

## **FIRM BROCHURE**

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**This brochure provides information about the qualifications and business practices of TBP Investments Management LLC. If you have any questions about the information contained in this brochure, please call us at (214) 265.4165. 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.**

**This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of an offering memorandum and other similar materials that contain a description of the material terms relating to such investment.**

**Additional information about TBP Investments Management LLC also is available on the SEC's website at [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).**

**MARCH 23, 2011**

## **Item 2: Material Changes**

On July 28, 2010, the Securities and Exchange Commission adopted amendments to Part 2 of Form ADV and related rules that require registered investment advisers to provide new and prospective clients with a brochure and brochure supplements written in plain English. This brochure has been prepared to comply with the new requirements of Part 2 of Form ADV. As this brochure is new, investors should carefully read this brochure and the applicable offering documents and/or governing documents in their entirety before making any investment decisions. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and/or offering documents, the governing and/or offering documents shall control.

### Item 3: Table of Contents

Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation.....	5
Item 6: Performance-Based Fees .....	8
Item 7: Types of Clients .....	9
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9: Disciplinary Information .....	15
Item 10: Other Financial Industry Activities and Affiliations .....	16
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	17
Item 12: Brokerage Practices.....	18
Item 13: Review of Accounts .....	20
Item 14: Client Referrals and Other Compensation.....	21
Item 15: Custody .....	22
Item 16: Investment Discretion .....	23
Item 17: Voting Client Securities .....	24
Item 18: Financial Information.....	25
General Information .....	26

## Item 4: Advisory Business

### FIRM DESCRIPTION

TBP Investments Management LLC, a Delaware limited liability company and private investment advisory firm, was formed in 2001. We provide investment management services with respect to private pooled investment vehicles and separately managed accounts. We generally have full discretionary authority with respect to investment decisions, and our investment advice is provided in accordance with the investment objectives and guidelines set forth in the applicable offering memoranda and/or governing documents.

### PRINCIPAL OWNERS

We are ultimately owned and controlled by Thomas Boone Pickens Jr., Ronald D. Bassett and Robert L. Stillwell.

### TYPES OF ADVISORY SERVICES

#### Private Investment Funds

We and certain of our affiliates serve as general partner of and/or investment manager to various private pooled investment vehicles organized as Delaware limited partnerships, including BP Capital Energy Equity Fund, L.P. (“Domestic Fund I”), BP Capital Energy Equity Fund II, L.P. (“Domestic Fund II”), and BP Capital Energy Equity Fund International Holdings I, L.P. (“Holdings”). In addition, we and certain of our affiliates also serve as general partner of and/or investment manager to private pooled investment vehicles organized as Cayman Islands exempted limited partnerships, including BP Capital Energy Equity Fund International I, L.P. (“Offshore Fund I”), BP Capital Energy Equity Fund International II, L.P. (“Offshore Fund II”), and BP Capital Energy Equity Fund Master II, L.P. (“Master Fund II” and together with Domestic Fund I, Domestic Fund II, Offshore Fund I, Offshore Fund II and Holdings, the “Funds”). Our services consist of managing each of the Fund’s portfolios, including sourcing, selecting, determining investments in, and monitoring investments by the Funds and the execution of transactions on behalf of the Funds. We generally invest and reinvest the Funds’ assets in equity and commodity-related financial instruments and investments within the energy and energy-related sectors. **See Item 8 below.**

#### Separately Managed Accounts

We also serve as investment manager with respect to assets held in separately managed accounts (the “Accounts”). Pursuant to investment advisory agreements, we have full discretionary authority to invest and reinvest the assets of the Accounts in accordance with the investment objectives, strategies and restrictions of each applicable client.

#### Canadian Fund

Pursuant to the terms of a portfolio manager agreement between us, BMO Nesbitt Burns Inc. (“BMO”) and Harris Investment Management, Inc. (“Harris”), we provide investment advisory and portfolio management services to Harris with respect to T. Boone Pickens Energy Fund, an investment trust established under the laws of the Province of Ontario by BMO (the “Canadian Fund”). Harris is the Canadian Fund’s investment manager and has retained us as sub-advisor to manage the Canadian Fund’s portfolio and implement its investment strategy. We invest the Canadian Fund’s assets primarily in equity and commodity-related investments within the energy and energy-related sectors. We are required to invest the assets of the Canadian Fund in accordance with the investment objective, strategy and restrictions of the Canadian Fund. The Canadian Fund trades on the Toronto Stock Exchange and is not offered to the public in the United States.

#### General

We tailor our advisory services to the individual needs of our clients and, except with respect to the Accounts, clients generally are not permitted to impose restrictions on investments in certain securities or types of securities.

### ASSETS UNDER MANAGEMENT

As of February 28, 2011, we had approximately \$485,900,000 in assets under management for nine clients. All of these assets are managed on a discretionary basis.

## Item 5: Fees and Compensation

### DESCRIPTION OF COMPENSATION AND BASIC FEE SCHEDULE

In consideration of our advisory services, we and/or certain of our affiliates generally receive management fees and/or performance-based fees or allocations from the Funds and the Canadian Fund. The fees applicable to each Fund and the Canadian Fund are described in detail in the applicable governing and/or offering documents. A brief summary of our advisory fees is set forth below.

#### Domestic Fund I and Offshore Fund I

With respect to Domestic Fund I and Offshore Fund I, we and/or our affiliates are entitled to receive management fees, payable monthly in advance, equal to one-twelfth of 1.75% (1.75% per annum) of each investor's aggregate capital account balance. One of our affiliates is also entitled to receive performance allocations equal to 20% of each investor's allocable share of net profits generated by Domestic Fund I and Offshore Fund I during the applicable performance periods.

Performance allocations are subject to a "high water mark" limitation. As a result, after the first year in which a performance allocation is earned, the performance allocation for subsequent years applies only to the extent that an investor's pro rata share of net profits, measured on a cumulative basis, for all years since admission exceeds the highest level of such cumulative net gains achieved through the close of any prior year since admission.

#### Domestic Fund II and Offshore Fund II

With respect to Domestic Fund II and Offshore Fund II, we and/or our affiliates are entitled to receive management fees, payable monthly in advance, equal to one-twelfth of 1.75% (1.75% per annum) of each investor's aggregate capital account balance. One of our affiliates is also entitled to receive performance allocations equal to 20% of each investor's allocable share of net profits for the applicable performance period.

Performance allocations are subject to a "high water mark" limitation. As a result, after the first year in which a performance allocation is earned, the performance allocation for subsequent years applies only to the extent that an investor's pro rata share of net profits for all years since such investor's admission exceeds the highest level of such cumulative net profits achieved through the close of any prior year since admission.

#### Separately Managed Accounts

With respect to the Accounts, we are not currently entitled to receive any management fees or performance-based fees or allocations. Clients are responsible for all brokerage commissions, transfer taxes and other brokerage fees and expenses relating to investment instrument transactions in the Accounts.

#### Canadian Fund

With respect to the Canadian Fund, we are entitled to receive from Harris a management fee, payable monthly in arrears, equal to one-twelfth of 1.55% (1.55% per annum) of the net asset value of the publicly traded units of the Canadian Fund, plus applicable taxes. We are also entitled to receive a performance fee per unit from Harris equal to 20% of the amount by which the adjusted net asset value per unit at the end of such fiscal year exceeds the highest year-end adjusted net asset value per unit previously achieved, plus applicable taxes.

Harris is a "qualified client" as defined in Rule 205-3 of the Advisers Act, and the Canadian Fund is a non-U.S. person.

#### General

With respect to each of the Funds, we or our affiliates may reduce or waive management fees and performance allocations for certain investors.

Each investor in the Funds generally must be, among other things, a "qualified purchaser" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

## **PAYMENT OF FEES**

### **Private Investment Funds**

Management fees are payable by investors in the Funds monthly in advance, as of the beginning of each month. Management fees are deducted directly from the capital account of each investor. In the event that a Fund is dissolved, an investor withdraws or our advisory services are terminated prior to the end of any calendar month, then a proportionate amount of such management fee will be refunded to the applicable investor(s). Performance allocations generally are calculated and paid annually, in arrears, as of the end of each fiscal year. If any amounts are withdrawn during a fiscal year, the performance allocation generally will be allocable on the applicable withdrawal date. Performance allocations are allocated directly from the capital account of each applicable investor.

### **Canadian Fund**

Management fees are payable by investors in the Canadian Fund monthly in arrears, within 30 days of the last valuation date of each month. Performance fees are calculated and paid annually, in arrears, within 30 business days of the last valuation date of each fiscal year.

## **OTHER FEES AND EXPENSES**

### **Private Investment Funds**

In addition to management fees and performance-based fees or allocations, each Fund generally bears all costs and expenses relating to the Fund's activities, including, without limitation, (i) legal, accounting, and auditing expenses, (ii) costs related to the review of subscription materials and compliance with federal and state securities laws relating to the sale of limited partner interests, (iii) costs for the preparation of the fund's financial statements, tax returns and IRS Forms K-1, (iv) expenses of the meetings of the limited partners, if any, (v) other expenses associated with the acquisition, holding and disposition of investments, and (vi) extraordinary expenses, such as litigation. Each Fund generally is responsible for and pays all brokerage fees. **See Item 12: Brokerage Practices below.**

### **Separately Managed Accounts**

All brokerage commissions, transfer taxes and other fees and expenses relating to investment instrument transactions in the Accounts are the sole responsibility of the clients.

### **Canadian Fund**

In addition to management fees and performance allocations, the Canadian Fund generally bears all ordinary expenses incurred in connection with the operation of the Canadian Fund and any extraordinary expenses which it may incur from time to time. We are entitled to be reimbursed by Harris for all reasonable costs and expenses incurred by us on behalf of the Canadian Fund.

## **TERMINATION OF ADVISORY SERVICES**

### **Private Investment Funds**

Pursuant to the investment advisory contracts entered into between the Funds and us, each of the Funds generally may terminate its investment advisory contract with us upon 30 days' prior written notice and may withdraw all funds that are invested at our direction at the time of such termination

### **Separately Managed Accounts**

Pursuant to the investment advisory agreements entered into between the Accounts and us, such agreements may be terminated: (i) by any party thereto upon 30 days' prior written notice, (ii) by any party thereto if the other party fails to comply with any provision of such agreement and fails to cure within 30 days of receiving notice of such non-compliance; or (iii) by any party following certain events as further described in the investment advisory agreements.

### **Canadian Fund**

Our portfolio manager agreement may be terminated by Harris and/or BMO for various reasons, including if we are not registered or exempt from registration as an investment adviser under applicable laws, if we have filed for bankruptcy or we are in material breach or default of the provisions of the portfolio manager agreement and we have

not cured such default within 30 days after notice thereof. After one year, any party to the portfolio manager agreement may terminate the agreement upon 60 days' notice to each other party. In addition, any party may terminate the agreement upon at least 90 days notice to each other party if Mr. Pickens ceases to be involved with us or for other reasons described in the portfolio manager agreement.

## **WITHDRAWALS**

### **Domestic Fund I and Offshore Fund I**

Subject to the terms and limitations described in the applicable offering documents, each investor in Domestic Fund I or Offshore Fund I that has held its limited partner interest for 6 months generally is permitted to make complete or partial withdrawals from Domestic Fund I or Offshore Fund I as of the close of business on the last day of each calendar quarter thereafter (subject to certain limitations). Notice of withdrawal generally must be given in writing at least 90 days prior to the proposed withdrawal date. However, notice requirements may be waived. At least 90% of the estimated amount due generally is settled within 10 business days after the applicable withdrawal date, although we may delay payment if such delay is necessary to prevent such withdrawal from having a material adverse affect on the Fund. Any remaining balance will be settled promptly following completion of the audit of the Fund's financial statements for the applicable year. We may withhold from any distribution to a withdrawing party an amount representing the actual third-party costs we incur with respect to such withdrawal.

### **Domestic Fund II and Offshore Fund II**

Subject to the terms and limitations described in the applicable offering documents, each investor in Domestic Fund II and Offshore Fund II that has held its limited partner interest for 6 months generally is permitted to make complete or partial withdrawals from Domestic Fund II or Offshore Fund II as of the close of business on the last day of each calendar quarter thereafter (subject to certain limitations and exceptions). Notice of withdrawal generally must be given in writing at least 90 days prior to the proposed withdrawal date. However, notice requirements may be waived. At least 90% of the estimated amount due generally is settled within 10 business days after the applicable withdrawal date. Any remaining balance will be settled promptly following completion of the audit of the Fund's financial statements for the applicable year. We may withhold from any distribution to a withdrawing party an amount representing the actual third-party costs we incur with respect to such withdrawal.

## **COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

Neither we nor any of our supervised persons accepts compensation for the sale of securities or other investment products.

## Item 6: Performance-Based Fees

### PERFORMANCE-BASED FEES

As noted under **Item 5: Fees and Compensation—Description of Compensation and Fee Schedule** above, we generally are entitled to receive performance-based fees or allocations with respect to each investor in the Funds and the Canadian Fund. Performance-based fees and allocations could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect.

### SIDE-BY-SIDE MANAGEMENT

We manage accounts for which we are entitled to receive performance-based fees or allocations alongside accounts for which we are not entitled to receive any performance-based fees or allocations. Such side-by-side management could motivate us to favor accounts for which we or our employees or affiliates receive performance-based fees or allocations over the Accounts and other clients for which such fees are not payable. We attempt to address this conflict by, among other things, adhering to objective allocation policies and procedures. **See Item 12: Brokerage Practices—Allocation of Investment Opportunities** below.



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

### **DESCRIPTION**

We currently provide investment advisory and supervisory services with respect to the Funds, the Canadian Fund and the discretionary Accounts, our sole advisory clients. We may in the future provide investment advice to additional clients including, but not limited to, other private pooled investment vehicles and separately managed accounts.

### **ACCOUNT REQUIREMENTS**

The minimum initial capital contribution required for an investor in each of the Domestic Fund II and Offshore Fund II is \$1,000,000, although capital contributions of lesser amounts may be accepted in our or our affiliates' discretion. Domestic Fund I and Offshore Fund I are closed to new investors.

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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

We select investments based on a top-down approach by considering fundamental aspects of supply and demand for energy as well as general oil and gas industry conditions. As part of this process, we identify industry sectors either as long or short positions based on internally-developed themes. We also select individual stocks within sectors using a bottom-up approach based on valuation and anticipated sensitivity to the aforementioned sector themes. Energy futures investments are made based on fundamental supply and demand trends and other “macro” variables.

We believe equity and commodity values in the energy sector are principally driven by current and expected prices for oil and natural gas, and energy prices also affect the share prices of companies that use oil and natural gas as inputs for operations. In formulating a view of future oil and natural gas prices, we consider the effects of oil and natural gas inventories, productive capacity, the policies of OPEC, global political conditions, the demand for energy, weather and general economic conditions. Our oil and gas price forecasts are key components of our investment strategy.

We believe the energy exploration process is an important driver of values for various downstream energy sectors. In assessing industry conditions, we consider the viability of oil and gas prospects in various producing basins, the state of exploration, development, completion and production technology, the potential commercial value of non-producing reserves, existing reservoir decline rates and the effect of industry investment rates and drilling activity on the energy markets. Our analysis of energy industry fundamentals is a key input to our investment strategy.

We, from time to time, use outside advisors for matters relating to economic forecasting, currency markets and international affairs, among other things.

In the case of energy futures, we make investment decisions using various resources, including internal discussions that focus on (i) supply trends, principally through production, new exploration activity and import data gathered from a variety of public and private sources, (ii) demand conditions, also based on a variety of sources, (iii) weather forecasts, and (iv) geopolitical considerations. We also may supplement our internal discussions with input from consultants with relevant expertise in one or more of the aforementioned areas.

We evaluate equity sectors in light of the aforementioned energy market analyses but with a special emphasis on industry conditions and sector valuations. Our investment approach to valuing and investing in individual equities considers, among other items, the following factors: (i) sustainability of investment interest, (ii) business fundamentals, (iii) quality of management, (iv) geopolitical risks, and (v) other factors, including compatible positions, asset quality, growth projections, dividend policy, interest rate risk, foreign exchange risk and liquidity risk. We gather this information from public filings, discussions with management, internal experience and third-party sources.

### CERTAIN RISK FACTORS

*There can be no assurance that we will achieve our investment objectives. Our investment program involves a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that our investment program is low risk or risk free. Our investment program is appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors should consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with our investment strategies and processes. Investors are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. These risks are qualified in their entirety by the risks set forth in the applicable offering documents.*

**General Economic and Market Conditions.** The success of our activities will be affected by general economic and market conditions, such as changes in interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of our investments), trade barriers, oil and natural gas prices, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity of client investments. Volatility and/or illiquidity could impair our clients' profitability or result in losses. Our clients could incur material losses even if we react quickly to difficult market conditions, and there can be no assurance that our

clients will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Investors should realize that markets for the financial instruments in which we invest can correlate strongly with each other at times or in ways that are difficult for us to predict. Even a well-analyzed approach may not protect our clients from significant losses under certain market conditions.

*Terrorist Attacks and War.* Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or its interests abroad may adversely affect the United States, its financial markets and global economies and could prevent us and our clients from meeting investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, and other acts of war or hostility have created many economic and political uncertainties, that may adversely affect the United States and world financial markets and our clients for the short or long-term in ways that cannot presently be predicted.

*Investment Risks in General.* Our investments, by their nature, involve a high degree of financial risk. In making investments, we use highly speculative investment techniques, including extremely high leverage, highly concentrated portfolios, junior securities positions, control positions and illiquid investments. In addition, some of our clients' assets are invested in derivative instruments. Such investments expose client assets to the risks of material financial loss, which may in turn adversely affect the financial results of our clients. Furthermore, our clients' investments are focused on the energy, natural resources and energy-dependent industries. A significant change in these industries will have a material impact on the value and performance of our clients' assets.

*Volatility of Oil and Natural Gas Prices.* The revenues generated by the operations of certain of the companies in which we invest are highly dependent upon the prices of, and demand for, oil and natural gas. Oil and natural gas prices can fluctuate widely on a month-to-month basis in response to a variety of factors that are beyond our control and the control of our clients. Factors that contribute to price fluctuation include, without limitation: political conditions in major oil and natural gas producing regions; worldwide economic conditions; weather conditions; the supply and price of domestic and foreign natural gas or oil; the level of consumer demand; the price and availability of alternative fuels; the proximity to, and capacity of, transportation facilities; the effect of worldwide energy conservation measures; technological advances affecting energy consumption; and the nature and extent of governmental regulation and taxation. Any significant change in oil and natural gas prices could have a material impact on the value and performance of our clients' assets.

*Futures Contracts; Margin Risks.* We currently invest a portion of client assets in commodities futures contracts, options on futures contracts and in other products that may be traded on commodities exchanges regulated by the Commodity Futures Trading Commission or international exchanges or in the over-the-counter markets. Futures prices generally are extremely volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is common in a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses. Similar to other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested. In addition, futures trading may be illiquid and frequently involves high transaction costs.

*Drilling Risks.* The revenues, operating results and future rate of growth of certain companies in which we invest are dependent upon the success of their drilling programs. Oil and natural gas drilling involves numerous risks, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. The timing and cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. Oil and natural gas drilling remains a speculative activity notwithstanding the use of 3-D seismic data. Even when fully utilized and properly interpreted, 3-D seismic data and other advanced technologies only assist geoscientists in identifying subsurface structures and do not enable the interpreter to know whether hydrocarbons are in fact present in such structures. In addition, the use of 3-D seismic data and other advanced technologies requires greater pre-drilling expenditures than traditional drilling strategies and companies could incur losses as a result of such expenditures. Furthermore, completion of a well does not assure a profit on the investment or a recovery of any portion of drilling, completion or operating costs. Varying drilling success rates could have a material adverse effect on the value of our clients' investments.

*Shortages of Drilling Rigs, Equipment, Supplies and Personnel.* In the past, there have been periods where general shortages of drilling rigs, equipment and supplies have occurred. Shortages of drilling rigs, equipment or supplies could delay and adversely affect the exploration and development operations of certain companies in which we

invest, which could have a material adverse effect on their business, financial condition and results of operations. The demand for, and wage rates of, qualified rig crews in the drilling industry tend to fluctuate in response to the number of active drilling rigs in service. The number of qualified rig crews available in the drilling industry has recently risen, but shortages of qualified rig crews have in the past occurred in the industry during times of increasing demand for drilling services. The oil and natural gas industry may in the future experience variances in the availability of qualified personnel to operate drilling rigs, which could affect certain companies' drilling operations and, in turn, affect their business, financial condition and results of operations. Such variances could have a material adverse effect on the value of our clients' investments.

*Regulatory and Environmental Risks.* Oil and natural gas operations are subject to various federal, state and local and foreign governmental regulations, which may be changed from time to time in response to economic or political conditions. From time to time, regulatory agencies have imposed price controls and limitations on production in order to conserve supplies of oil and natural gas. In addition, the production, handling, storage, transportation and disposal of oil and natural gas, byproducts thereof and other substances and materials produced or used in connection with oil and natural gas operations are subject to regulation under federal, state and local laws and regulations. These regulations subject certain companies in which we invest to increased operating costs and potential liability.

*Distressed Securities.* Certain of our clients' assets may be invested in distressed securities. Investments in distressed securities involves acquiring securities of companies that are experiencing significant financial difficulties and of companies that are, or appear likely to become, bankrupt or involved in a debt restructuring or other major capital transaction. Consequently, there is a high degree of risk associated with these investments because such companies may never recover and the value of such investments may be lost.

*Concentration of Investments.* We may invest client assets in a concentrated portfolio of securities. If an investment performs poorly, this concentration could cause a proportionately greater loss than if a larger number of investments were made, and if such proportionately greater loss occurs, it may adversely impact the overall return on investment realized by us and, ultimately, our clients.

*Illiquid Investments.* Under certain market conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of our portfolio positions may be reduced. In addition, we may from time to time hold large positions with respect to a specific type of instrument, which may reduce the liquidity of our investments. During such times, we may be unable to dispose of certain assets, which would adversely affect our ability to rebalance our portfolios or to meet withdrawal requests. In addition, such circumstances may force us to dispose of assets at reduced prices, thereby adversely affecting the performance of our clients' investments. If there are other market participants seeking to dispose of similar assets at the same time, we may be unable to sell such assets or prevent losses relating to such assets.

Furthermore, if our clients incur substantial trading losses, the need for liquidity could rise sharply while their access to liquidity could be impaired. In conjunction with a market downturn, our clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing our clients' credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for our investments.

We also invest in securities that are subject to legal or other restrictions on transfer and we may be prohibited from disposing of such investments for a specified period of time. Investments in energy-related commodities futures contracts generally are less liquid than investments in publicly traded securities. Commodities investments by us are typically made on the NYMEX or in the over-the-counter markets. Accordingly, any premature sales or dispositions of these investments also may adversely affect the investment results of our clients.

*Use of Leverage.* Our clients and certain of the companies in which we invest may have significant leverage. The use of leverage, which exposes the borrower to changes in price at a ratio higher than 1:1 in reference to the amount invested, magnifies both the favorable and the unfavorable effects of price movement in investments. The leveraged capital structures of our clients and companies in which we make investments increases exposure to adverse economic factors such as rising interest rates, downturns in the economy and/or deterioration in the condition of the company or its industry. Such increased exposure to adverse economic factors may decrease the overall return on investment realized by our clients from the overall return on investment that may have been realized if leveraged capital structures had not been used by our clients or the companies in which we invest.

*Short Sales.* We may effect short sales. Short selling is the practice of selling securities that are not owned by the

seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes. To complete a short sale, generally we must borrow the securities from a third party in order to make delivery to the buyer. We generally are required to pay a brokerage commission that increases the cost to us of selling such securities. The proceeds of the short sale plus additional cash or securities must be deposited as collateral with the lender of the securities to the extent necessary to meet margin requirements. The amount of the required deposit is adjusted periodically to reflect any change in the market price of the securities that we are required to return to the lender. We generally are entitled to receive payments from the lender with respect to the short sale proceeds and additional cash on deposit with the lender at negotiated interest rates. We are obligated to return securities equivalent to those borrowed at any time on demand of the lender of the securities borrower by purchasing them at the market price at the time of replacement. Until the securities are replaced, we are required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan of the securities. An increase in the value of any security that is the subject of short selling by us may, as a result of the foregoing, have a material adverse effect on our clients' assets, and therefore the return on investment for our clients.

*Put and Call Options.* We also may purchase exchange-listed and over-the-counter put and call options on specific securities. In addition, we may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security at a stated exercise price at any time prior to the expiration of the option. Options written by our clients may be wholly or partially covered (meaning that our client holds an offsetting position) or uncovered. Options on specific securities may be used by us to seek enhanced profits with respect to a particular security. Alternatively, we may use options for various defensive or hedging purposes. Use of put and call options may result in losses to our clients, force the sale or purchase of portfolio securities at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation our clients can realize on their investments or cause our clients to hold a security they might otherwise sell. For example, a decline in the market price of a particular security could result in a complete loss of the amount expended by our client to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by our clients. The use of uncovered option writing techniques may entail greater risks of potential loss to our clients than other forms of options transactions. For example, a rise in the market price of the underlying security will result in our client realizing a loss on the calls within, which would not be offset by the increase in the value of the underlying securities to the extent the call option position was uncovered.

*Index Contracts.* We also may invest in customized instruments to seek to hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of securities, foreign currencies or commodity prices. These hedging strategies may be executed by us through the use of exchange-traded equity index options or futures contracts or options thereon, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts (collectively, "index contracts") structured by investment banking institutions. Index contracts generally have substantial risks associated with them, including possible default by the counterparty to the transaction, illiquidity and, to the extent our view as to certain market movements is incorrect, the risk that the use of such index contracts could result in losses greater than if they had not been used. Moreover, any lack of correlation between price movements of index contracts and price movements in the position of our clients may create the possibility that losses in the value of our clients' position may be greater than the gain on the hedging instrument (or that a gain in our clients' position may be less than the loss on the hedging instrument). In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter index contracts may have no markets. As a result, in certain markets, our clients might not be able to close a transaction without incurring substantial losses, if at all. Any such result may have a material adverse effect on our clients.

*Swaps and Similar Contracts.* In addition to index contracts and other exchange-traded option contracts, we may invest in over-the-counter contracts that involve dealing with counterparties and their ability to satisfy their obligations under such contracts. Specifically, we may engage in repurchase agreements, forward contracts or swap arrangements, each of which may expose our clients to credit risks to the extent that any counterparties to such contracts default on their obligations to perform under the relevant contracts.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT PROGRAM. PROSPECTIVE CLIENTS AND

INVESTORS SHOULD READ THIS BROCHURE AND THE APPLICABLE OFFERING MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

**Item 9: Disciplinary Information**

Not applicable.

## Item 10: Other Financial Industry Activities and Affiliations

We are currently registered as both a commodity pool operator and commodity trading advisor with the Commodity Futures Trading Commission (“CFTC”) and are a member of the National Futures Association (“NFA”). Pursuant to an exemption provided by CFTC Rule 4.7, we are exempt, with respect to each of the Funds and Accounts, from certain disclosure and reporting requirements otherwise applicable to registered commodity pool operators and commodity trading advisors. CFTC Rule 4.7 is available for registered commodity pool operators whose pools are limited to “qualified eligible persons,” as such term is defined in CFTC Rule 4.7, and registered commodity trading advisors whose clients are “qualified eligible persons.”

BP Capital, L.P. (“BP Capital”), one of our affiliates, is registered with the CFTC as both a commodity pool operator and commodity trading advisor, and is a member of the NFA. BP Capital serves as commodity pool operator and general partner to BP Capital Energy Fund, L.P. and BP Capital Energy Fund II, L.P. BP Capital Management, L.P. (“BP Management”), one of our affiliates, serves as general partner of Domestic Fund I, Domestic Fund II, Holdings and is the managing general partner of Master Fund II. Certain of our principals and agents also perform services on behalf of BP Capital and BP Management.

Ronald Bassett is registered as a commodity pool operator (“CPO”) and a commodity trading advisor (“CTA”) with the CFTC, and is a member of the NFA. Mr. Bassett is also a principal and associated person of TBP Investments Management LLC and is a principal of BP Capital.

Dick Grant is a principal of TBP Investments Management LLC and BP Capital.

Robert Stillwell is a principal of TBP Investments Management LLC and BP Capital.

Thomas Boone Pickens Jr. is a principal and associated person of TBP Investments Management LLC and BP Capital.



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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by our employees. Among other things, we impose restrictions on all access persons relating to personal securities transactions. We will furnish a copy of our code of ethics to investors and prospective investors upon request.

### **PERSONAL TRADING**

Neither we nor our principals or employees are prohibited from buying or selling securities for our own/their account and may take investment positions different or contrary to those of advised clients. Our access persons are subject to additional procedures, including quarterly and annual reporting of personal securities transactions, and a supervisory review of such transactions. These quarterly and annual reports are reviewed on a regular basis by appropriate supervisory personnel. Whenever our Chief Compliance Officer determines that an employee is in possession of material non-public information with respect to a company, such company will either be placed on a watch list or a restricted list. When a company is placed on a watch list or a restricted list, all employees are prohibited from personal trading in securities of those companies. We also strictly prohibit “front-running” client accounts (which is the practice of executing orders for an employee’s personal account while taking advantage of advance knowledge of pending orders from its clients).

Our principals are also engaged in the purchase and sale of public and private securities and commodities for their own private accounts. The percentage of time spent by our principals on trading of private accounts does not, in the case of any such person, exceed 15% of such person’s professional time.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Some of our principals and employees also invest in the Funds as limited partners or shareholders and may, from time to time, allocate a portion of their compensation to capital contributions to these accounts. We generally waive the management fee and the performance-based fee or allocation with respect to accounts held by these persons.

We may recommend to clients that they buy or sell securities or other investments in which we or a related person has some financial interest. We, our affiliates, members, employees and agents are not required to devote our/their entire time and attention to our affairs or of any one of our clients, and we/they currently engage (and plan to engage) in other investment activities, both for our/their own accounts and for other clients. Various actual and potential conflicts of interest exist (or may exist) among us, our affiliates, personnel and clients. We generally attempt to handle these and other conflicts of interest in a manner that we deem to be fair and equitable under the circumstances, although there can be no assurance that we will be successful in this regard.

We enter into “rebalancing” transactions between Funds that have the same investment objectives when contributions or withdrawals of capital to or from the Funds change the ratio of assets of one Fund to another. The purpose of the rebalancing transactions is to bring each Fund’s exposure to a commonly held investment into line with the Fund’s percentage of total assets under management. A Fund could be a purchaser or a seller in such rebalancing transactions. Substantially all “rebalancing” transactions: (i) are effected for cash consideration at the closing market price of the particular securities on the immediately preceding business day, (ii) do not involve restricted securities or securities for which market quotations are not readily available and (iii) if executed through a broker generally do not involve any brokerage commission fee (except for customary transfer fees and certain non-U.S. equities and U.S. options where customary brokerage fees must be paid) or other remuneration.

If, in our discretion, one of the Funds should not be an investor in a security for tax or regulatory reasons, such investment would be allocated only to the Funds not affected by the tax or regulatory reasons. To the extent an investment is not allocated pro rata to one of the Funds, one or more affiliated Funds may incur a disproportionate amount of income or loss related to such investment.

## **Item 12: Brokerage Practices**

### **SELECTING BROKERAGE FIRMS**

In general, we have authority to determine the brokers, futures commission merchants and other counterparties to be used on behalf of the Funds and the Accounts, and the negotiation of commission rates and other consideration paid by the Funds and the Accounts. We are required to effect all transactions on behalf of the Canadian Fund using the dealers, brokerage firms and futures commission merchants specified on schedule A of the portfolio manager agreement. While we work with multiple brokers, futures commission merchants and other counterparties in connection with the execution of transactions on behalf of our clients, custody of client assets is maintained by one or more qualified custodians. We select broker-dealers on the basis of obtaining the best overall terms available, which we evaluate based on a variety of factors, including the following: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research and related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. Research and related services furnished by brokers include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; and discussions with research personnel. We may pay a commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage or research services provided by the broker. Because commission rates in the United States as well as other jurisdictions are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

### **BEST EXECUTION**

In placing orders to purchase and sell securities, our policy is to seek the best net execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers, which we believe are responsible and provide effective execution of such orders under conditions most favorable to client accounts.

### **SOFT DOLLAR PRACTICES**

We have entered, and may enter into in the future, written or formal agreements with brokers or third parties where we may use “soft dollars” generated by client accounts to pay for the research and/or related services provided by brokers described above. The term “soft dollars” refers to the receipt by us of products and services provided by brokers without any cash payment by us, based on the volume of revenues generated from brokerage commissions for transactions executed for our clients. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities.

Using “soft dollars” to obtain investment research and/or related services creates a potential conflict of interest between us and client accounts, because the “soft dollars” may be used to acquire such products and services that are not exclusively for the benefit of the client accounts that paid such commissions and that may primarily benefit us. To the extent that we are able to acquire these products and services without expending our own resources (including management fees paid by client accounts), our use of “soft dollars” would tend to increase our profitability.

In allocating order flow, we may give preference to those brokers or dealers who provide to us the research and/or related services described above, so long as we believe it is consistent with the objective of best net execution. We do not, however, negotiate higher rates on fees and expenses to be paid by managed accounts in exchange for lower rates on fees and expenses to be paid by us.

### **BROKERAGE FOR CLIENT REFERRALS**

In selecting or recommending brokers, we do not consider whether we or our related persons receive client or investor referrals from such brokers.

**DIRECTED BROKERAGE**

We do not routinely recommend, request or require that a client direct us to execute transactions through a specified broker-dealer, nor do we allow our clients to direct brokerage for order execution purposes.

**ORDER AGGREGATION**

We may aggregate investment instrument sale and purchase orders for our clients with similar orders being made contemporaneously for other clients managed by us or with accounts of our affiliates if, in our reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to our clients, based on an evaluation that our clients are benefitted by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investment instrument transactions for a client will be effected substantially simultaneously with the purchase or sale of like investment instruments for the accounts of other clients of us and our affiliates. Such transactions may be made at slightly different prices, due to the volume of investment instruments purchased or sold. In such event the average price of all investment instruments purchased or sold in such transactions may be determined, and clients may be charged or credited, as the case may be, the average transaction price.

**ALLOCATION OF INVESTMENT OPPORTUNITIES**

Because we act as an adviser for more than one client, there may be conflicts of interest over the amount of time devoted to managing any one client account and the allocation of investment opportunities among all accounts we manage. We attempt to resolve all such conflicts in a manner that we believe generally is fair and equitable to all clients. We may give advice and take action with respect to any of our clients that may differ from advice given or timing or nature of action taken with respect to any other particular client. Generally, our policy, to the extent practicable, is to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients. Investment decisions for individual client accounts are made individually. As a result, securities may be purchased or sold for a client's account at a time and price different from the time and price at which such securities were purchased or sold for the account of another client or clients.

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

#### **PERIODIC REVIEWS**

Accounts are monitored by us on at least a quarterly basis or more frequently in our discretion. Our Chief Financial Officer conducts all account reviews and we do not intend to delegate this responsibility to any third party. With respect to accounting matters, we have engaged Rothstein Kass to conduct an annual audit of each Fund.

We invest our client's funds in securities, derivatives and other financial instruments. In monitoring the performance of investments, we perform various levels of review. Among other items, we consider short and long-term rates of return, investment diversification and risk allocations as part of our regular review.

#### **ADDITIONAL REVIEWS**

As a matter of due course, we monitor all accounts daily. Our investment strategy is dynamic and accounts are adjusted as conditions warrant.

#### **REPORTS TO INVESTORS/CLIENTS**

##### Private Investment Funds

Each of the Funds generally provides investors with monthly account statements, annual audited financial statements and annual U.S. income tax information. All such statements and reports are written.

##### Separately Managed Accounts

We send monthly reports showing all trades for the Accounts for that month. All such reports are written.

##### Canadian Fund

We provide to Harris and BMO, among other things, monthly statements of investments held in the portfolio, weekly lists of outstanding derivative contracts, if any, entered into by us, quarterly presentations or commentaries and confirmations of transactions entered into by us. All such statements and reports are written.

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

### **THIRD-PARTY COMPENSATION**

Except as described in **Item 12: Brokerage Practices** above, we do not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to our clients.

### **REFERRALS**

We currently do not compensate any other professional for client or investor referrals.

### **Item 15: Custody**

We have, or may be deemed to have, “custody” of each Fund’s cash and securities. In accordance with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, each Fund’s cash and securities (except for privately placed securities) are held with one or more qualified custodians. BNP Paribas Prime Brokerage Inc., UBS Securities, LLC, Rosenthal Collins Group, LLC and PlainsCapital Bank currently serve as qualified custodians to each of the Funds. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged Rothstein Kass to conduct an annual audit of each Fund, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided annually to investors. We attempt to provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not send account statements directly to investors.

We do not have custody of the assets and securities of the Accounts or the Canadian Fund.

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

Subject to the terms and conditions in the applicable governing documents, we have discretionary power and authority to determine the types of securities to be bought or sold, as well as the amount to be bought or sold on behalf of our clients. We have authority to determine the broker-dealers, futures commission merchants or other counterparties to be used on behalf of the Funds and the Accounts and the negotiation of commission rates and other consideration to be paid by the Funds and the Accounts.

We are required to effect all transactions on behalf of the Canadian Fund using the dealers, brokerage firms and futures commission merchants specified on schedule A of the portfolio manager agreement.

### **LIMITED POWER OF ATTORNEY**

Each investor in the Funds generally grants to us or our affiliate a limited power of attorney to enable us to execute the applicable partnership agreement on their behalf.

Each of the Accounts and the Canadian Fund grant us special powers of attorney to conduct our trading on its behalf.

## Item 17: Voting Client Securities

### **VOTING POLICIES**

We follow an established policy to use Institutional Shareholder Services (“ISS”) of Rockville, Maryland, to process, administer and vote all proxies relating to voting securities held by or on behalf of the Funds. Unless otherwise specifically instructed by us, proxies generally are voted in ISS’s discretion in a manner ISS believes to be in the best interest of the Funds. Our proxy voting policy is available to investors and clients upon request. Our proxy voting record also is available to investors in the Funds 45 days after the end of each calendar quarter upon written request.

We do not have authority to vote securities held by or on behalf of the Accounts or the Canadian Fund.



### **Item 18: Financial Information**

We do not have any financial impairment that will preclude us from meeting contractual commitments to clients. A balance sheet is not required to be provided as we do not both (i) serve as custodian for client funds or securities and (ii) require prepayment of fees of more than \$1,200 per client, six months or more in advance.

## General Information

### **PRIVACY POLICY**

We have adopted policies and procedures designed to protect various records and information of our clients and of investors in the Funds. A copy of our privacy policy will be made available to investors and clients upon request.

### **LEGAL PROCEEDINGS**

We generally are not responsible for filing claims or otherwise taking any action in connection with class action lawsuits, bankruptcy proceedings, or any other legal or administrative proceeding, in any such case on behalf of a client in connection with any client security holding.

### **TRADE ERRORS**

We may on occasion experience errors with respect to trades executed on behalf of our clients. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, the correct security is purchased or sold but for the wrong account, or the wrong quantity is purchased or sold (*e.g.*, 1,000 shares instead of 10,000 shares are traded). It is our general practice that our personnel make and implement investment management decisions with the utmost care. Nevertheless, if a trade error occurs, we correct the error as soon as possible and attempt to mitigate any losses.