

---

## **BROCHURE**

### **Item 1 – Cover Page**

#### **WS CAPITAL MANAGEMENT, L.P.**

**300 Crescent Court  
Suite 1111  
Dallas, Texas 75201  
T - (214) 756-6056  
F - (214) 756-6079**

**March 31, 2011**

This brochure provides information about the qualifications and business practices of WS Capital Management, L.P. If you have any questions about the contents of this Brochure, please contact us at (214) 756-6056. 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 WS Capital Management, L.P. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We are registered as an investment adviser with the SEC. SEC registration does not imply a certain level of skill or training.

**THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY.**

### **Item 2 – Material Changes**

This brochure dated March 31, 2011 is a new document prepared according to the requirements and rules of the SEC. This Document is materially different in structure and nature from our previous brochure and requires certain new information that our previous brochure did not require. The last annual update of our brochure was on March 31, 2010.

In the future, this Item will discuss only specific material changes that are made to the Brochure since the last annual update.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to applicable regulations, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may be requested free of charge by contacting us at (214) 756-6056.

---

### Item 3 -Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	i
Item 3 -Table of Contents .....	ii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	4
Item 9 – Disciplinary Information .....	10
Item 10 – Other Financial Industry Activities and Affiliations .....	10
Item 11 – Code of Ethics and Personal Trading .....	10
Item 12 – Brokerage Practices .....	12
Item 13 – Review of Accounts.....	14
Item 14 – Client Referrals and Other Compensation .....	14
Item 15 – Custody.....	14
Item 16 – Investment Discretion .....	15
Item 17 – Voting Client Securities.....	15
Item 18 – Financial Information .....	15
Item 19 – Requirements for State-Registered Advisers .....	15

---

#### Item 4 – Advisory Business

WS Capital Management, L.P. is a Texas limited partnership that has been in business since January of 1997. We generally provide investment advice to private pooled investment entities, commonly known as “hedge funds”. Currently, we serve as the general partner to Walker Smith, L.P. and Walker Smith Capital (QP), L.P. (collectively, the “Domestic Funds”), and as the investment manager of Walker Smith International Fund, Ltd. (the “Offshore Fund”). The Offshore Fund and the Domestic Funds are each referred to in this Brochure as a “Fund” and collectively, as the “Funds”. We also provide investment advice and supervisory services to HHMI Investment, L.P. (“HHMI”) and GT Global Hedge, L.P. (“GT”) and may provide such services to additional clients in the future.

Our general partner is WS Capital, L.L.C., a Texas limited liability company, which is principally owned and controlled by Reid S. Walker and G. Stacy Smith.

We utilize a range of investment strategies, including investing in publicly traded equity securities, both long and short, as well as a broad array of other securities in both private and public markets. Our primary focus is to find both undervalued and overvalued securities, based principally on fundamental bottom-up research of individual companies. Our investment decisions are based upon valuation, management conversations and visits, industry studies, Wall Street analysts, conversations with industry contacts, along with other methods in order to help identify companies that present favorable risk-adjusted investment opportunities. We believe that over the long term, securities that are under-followed by traditional Wall Street coverage offer superior risk-adjusted returns due to relatively inefficient pricing. Due to this, we typically invest in small to mid-cap companies.

As an advisor to the Funds, we tailor our investment advice in accordance with the investment objective and strategy of the applicable Fund, as set forth in the offering documents for such Fund. We do not tailor our advisory services to the needs of any particular investor in any of the Funds. HHMI generally invests *pari passu* with the Funds, although it does not have a International Swap and Derivatives Association agreement (commonly referred to as an “ISDA”), which would allow for participation in swaps and other synthetic securities and instruments in which the other clients have occasionally invested. GT generally invests at 1.5x the basic strategy of the Funds. There are no limits on the securities or types of securities that we may invest in on behalf of the Funds or GT, but we are prohibited from investing in certain companies, including tobacco companies, on behalf of HHMI, as well as derivatives other than those permitted pursuant to the investment guidelines.

As of January 1, 2011, we managed approximately \$1,018,700,000 of client assets on a discretionary basis. We do not manage any client assets on a non-discretionary basis.

For a further description of these and related items, see *Item 7* (Types of Clients), *Item 8* (Methods of Analysis, Investment Strategies and Risk of Loss) and *Item 10* (Other Financial Industry Activities and Affiliations).

---

## Item 5 – Fees and Compensation

### The Funds

Pursuant to services agreements, each Fund pays our general partner, WS Capital, L.L.C., a fixed fee equal to 1.5% annually of the aggregate net asset value of such Fund (the “Management Fee”). The Management Fee is payable quarterly in advance at the beginning of each calendar quarter, based on the net asset value at the beginning of such quarter. An investor that invests in a Fund other than at the beginning of a calendar quarter will be charged a pro rata Management Fee for the initial calendar quarter. No portion of the prepaid quarterly management fee will be refunded should investor in a Fund make a withdrawal other than at the end of a quarter or upon the termination of the services agreement.

WS Capital, L.L.C. may waive, reduce, rebate and/or calculate differently the Management Fee attributable to investments made by affiliates, employees and/or certain other investors in the Funds.

In addition to the Management Fees payable to our general partner, we are generally entitled to a performance-based profit allocation or fee (as applicable) equal to: (i) with regard to shareholders in the Offshore Fund and limited partners holding class A limited partnership interests in the Domestic Funds, at the end of each year, 20% of each Fund’s annual net profits attributable to such shareholder or class A limited partner (the “Class A Performance Allocation”), but only to the extent that such profits exceed any losses carried forward from prior years, based on a “modified high water mark” formula wherein the Class A Performance Allocation is reduced by 50% until such shareholder or class A limited partner recuperates an amount equal to 2.25 times such carried forward losses, and (ii) with regard to limited partners holding class B limited partnership interests in the Domestic Funds, at the end of each three year anniversary of a capital contribution (each, a “Lock-Up Period”), 18% of each Partnership’s net profits for such Lock-Up Period attributable to such class B limited partner; provided, however, that in the event of a withdrawal by a Class B limited partner prior to the end of the Lock-Up Period (such withdrawal, an “Early Withdrawal”), the performance allocation allocable to such class B limited partner is 20% of its allocable share of net profits for the period from the beginning of the Lock-Up Period until the Early Withdrawal.

We may waive or alter the performance allocation or fee, as applicable, attributable to any investor(s) in the Funds.

A Performance Allocation is also calculated and charged with respect to any investor withdrawing from a Fund prior to the end of such Fund’s fiscal year. In the event that an investor in a Fund makes a withdrawal at a time when his capital account balance is less than the historic high water mark, the high water mark will be proportionately reduced.

We deduct the Management Fee and Performance Fee/Allocation directly from the assets of our Fund clients on a quarterly basis.

### Managed Accounts

---

With regard to our managed accounts, GT pays us a fixed fee equal to 1.5% of such managed account's assets under management annually, quarterly in advance, while HHMI pays us a fixed fee equal to 1.5% of such managed account's assets under management annually, quarterly in arrears. No portion of the prepaid quarterly management fee will be refunded should GT make a withdrawal other than at the end of a quarter or upon the termination of the services agreement.

For services provided to HHMI, we also receive an annual performance fee equal to 20%, of the net gain attributable to HHMI's investment account at the end of such year, subject to the same modified high water mark described above.

For services provided to GT, we also receive an annual performance fee equal to 18% of the net gain attributable to GT's investment account at the end of such year, subject to the same modified high water mark described above. GT is also subject to a lock-up that commenced November 30, 2009 and ends December 31, 2011, although it may elect to transfer its investment account into Walker Smith Capital (QP), L.P. prior to such time.

We do not deduct management or performance fees directly from the managed accounts with GT or HHMI, but rather bill them quarterly for such amounts.

#### Expenses

Each Client bears all costs and expenses related to its investment program, including expenses related to proxies, underwriting and private placements, research expenses, surveys, subscriptions, studies, brokerage commissions, interest on debit balances or borrowings, custody fees and any withholding or transfer taxes imposed on such Client. (See *Item 12* herein for a discussion of our brokerage practices.) Each Client also bears all out-of-pocket costs of its administration of such Client, including accounting, audit and legal expenses, costs of any litigation or investigation involving the activities of such Client, and costs associated with reporting and providing information to existing and prospective investors, as applicable.

The Funds have entered into administration agreements with a third party administrator, which is paid customary fees by the Funds based on the net asset value of the applicable Fund.

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

We generally charge performance-based fees. Please see *Item 5* (Fees and Compensation) above. We do not currently manage any Funds or other accounts that pay only a management fee. However, we may, in our discretion, manage other funds or accounts with higher or lower fees, and different fee structures, than the Funds and/or the Managed Accounts. Please see *Item 10* (Other Financial Industry Activities and Affiliations).

### **Item 7 – Types of Clients**

We provide investment advice to private pooled investment entities (i.e., “hedge funds”), such as the Funds. We also provide investment advice to limited partnerships (HHMI and GT) that have

---

entered into managed account agreements with us, and may in the future provide investment advice to other clients.

While we do not have any minimum investment requirements for the Funds themselves, the minimum initial investment for an investor in such Funds is \$500,000 for the Domestic Funds and \$250,000 for the Offshore Fund, although subscriptions of lesser amounts may be accepted in our discretion. The minimum investment in HHMI is \$10,000, but such account is not open to subscriptions. There is no minimum investment amount for GT. We have not established an exact minimum amount for clients we may advise in the future, but we anticipate that such amount would be significantly higher than the minimum investment amount for investors in the Funds.

For a further discussion of these and related items, see *Item 4* (Advisory Business) and *Item 10* (Other Financial Industry Activities and Affiliations).

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

The investment objective of the Funds and the Managed Accounts is to achieve a superior risk-adjusted rate of return, primarily through investments in U.S. and non-U.S. public equities. Certain clients are also able to invest in various debt instruments, derivatives, and options.

We seek both undervalued and overvalued securities, based principally on fundamental bottom-up research of individual companies. Investment decisions are based upon valuation, management conversations and visits, industry studies, Wall Street analysts, conversations with competitors and customers, along with other methods in order to help identify companies that present favorable risk-adjusted investment opportunities. We believe that over the long term, securities that are under-followed by traditional Wall Street coverage offer superior risk-adjusted returns due to relatively inefficient pricing. Because of this, we typically invest in small to mid-cap companies. We also short securities to reduce overall market risk and gain unique profit making opportunities. Shorting securities presents unique and unlimited risks that we try to abate through diversification and risk controls. We typically invest in a limited number of core long positions that are well researched and that present, in our opinion, the best long-term appreciation potential.

There are risks inherent in any investment activity, often significant risk. The profitability of the investment objective and trading strategies we employ depends upon, among other things, correctly assessing the future price movements of the securities, other financial instruments in which our clients invest. These price movements may be volatile and are subject to numerous factors which we can neither control nor predict. Such factors include, without limitation, a wide range of economic, political, competitive, market, legal, operational and other conditions or events (including, without limitation, natural disasters, acts of terrorism or war) which may affect investments in general or a specific security or other financial instrument in which our clients invest. There can be no assurance that we will be successful in accurately predicting price movements. The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor

---

participation in the markets for both equities and interest-sensitive instruments. Clients and investors should be prepared to bear such risk of loss.

### General Risks

There are a number of general risks relating to the intended investment strategy of the Funds and the Managed Accounts, including, but not necessarily limited to, the following:

*Small and Medium Capitalization Companies.* We may cause the Funds and/or the Managed Accounts to invest in the securities of companies with micro to small sized market capitalizations. While we believe that such companies may provide significant potential for appreciation, such securities generally involve higher risk in some respect than the securities of larger capitalization companies. For example, prices of securities of micro and small capitalization companies are often more volatile than prices of large-capitalization companies and the risk of bankruptcy or insolvency is generally higher than for larger companies. In addition, due to possibly thin trading in the securities of small-capitalization companies, an investment in such a company may be illiquid.

*Distressed/Bankruptcy Investing.* The Funds and/or the Managed Accounts may invest in unrated or “distressed” securities, i.e., securities of companies that are experiencing significant financial or business difficulties, including companies involved in debt restructurings, in bankruptcy or other reorganization and liquidation proceedings. We may also purchase, on behalf of the Funds and/or the Managed Accounts, financial instruments of companies that have low credit quality, and purchase securities and loans that are in default. Although such investments may result in significant returns, they typically involve a high degree of risk. Among the problems involved in investments in such issuers is the fact that it frequently may be difficult to obtain information as to the conditions of such issuers. Restructurings or reorganizations may fail to be completed or be substantially delayed and expected returns on their securities may never materialize. In addition, a significant period of time may pass between the time at which a Fund or Managed Account makes its investment in distressed securities and the time that any such reorganization is completed. The level of analytical sophistication, both financial and legal, necessary for successful investment in such assets, loans or claims is unusually high. Information necessary to properly evaluate a distress situation may be difficult to obtain or be unavailable and the risks attendant to a transaction may not necessarily be identifiable or susceptible of considered analysis at the time of investment. There is no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or rehabilitation of a distressed asset or adequate realization upon such assets and claims.

*Accuracy of Public Information.* We select investments for the Funds and Managed Accounts, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to us by the issuers or through sources other than the issuers. Although we evaluate all such information and data and ordinarily seeks independent corroboration when the we considers it is appropriate and reasonably available, we are not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

*Short Sales.* We will sell securities short. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Funds and/or the Managed Accounts may be subject to losses if a security lender demands



---

return of the lent securities and an alternative lending source cannot be found or if the Funds and/or the Managed Accounts are otherwise unable to borrow securities which are necessary to cover its positions. Although the Funds and/or the Managed Accounts may utilize short selling as a hedging technique, short selling may also be used for speculative purposes.

*Leverage.* Neither the Funds nor the Managed Accounts have historically utilized a material amount of leverage (defining leverage as more than 100% gross long exposure to the market). However, we reserves the right to employ leverage for the Funds, the Managed Accounts, or any of them, in the future. This includes the use of borrowed funds and investments in options, such as puts and calls, and warrants. We will also cause the Funds and/or the Managed Accounts to engage in short selling. While such techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. The level of interest rates generally, and the rates at which funds may be borrowed in particular, could affect the operating results of the Funds and/or the Managed Accounts.

*Liquidity.* Some investments made by the Funds and/or the Managed Accounts will lack liquidity or be thinly traded, including privately placed securities or instruments not readily tradeable. This could present a problem in realizing the prices quoted and in effectively trading the position(s). In some situations, the Funds and/or the Managed Accounts will invest in illiquid investments which could result in significant loss in value should the Funds and/or the Managed Accounts be forced to sell the illiquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors. In certain circumstances, the Funds and/or the Managed Accounts may also be contractually prohibited from disposing of investments for a specified period of time. Accordingly, the Funds and/or the Managed Accounts may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of illiquid investments.

The disposition of illiquid investments often requires more time and results in higher transaction costs than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

*Counterparty Creditworthiness and Risk.* The Funds and the Managed Accounts will engage in transactions in securities and other financial instruments that involve counterparties, and no counterparty exposure limits have been imposed on these transactions. Under certain conditions, a counterparty to a transaction could default or the market for certain securities and/or financial instruments may become illiquid. In addition, the Funds and/or the Managed Accounts could suffer losses if there were a default or bankruptcy by certain other third parties, including, without limitation, brokerage firms and banks with which the Funds and/or the Managed Accounts, as applicable, do business, or to which securities have been entrusted for custodial purpose.

*Temporary Investments in Liquid Assets.* The Funds and/or the Managed Accounts may at times keep a portion of their assets in cash, cash equivalents or other liquid assets, including, without limitation, currencies, bank deposits, certificates of deposit, bankers acceptances, one or more short duration funds (including, without limitation, money market instruments or investments in shares or units of money market funds) and/or government securities (both short-term and long-term). Such investments may be financed by entering into repurchase agreements and/or reverse repurchase agreements with brokers or by other means. Such investments usually produce a lower return than other investments contemplated by the Funds and the Managed Accounts and therefore may impact the overall performance of such Client. The percentage of client assets held



---

in cash or cash equivalents should not be taken as an indication that such client has not fully invested all of its assets or that an investment with us is less risky.

*Non-U.S. Investments.* We may cause the Fund and/or the Managed Accounts to trade securities and other financial instruments on markets located outside the United States, including, without limitation, in emerging markets. Such investments require consideration of certain risks not typically associated with investing in securities or other financial instruments traded in the United States, including, without limitation, unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation, confiscatory taxation and economic or political instability in foreign nations. Liquidity and trading costs can vary significantly over time and across markets, particularly in emerging market countries. Non-U.S. trading costs generally are higher than in the United States. Non-U.S. settlement procedures and trade regulations may involve certain risks (such as delay in payment or delivery of securities or in the recovery of assets held abroad) and expenses not present in the settlement of domestic investments. In addition, legal remedies available to investors in certain foreign countries may be more limited than those available to investors in the United States or in other foreign countries. The laws of some foreign countries may limit the ability to invest in, or repatriate investments in, non-U.S. securities or other financial instruments. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

*Emerging Markets.* Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property. In addition, investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

*Currency Risk.* The Funds and/or the Managed Accounts may make investments denominated in one or more currencies other than U.S. Dollars. We may, to the degree we deem appropriate, cause the Funds and/or the Managed Accounts to enter into arrangements in an attempt to hedge their exposure to significant currency fluctuations between the U.S. Dollar and the applicable currency or currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly.

---

We cannot guarantee that it will be successful in accurately predicting currency price and interest rate movements. There can be no assurance that the hedging arrangements, if any, entered into on behalf of the Funds and/or the Managed Accounts will be sufficient to address all currency risks. More particularly, the profitability of the Funds' and/or the Managed Accounts' portfolio, as applicable, depends in part upon, and the success of any hedging arrangements is subject to, our ability to correctly hedge against movements in the direction of currency rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate risks, unanticipated changes in currency rates may result in a poorer overall performance for the Funds and/or the Managed Accounts than if we had not engaged in any such hedging transaction.

*Maturity Risk.* In certain situations, the Funds and/or the Managed Accounts may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Funds and/or the Managed Accounts will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk.

*Inflation Risk.* Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Funds and/or the Managed Accounts purchase a 5-year bond in which it can realize a coupon rate of five percent (5%), but the rate of inflation is six percent (6%), then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Funds and/or the Managed Accounts, as applicable, are exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

*Investments in Undervalued Securities.* We intend to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from investments may not adequately compensate for the business and financial risks assumed. The Funds and/or the Managed Accounts will make certain speculative investments in securities which we believe to be undervalued, however, there are no assurances that the securities purchased will in fact be undervalued. In addition, the Funds and/or the Managed Accounts may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds' and/or the Managed Accounts' funds, as applicable, would be committed to the securities purchased, thus possibly preventing the Funds and/or Managed Accounts from investing in other opportunities.

*High-Yield Securities.* The Funds and/or the Managed Accounts may invest in high-yield securities. High-yield securities are rated below investments grade and are commonly known as "junk bonds". Securities which are in the lower-grade categories generally offer a higher current yield than is offered by higher-grade securities of similar maturities, but they also generally involve greater risks, such as greater credit risk, greater market risk and volatility, and greater liquidity concerns.

*Call Options.* There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security or other financial instrument) assumes the risk of a decline in the market price of the underlying security

---

or other financial instrument below the purchase price of the underlying security or other financial instrument offset by the gain by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security or other financial instrument above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered, unheeded call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or other financial instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security or other financial instrument, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security or other financial instrument (if the market price of the underlying security or other financial instrument declines).

*Put Options.* There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security or other financial instrument) assumes the risk of an increase in the market price of the underlying security or other financial instrument above the sale price of the short position, offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security or other financial instrument below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered, unheeded put option assumes the risk of a decline in the market price of the underlying security or other financial instrument to zero. The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security or other financial instrument, the loss on the put will be offset in whole or in part by any gain on the underlying security or other financial instrument.

*Swap Agreements.* We may cause the Funds and/or GT to enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Funds’ and/or GT’s exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. Neither the Funds nor GT are limited to entering into any particular form of swap agreement if doing so is consistent with the Fund’s trading objective. Swap agreements tend to shift investment exposure from one type of investment to another. For example, if a Fund or GT agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the such Fund’s or GT’s exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Funds and/or GT. If a swap agreement calls for payments by the Fund and/or GT, the Fund and/or GT, as applicable, must be prepared to make such payments when due. This is only true in default and not part of mark-to-market. In addition, if a counterparty’s creditworthiness declines, the

---

value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Fund and/or GT.

*Other Derivative Instruments.* We may cause the Funds and/or GT to take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the trading objective of such Client and legally permissible. Special risks may apply to instruments that are invested in by the Fund and/or GT in the future that cannot be determined at this time or until such instruments are developed or invested in by such Client. Certain swaps, options and other derivative instruments may be subject to various types of risks, including, without limitation, market risk, liquidity risk, the risk of non-performance by the counterparty, including, without limitation, risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

For a further discussion of these and related items, see *Item 10* (Other Financial Industry Activities and Affiliations), *Item 11* (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and *Item 12* (Brokerage Practices).

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

We are the general partner of the Domestic Funds and serve as investment adviser to the Offshore Fund, GT and HHMI. In addition, Reid S. Walker and G. Stacy Smith, the principal owners of our general partner, serve on the board of directors of the Offshore Fund.

In addition, Reid S. Walker, G. Stacy Smith and Joseph I. Worsham, our Chief Operating Officer and Chief Compliance Officer, formerly held a minority non-voting equity interest in SRB Management, L.P. ("SRB"), which serves as the investment manager and/or general partner of several pooled investment vehicles (collectively, the "Greenway Funds"). As of January 1, 2010, the adviser reached an agreement to sell its interest in SRB. Pursuant to the agreement, they received an initial payment in 2010 and a final payment in March of 2011. In the past, the Funds, the Opportunity Funds (defined below) and HHMI co-invested with the Greenway Funds in certain investment opportunities, although we have no intent to continue to do so in the future.

Our affiliate, WS Ventures Management serves as the investment adviser and general partner of WS Opportunity Fund, L.P. and WS Opportunity Fund (QP), L.P., and as investment manager of WS Opportunity Fund International Limited (the "Opportunity Funds"). These funds have ceased accepting new subscriptions and have liquidated substantially all their assets. They will continue operations until the single remaining special situation investment they hold has been liquidated.

Each of the funds managed by WS Ventures Management is exempt from registration as an investment company in reliance upon Section 3(c)(1) or 3(c)(7) of the Investment Company Act.

---

WS Ventures Management is not currently registered as an investment adviser with the Securities Exchange Commission or any state regulatory authority, and is not required to be so registered.

### **Item 11 – Code of Ethics and Personal Trading**

We have a fiduciary responsibility to treat clients fairly and avoid actual or potential conflicts of interest. Our employees have an obligation to act solely in the best interests of clients, and to make full and fair disclosure of all material facts, particularly where the clients' interests may conflict with ours. A thorough knowledge and understanding of our code of ethics by all of our employees assists in promoting a “compliance culture” that is crucial to fulfilling our fiduciary responsibility.

In general, the fiduciary principles that govern personal investment activities of employees are, at a minimum, the following: (1) the duty at all times to place the interests of clients first; (2) the requirement that all personal securities transactions be conducted in a manner that is consistent with Rule 204A-1 of the Advisers Act and in such a manner so as to avoid any actual or potential conflict of interest, or any abuse of an individual's position of trust and responsibility; and (3) the fundamental standard that personnel providing services to clients should not take inappropriate advantage of their positions.

It is our policy that all employees conduct themselves in accordance with the highest standards of integrity, honesty and fair dealing. Employees are specifically required to understand and comply with all applicable laws, statutes, rules and regulations to which we are subject.

Our code of ethics requires pre-approval prior to an employee investing in publicly traded equities and private placements other than those conducted on behalf of the Funds. In addition, our current policy on employee trading prohibits employees from trading in companies that have market capitalizations below two billion dollars. All employees must certify annually that they have read, understand and abided by the code of ethics.

Neither we nor our principals or employees are prohibited from buying or selling securities for their own account (subject to the limitations discussed above) and may take investment positions different than those of advised clients. We maintain compliance policies and procedures, including personal trading policies, which are designed to reduce potential conflicts of interest. Among other things, we imposes restrictions on all employees and principals relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. For example, our current policy on employee trading prohibits employees from trading in companies that have market capitalizations below two billion dollars. In addition, our procedures require pre-clearance and monthly reporting of all personal securities transactions, except transactions in investment company securities and/or other exempt transactions. These monthly reports are reviewed by us on a regular basis. Further, we maintain certain policies and procedures designed to prevent partners and employees from misusing material non-public information or trading the same security ahead of our clients.

---

We may buy or sell certain securities for our own account that are also recommended to our clients. In general this practice creates a conflict of interest between us and such client(s) because we have an incentive to effect transactions on our own behalf before effecting such transactions on behalf of our clients. To address this conflict, our code of ethics prohibits us from purchasing or selling securities that also have been recommended to our clients until such client(s) has completed its purchase or sale of the applicable securities.

We will provide a copy of the code of ethics to any client or prospective client (or investors or prospective investors therein) upon request.

We and our related persons do not recommend to clients, or buy or sell for client accounts, securities in which we or our related persons have a material financial interest.

For a further discussion of these and related items, see *Item 8* (Methods of Analysis, Investment Strategies and Risk of Loss), *Item 10* (Other Financial Industry Activities and Affiliations) and *Item 12* (Brokerage Practices).

## **Item 12 – Brokerage Practices**

### General

In placing portfolio transactions, we seek to obtain the best execution for our clients, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, our clients may pay commissions to such broker in an amount greater than the amount another broker might charge.

Our application and importance of the specific criteria will vary depending upon the nature of the transaction, the asset class, the market in which it is effected, and the extent to which it is possible to select from among multiple brokers or dealers capable of effecting the transaction. We allocate order flow in accordance with the trading protocol set forth in our policies and procedures.

### Soft Dollars

Where best execution may be obtained by multiple brokers, we are authorized to pay higher prices for the purchase of securities from, or accept lower prices for the sale of securities to, brokerage firms that provide us with such investment and research information or to pay higher commissions to such firms if we determine such prices or commissions are reasonable in relation to the overall services provided.



---

We are authorized to use soft dollars. Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker-dealer in return for directing client securities transactions to the broker-dealer. When engaging in soft dollar transactions, we intend to comply with the provisions of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. In exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for our clients, and, subject to our duty to obtain best execution, we will also consider the value of research and brokerage and research products and services (collectively, “Research”) provided by such brokers. Research may include, among other things, proprietary research internally generated by such brokerage firms or obtained from third parties by such brokerage firms. Research products may include, among other things, computer databases and quotation services, in each case, to access research or which provide research directly. Research services may include, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meeting with management or industry consultants. We have established a brokerage rating system that considers, among other things, the quality of Research received from such broker, as determined by our investment professionals. Such ratings will be considered in allocating trades where permissible pursuant to our trading protocol, as discussed above.

We do have soft dollar accounts or credits for the payment of third-party hard-dollar bills. Research related expenses (such as consultants and subscriptions) are paid for directly by our clients (on a *pro rata basis*), except we pay for all of our travel expenses, Bloomberg terminals and quotations, and other miscellaneous research expenses.

The use of soft dollars could create a conflict of interest between us and our clients, because the clients pay for such products and services that are not exclusively for their benefit and might otherwise be payable by us.

Since we may select brokers that provide Research that we might otherwise have to pay for ourselves, this may give us an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on a client’s interest in receiving the most favorable execution.

Any products and services provided by brokers will be used to service all client accounts. We will not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits such accounts generate.

#### Aggregation of Transactions

Our policy is to require that all trades are allocated in a manner that treats each account fairly. If we have determined to invest in the same direction in the same security at the same time for more than one of its clients, we will generally place orders for all such accounts simultaneously. If all such orders are not filled at the same price, we will, to the greatest extent possible, allocate the trades such that the order for each account is filled at the same average price. Similarly, if an order on behalf of one or more account cannot be fully executed under prevailing market



---

conditions, we will allocate the trades among the different accounts on a basis that we consider equitable.

### **Item 13 – Review of Accounts**

We actively monitor all our accounts, generally on a daily basis. We perform various levels of review, including considering short and long-term rates of return, investment diversification and risk allocations. Each account will be monitored by our portfolio managers, who may consult with the applicable analysts in performing their review.

Clients, and investors in Fund clients, receive audited annual reports and unaudited quarterly reports on their performance or the performance of the Fund in which they invest, as applicable. In addition, investors in Fund clients also receive a quarterly letter, and can request monthly exposure reports and/or weekly performance estimates of the Fund in which they invest.

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

Except with regard to soft dollar benefits as discussed in *Item 12* above, no non-clients provide us with an economic benefit for providing investment advice or other advisory services to our clients. Furthermore, we do not receive or provide payment of any kind to any third party for referrals of investors in the Fund.

For a discussion of these and related items, see *Item 10* (Other Financial Industry Activities and Affiliations) and *Item 12* (Brokerage Practices).

### **Item 15 – Custody**

We are committed to safeguarding our clients' assets. Accordingly, all client assets for which we have custody are held only at qualified custodians and in accordance with applicable regulations. These regulations require us to maintain client assets with a qualified custodian in a separate account for each client under that client's name, or in accounts that contain only that client's assets, under our name, as the client's agent or trustee. In addition, in order to comply with applicable requirements, we must distribute audited financial statements of each client prepared in accordance with generally accepted accounting principles to all investors in the Fund within 120 days of the end of the Fund's fiscal year.

We maintain custody of client assets with UBS Securities, LLC, Morgan Stanley Prime Brokerage and Fidelity Capital Markets Prime Services, each a "qualified custodian" as defined by applicable regulations. Investors in the Funds receive annual audited financial statements within 120 days of the end of the applicable Fund's fiscal year.

---

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

We have sole and absolute discretion to make investments for our clients. There are no limits on our discretion with regard to the Funds or GT. The managed account agreement with HHMI prohibits us from investing in certain companies, including tobacco companies, on behalf of HHMI, as well as derivatives other than those permitted pursuant to the investment guidelines.

For a further discussion of these and related items, see *Item 4* (Advisory Business).

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

We vote proxies on behalf of the Funds and Managed Accounts. Such proxies are voted pursuant to our proxy voting policy and in a manner that seeks to serve the best interests of the applicable Fund or Managed Account. Generally, we will consider each proxy issue on a case-by-case basis; however, our proxy voting policy contains specific guidelines addressing how to vote proxies with regard to routine matters (which generally means that such matter will not measurably change the structure, management, control or operation of the company and are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company).

No client may direct our vote with regard to a particular solicitation. In general, we seek to resolve any potential conflicts of interests associated with any proxy by applying the general policy of seeking to serve the best interests of the relevant Fund or Managed Account, as applicable.

Clients may contact us during regular business hours, via email or telephone, to obtain (i) information on the our proxy voting history for the past 5 years and (ii) a copy of our proxy voting policy.

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

We are not aware of any financial condition that impairs our ability to meet contractual commitments to clients. We have never been the subject of a bankruptcy petition.

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

Not applicable.