fee will be paid solely from our investment management fee, and will not result in any additional charge to the client;
3. If the client is introduced to us by an unaffiliated solicitor, the solicitor, at the time of the solicitation, will disclose the nature of his/her/its solicitor relationship and provide each prospective client with a copy of our Form ADV Part 2 Brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between our firm and the solicitor, including the compensation to be received by the solicitor from us; and
4. All referred clients will be carefully screened to ensure that our fees, services, and investment strategies are suitable to their investment needs and objectives.

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### **Additional Compensation**

Our employees may receive additional compensation as described in Item 5 of this Brochure. Please refer to Item 5 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 15: Custody**

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### **Account Statements**

DCA does not have custody of client assets. All assets are held at qualified custodians, who provide account statements directly to clients at their address of record at least

quarterly. Occasionally, qualified clients may invest in private placements which are not held at qualified custodians. In these cases, statements are generally provided directly by the investment principal at least annually. Clients are encouraged to carefully review the statements provided by their custodians.

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**Statements/Reports Provided by DCA**

Clients are at times provided account statements and reports generated from our portfolio management system. Clients are urged to compare the statements they receive from us to those they receive from their qualified custodians. In addition, clients should verify the accuracy of DCA's fee calculations.

**Item 16: Investment Discretion**

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**Discretionary Authority for Trading**

DCA accepts discretionary authority to manage securities accounts on behalf of clients. DCA has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Discretionary trading authority facilitates placing trades in clients' accounts on their behalf so that we may promptly implement the investment policy that they have approved. In most cases, clients are provided with an opportunity for review and discussion prior to implementation of recommendations.

Should the client wish to impose reasonable limitations on this discretionary authority, such limitations shall be included in this written authority statement. Clients may change/amend these limitations as desired. Such amendments shall be submitted in writing.

However, if discretionary authority or a limited power of attorney has not been given, DCA consults with the client prior to each trade to obtain concurrence. Advisory clients who elect not to grant such discretionary authority to DCA are advised that trades in their accounts will typically be executed subsequent to trades effected in discretionary accounts due to the time involved in obtaining the requisite client approval. Consequently, these clients may not participate in block trades and there may be a difference in the price paid per share of a given security and the commission rates paid by these clients as compared to other clients.

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**Limited Power of Attorney**

Clients must sign a limited power of attorney before DCA is given discretionary authority. The limited power of attorney is generally included in the qualified custodian's account application for our main custodians and/or in the investment management contract. For accounts not held with our main custodians, clients may sign a separate limited power of attorney document giving discretionary authority to DCA.

## **Item 17: Voting Client Securities**

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As a matter of firm policy, our firm does not vote proxies on behalf of clients. Clients will receive their proxies and other solicitations directly from their custodian or transfer agent and retain sole responsibility for voting. However, we may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claims" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18: Financial Information**

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### **Financial Condition**

DCA does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. A balance sheet is not required to be provided because DCA does not serve as a custodian for client funds or securities and does not require prepayment of fees of more than \$500 per client, six months or more in advance.

## **Item 19: Requirements for State-Registered Advisers**

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As mentioned in Item 5 of this Brochure, Eric Davis is a registered representative with DS and is also an insurance agent/broker with various insurance companies. Mr. Davis may spend up to 30% of his time on these non-DCA related activities.

Mr. Davis' education and business background can be found in the Supplement to this Brochure (Part 2B of Form ADV Part 2).

As mentioned in Item 6 of this Brochure, DCA can employ a performance fee-based structure. Details regarding fee calculations and conflicts of interest are described in Item 6 of this Brochure.

No management person at DCA has been involved in an arbitration claim of any kind or been found liable in a civil, self-regulatory organization, or administrative proceeding.

Neither DCA, nor its management persons, has any relationship or arrangement with issuers of securities.

## **Business Continuity Plan**

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### **General**

DCA has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, fire, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived on- and offsite.

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### **Alternate Offices**

Alternate work locations are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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## **Information Security Program**

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### **Information Security**

DCA maintains an information security program to reduce the risk that personal and confidential information may be breached.

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### **Privacy Notice**

DCA is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us. We maintain a secure office to ensure that our clients' information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment. We do not provide personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and personal records as permitted by law. Personally identifiable information will be maintained while still a client of DCA and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed. We will notify our clients in advance if our privacy policy is expected to change. We are required by law to deliver this Privacy Notice to our clients annually, in writing.