

Investment Adviser Brochure

**Cypress Capital Management GP, LLC**

One Sansome Street, Suite 2900  
San Francisco, CA 94104  
415.291.9420  
415.835.3849  
[info@cypressmgt.com](mailto:info@cypressmgt.com)

Contact: Bridget Castoria

Website: [cypressmgt.com](http://cypressmgt.com)

Date of Brochure: May 11, 2012

***This brochure provides information about the qualifications and business practices of Cypress Capital Management GP, LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.***

***Additional information about Cypress Capital Management GP, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).***

Table of Contents

<u>Material Changes</u> .....	2
<u>Advisory Business</u> .....	2
<u>Fees and Compensation</u> .....	3
<u>Performance-Based Fees and Side-By-Side Management</u> .....	4
<u>Types of Clients</u> .....	5
<u>Methods of Analysis, Investment Strategies and Risk of Loss</u> .....	5
<u>Disciplinary Information</u> .....	6
<u>Other Financial Industry Activities and Affiliations</u> .....	6
<u>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</u> .....	6
<u>Brokerage Practices</u> .....	7
<u>Review of Accounts</u> .....	9
<u>Client Referrals and Other Compensation</u> .....	9
<u>Custody</u> .....	9
<u>Investment Discretion</u> .....	9
<u>Voting Client Securities</u> .....	10
<u>Financial Information</u> .....	10

## **Material Changes**

This document shall serve as an update to the Firm's previous brochure dated April 11, 2012. The reason for the update is to switch the Firm's registration from the State of California to the SEC.

## **Advisory Business**

Cypress Capital Management GP, LLC ("Cypress"), is a California limited liability company that was formed on October 3, 2008. Cypress Capital Management GP, LLC (the "General Partner") acts as the general partner and provides investment advisory services to the following pooled investment vehicles (each a "Client") structured as limited partnerships:

- (1) Cypress Capital Master, LP ("Master"): Cayman Islands limited partnership structured as a 3c-7 offshore vehicle.
- (2) Cypress Capital Onshore, LP ("Onshore"): Delaware limited partnership structured as a 3c-7 onshore vehicle.
- (3) Cypress Capital Offshore, Ltd ("Offshore"): Cayman Islands limited partnership structured as a 3c-7 offshore vehicle.
- (4) Cypress Capital Founders, LP ("Founders"): Delaware limited partnership structured as a 3c-1 onshore vehicle.

The Funds are set up using a "master feeder" fund structure. Cypress Capital Master, LP is the "master" Fund and the "Onshore" and "Offshore" Funds feed into the master. Cypress Capital Founders, LP is separate, but differs from the "Onshore" Fund only in that investors in the "Onshore" Fund must be "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (a "***Qualified Purchaser***"). This requirement does not apply to investors in the "Founders" Fund. Upon acceptance of a subscription from an investor, the General Partner will have discretion to assign the investor to either the "Onshore" Fund or to the "Founders" Fund if the investor is a Qualified Purchaser, but may assign the investor only to the "Founders" Fund if the investor is not a Qualified Purchaser.

The limited partnership agreement of each entity is identical except for the name of the entity. The General Partner is also each Fund's investment manager. The General Partner is registered as an investment adviser with the SEC. The General Partner intends that it and members of its investment staff will maintain significant investments in the Fund at all times.

The services provided by the General partner are tailored to the individual needs of each Client (the funds). Clients impose restrictions as outlined in the limited partnership agreement.

The General Partner's principal owner is Brenden M. Smith, who will manage the Fund's securities portfolio on behalf of the General Partner, has full discretion over Fund investments, and each Fund's limited partners have no right to participate in investment

decisions. Brenden M. Smith is also the principal owner of each limited partnership.

Cypress manages assets on a discretionary basis of \$118,675,779. This amount reflects regulatory assets under management (“RAUM”) and was calculated as of April 30, 2012. It is noted that RAUM are assets of securities portfolios over which the adviser provides “continuous and regular supervisory or management services,” regardless of whether they are proprietary assets, assets managed without receiving compensation or assets of foreign clients, all of which an adviser currently may, but is not required to exclude in calculating the “assets under management” for SEC registration purposes. RAUM represent gross assets rather than net assets (AUM).

### **Fees and Compensation**

The General Partner receives an annual management fee equal to 0.375% (equivalent to 1.5% per annum) of the Capital Account of each Limited Partner with respect to Class A Units, or 0.5% (equivalent to 2.0% per annum) of the Capital Account of each Limited Partner with respect to Class B Units, in each case as of the opening of business on the first day of each calendar quarter. This fee is paid quarterly in advance. If the Fund is not in existence for the entire quarter, the Management Fee for such quarter will be prorated. The Management Fee for the first quarter in which a new Limited Partner is admitted to the Fund, or for any additional capital contributed during a quarter, with respect to such Limited Partner, will be adjusted *pro rata* for the number of days remaining in the quarter. No portion of a Management Fee paid or payable for a quarter will be refundable if all or a portion of the Limited Partner's Capital Account is withdrawn during the quarter. The General Partner may waive or reduce the Management Fee due from any Limited Partner, including the General Partner (in its status, if any, as a Limited Partner) or its affiliate, and may pay all or part of the Management Fee to third parties for services rendered in connection with the placement of interests in the Fund. In addition, at the close of each fiscal year, the General Partner will be allocated 17.5% of the profits with respect to Class A Units or 20% with respect to Class B Units as outlined in Section 6 “*Performance Based Fees*” of this brochure.

The General Partner has retained an independent third party and has a disbursement agreement in place for each Fund that authorizes fee payment from each Limited Partner's Capital Account to the General Partner as outlined above. Withdrawals of fees from the Limited Partner Capital Accounts to the General Partner are made according to the procedures set forth in the disbursement agreements.

The Fund bears all expenses associated with its investment activities and operations, including brokerage commissions, banking and custody charges, interest and fees relating to borrowing, withholding taxes, expenses of research and data collection and analysis, costs of communicating with Limited Partners and legal, accounting, auditing (if any), insurance, travel expenses and organizational expenses. The General Partner bears its own overhead costs, including office space and utilities costs and compensation of secretarial, clerical and other personnel. To the extent, if any, that an expense is fairly allocable to only one of the Funds, the expense will be borne only by that entity. With

that sole exception, all entities will bear operating expenses in proportion to their respective amounts of invested and investible capital.

The General Partner believes that its fees are reasonable based on the services that it provides to its Clients. However, other sources may provide comparable services for lower fees.

The General Partner does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **Performance-Based Fees and Side-By-Side Management**

The General Partner is entitled at the close of each fiscal year to be credited with a special allocation of profits (the "**Performance Allocation**") equal to 17.5% with respect to Class A Units, or 20% with respect to Class B Units (or, in each case, such lesser or greater amount with respect to any Partner as shall be agreed by the General Partner and such Partner) of the Net Capital Appreciation allocated to each Limited Partner's Capital Account during such fiscal year in excess of any Net Capital Depreciation allocated to the Limited Partner's Capital Account and carried forward from any prior fiscal year. This offset of prior-year Net Capital Depreciation is commonly referred to as a "high water mark" provision. If a Limited Partner has multiple Capital Accounts (because the Limited Partner has made multiple Capital Contributions), they will be aggregated for purposes of determining the Performance Allocation. Any such Performance Allocation to be credited to the General Partner will reflect any net unrealized appreciation, as well as net realized gains and net investment income and expense, allocable to each Limited Partner. In the event a Limited Partner with unoffset Net Capital Depreciation withdraws a portion of his investment in the Fund, the amount of unoffset Net Capital Depreciation will be reduced on a *pro rata* basis to reflect the reduction in investible capital of the Limited Partner. If a Limited Partner is permitted or compelled to withdraw in whole or in part from the Fund or to transfer all or part of his interest in the Fund as of a date other than the close of a fiscal year, the General Partner will receive a Performance Allocation with respect to the portion of such Limited Partner's Capital Account being withdrawn or transferred, as of the date of the withdrawal or the admission of a substituted Limited Partner, as applicable. The General Partner may waive or reduce the Performance Allocation with respect to certain Limited Partners, including the General Partner (in its status, if any, as a Limited Partner) or its affiliate, and may pay all or a portion of the Performance Allocation to third parties for services rendered in connection with the placement of interests in the Fund. Performance based fees will only be charged in accordance with the provisions of CCR 260.234 which states, in short, that performance fees can only be charged if the following conditions are met:

1. The only clients entering into the investment advisory contract are "qualified clients" as defined in paragraph (d) of Rule 205-3 (17 CFR 275.205-3(d)) under the Investment Advisers Act of 1940 (Section 80b-1 et seq.).
2. Full disclosure of all material information regarding the proposed compensation arrangement is provided to each qualified client prior to entering into the contract.

Text of the complete provisions of the Rule can be provided upon request\*

### **Types of Clients**

Investors in each Fund generally must be accredited investors as defined in Regulation D under the Securities Act of 1933, and qualified clients under Rule 205-3 of the Investment Advisers Act, though Registrant has authority to waive these requirements on a case by case basis. The "Onshore" fund is limited to investors who are "qualified purchasers" as that term is defined in section 2(a)(51) of the Investment Advisers Act of 1940. Registrant has discretion to assign an investor to either the "Onshore" Fund or the "Founders" Fund, provided the investor is eligible to invest in the Fund to which the investor is assigned. The Funds place no formal restrictions on the types of clients that may invest, provided that a prospective client satisfies these eligibility requirements, but Registrant may decline a proposed investment from any person. The minimum account is \$1,000,000 for institutional clients and \$500,000 for individuals.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

The Fund strives to protect capital in times of market stress, deliver superior risk adjusted absolute returns across all phases of the economic/investment cycle, and exploit competitive advantage to generate long-term investment results. The Fund seeks to generate alpha via successful long and short stock selection, active position sizing, and risk management. Its investment process combines top-down trend identification with bottom-up, proprietary research. The Investment Manager leverages long-term sector-level expertise and conducts extensive primary research to identify the most compelling investment opportunities. It constructs proprietary financial models for each company considered for a significant investment and monitors the landscape for dislocations between consensus and its own expectations. A disciplined real-time approach to monitoring risk/reward determines entry and exit points and interim position-sizing. With rare exceptions, a hard stop-loss of 25% is employed for single stock positions once the maximum single-position size (10%) has been reached. The Fund uses minimal leverage with maximum long exposure of 130% and maximum gross exposure (long plus short) of 200%, and takes a conservative approach to the use of derivatives and private/illiquid investments. The Fund itself intends to operate as a "best ideas" vehicle with approximately 30-40 stocks in the portfolio. No single position is allowed to exceed 10% of fund assets (at cost). In an effort to generate alpha, manage risk and support longs, there is also a heightened emphasis on the short book within the overall portfolio. Timely adjustments are made to maintain net exposure within the range of -30% to +60%. An investment in the Fund involves financial and other risks, including the risk of a loss of principal, and is suitable only for sophisticated investors for whom an investment in the Fund does not represent a complete investment program and who fully understand and are capable of bearing the risks of an investment in the Fund. Prospective investors should carefully review the risks involved in investing in the Fund and should evaluate the merits and risks of an investment in the Fund in the context of their overall financial circumstances. The following risk factors do not purport to be complete but should be considered carefully by investors.

- Absence of Operating History.

- Business Dependent upon Small Investment Team.
- Business and Regulatory Risks of Hedge Funds.
- Limited Liquidity of Investment in the Fund.
- Leverage and Financing Risk.
- Option Risks.
- Small and Medium Capitalization Companies.
- Short Sales.
- Hedging Transactions.
- Fixed Income Securities.
- Counterparty Risk.
- Trade Errors.
- Brokerage and Other Arrangements.
- General Risks of Foreign Investments.
- General Partner's Right to Dissolve the Fund.
- Tax-Exempt Investors.
- Absence of Regulatory Oversight.
- Performance Allocation; All Fees Set Without Negotiation.
- Possible Effect of Withdrawals from Capital Accounts.
- Potential Conflicts of Interest.

#### **Disciplinary Information**

This section requires disclosure of certain legal or disciplinary events that may be material to a clients or prospective client's evaluation of the Firm. The Firm has no legal or disciplinary events to disclose.

#### **Other Financial Industry Activities and Affiliations**

This section requires disclosure of Firm affiliations within the financial industry, such as broker dealers, other investment advisors, etc. The Firm has no financial industry affiliations to be disclosed in this section.

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

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the General Partner, its affiliates, and personnel. The General Partner recognizes that the personal investment transactions of affiliated persons of the organization demand the application of a high code of ethics and will require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, the General Partner believes that if investment goals are similar for clients and for affiliated persons of the General Partner, it is logical and even desirable that there be a common ownership of some securities.

In order to address any conflicts of interest, Cypress has adopted a Code of Ethics with respect to transactions effected by its affiliated persons. Cypress monitors compliance by its affiliated persons with its Code of Ethics by adopting a securities transaction reporting system for all of its affiliated persons to report certain of their personal securities transactions and holdings (in reportable securities) to the General Partner, and the General Partner is required to review such reports. Cypress will provide a copy of its Code of Ethics to any investor upon request by contacting Marc Mezzadri at (415) 291-9420.

In addition, pursuant to California Corporations Rules Section 260.238(k), before entering into or renewing an advisory agreement, the General Partner will provide in writing to its clients (upon request) any material conflict of interest relating to the Cypress, its representatives, or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice. This written notice will be delivered via this Brochure.

### **Brokerage Practices**

The Investment Manager will have the discretion to use one or more broker-dealers to effect securities transactions. The General Partner and the Investment Manager assume no responsibility for the actions or omissions of any broker or dealer selected by the Investment Manager in good faith to execute Fund transactions. In negotiating commission rates, the Investment Manager takes into account the financial stability and reputation of the broker, and the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, recordkeeping and other services provided by such broker (as described more fully below), even though the Fund may or may not in any particular instance be the direct or indirect beneficiary of the research or other services provided. In selecting brokers or dealers to execute transactions for the Fund, the Investment Manager will not solicit competitive bids and has no obligation to seek the lowest available commission cost. The Investment Manager may not always negotiate "execution only" commission rates. In addition to research, the services that may be provided to the Investment Manager by the Fund's brokers may include, without limitation, services such as special execution capabilities, clearance, settlement, net pricing, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, financial strength and stability, efficiency of execution and error resolution, quotation services, and the availability of securities to borrow for short sales.

The General Partner and Investment Manager have authority to enter into "soft dollar" arrangements with brokers on behalf of the Fund who agree to provide one or more of the following services for the Fund: custody, recordkeeping and similar services, as well as paying for a portion of the Fund's costs and expenses of operation, such as newswire and data processing charges, quotation services, periodical subscription fees and other reasonable expenses incurred by the Fund. The foregoing list of soft dollar services which may be received by the Investment Manager is extensive because of the diverse range of

the possible services which the Fund's brokers may provide. The Investment Manager currently allocates a portion of its commission dollars to pay other vendors. Specifically, these soft dollars are used to pay for Bloomberg and NYSE data feeds. None of the commission dollars go towards obtaining any special services or products that do not benefit the Fund. The Compliance department will determine if the soft dollar services are reasonable in relation to their cost and whether it is permissible to pay for those services with brokerage commissions. We review the price, trade execution quality, and expertise offered by the soft dollar broker in carrying out trades. We evaluate applicable products and services to decide if they can be fully or partially paid with soft dollars in compliance with applicable rules. Soft dollar commission rates are higher than non-soft dollar rates. The use of soft dollar commissions represents a conflict of interest. Without soft dollars, we would pay for certain research and brokerage services out of pocket with fee revenues rather than with client commissions. We have adopted strict compliance procedures to ensure that our soft dollar practices are consistent with our duty to achieve best execution and that soft dollar services represent fair and measurable value.

The Investment Manager may manage other portfolios and expects that the Limited Partnerships and other Funds it manages will, from time to time, purchase or sell the same securities. The Investment Manager may aggregate orders for the purchase or sale of securities on behalf of the Limited Partnership with orders on behalf of other portfolios the Investment Manager manages. Securities purchased or proceeds of securities sold through aggregated orders are allocated to the account of each portfolio managed by the Investment Manager that bought or sold such securities at the average execution price. If less than the total of the aggregated orders is executed, purchased securities or proceeds will generally be allocated pro rata among the participating portfolios in proportion to their planned participation in the aggregated orders. No portfolio will receive the lowest purchase price or the highest sale price in connection with such order unless all purchases or sales are at the same price. Investors in the Limited Partnerships should be aware that if the Investment Manager comes into possession of material inside information of an issuer in connection with one of the accounts it manages, it would be unable to trade securities issued by such issuer for all accounts under management until the information is made public.

In the event the Investment Manager places orders for the same security entered on behalf of more than one Limited Partnership, this will be done subject to the aggregation being in the best interests of all participating Limited Partnerships. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders; filled orders shall be allocated separately from subsequent orders.

Instances in which orders will not be aggregated include, but are not limited to, the following:

- Traders and/or portfolio managers determine that the aggregation is not appropriate because of market conditions and/or timing of the trade; and
- Portfolio managers must effect the transactions at different prices, making aggregation unfeasible.



### **Review of Accounts**

Reviews of each Fund's accounts are conducted on an ongoing basis by Registrant's principal, Brenden M. Smith, and at least quarterly are reviewed by the principal in greater depth. All reviews are undertaken to determine whether the Fund's portfolio reflects the investment strategies, restrictions and policies stated in the Fund's Confidential Private Placement Memorandum. Any accounts other than a Fund's accounts will be reviewed at such frequency and according to such criteria as may be agreed between Registrant and the client involved, but Registrant intends that such reviews generally will be conducted in substantially the same manner, and with substantially the same frequency, as reviews of a Fund's accounts.

Investors in each Limited Partnership will be provided with monthly performance snapshots and statements that provide substantial portfolio information including sector, geography and short/long positions. Investors will also receive quarterly letters, which announce material changes pertinent to the management of the firm and its funds.

### **Client Referrals and Other Compensation**

Although Cypress does not currently have any arrangements to compensate any person or third party for referrals, they may in the future compensate employees or third parties for investor or other business referrals. If this occurs, Cypress will pay a referral fee to the third party solicitor based on assets invested by the investor he/she introduced to one of the Funds managed by the Firm. All referral arrangements will comply with the relevant portions of SEC Rule 206(4)-3 and will be subject to a written agreement between Cypress and the solicitor.

### **Custody**

Cypress does not have custody of Client funds or securities. All Fund (client) assets are custodied at GSCO. GSCO sends a monthly custodial statement for the Funds to the Firm (the Funds' General Partner). Each investor in the Funds will receive a monthly statement of Net Asset Value from the Fund's Administrator.

### **Investment Discretion**

Cypress has full discretion to determine the identity and the amount of all securities to be bought and sold by each Fund, and to determine which broker or dealer is to be used in each transaction and the commission rates to be paid in such transactions.

The discretionary authority to make the above referenced decisions will vary based on the agreement that is in place with each client and the General Partner. Cypress will exercise its investment discretion consistent with its investment strategies as specified in the private placement memorandum and limited partnership agreement ("LPA") applicable to each client. Cypress's authority and discretion are limited by the boundaries of the private placement memorandum and the executed Power of Attorney in the LPA. Cypress's

authority may be subject to conditions imposed by a client in the LPA, including, without limitation, restrictions on transactions in securities issued by companies in a specific industry or direction as to the specific brokers and dealers that must be used to execute transactions.

### **Voting Client Securities**

The Firm votes all proxies on behalf of its Clients after carefully considering all proxy solicitation materials and other available facts. All voting decisions on behalf of a Client are based solely on the Firm's determination of the best interests of that Client after discussion with the portfolio manager or analyst, if deemed appropriate. The Firm uses reasonable efforts to respond to each proxy solicitation by the deadline for such response.

If the Firm is considering voting a proxy, it reviews all proxy solicitation materials it receives concerning securities held in a Fund. The Firm evaluates all such information and may seek additional information from the party soliciting the proxy and independent corroboration of such information when the Firm considers it appropriate and when it is reasonably available.

The Firm abstains from voting proxies when it believes that it is appropriate. Usually, this occurs when the Firm believes that a proposal holds negative but non-quantifiable implications for shareholder value but may express a legitimate concern. The Firm will also generally abstain in voting shares of a company where the Funds are fully boxed or have a net short position.

Due to the size and nature of the Firm's operations and the Firm's limited affiliations in the securities industry, the Firm does not expect that material conflicts of interest will arise between the Firm and a Client over proxy voting. The Firm recognizes, however, that such conflicts may arise from time to time, such as, for example, when the Firm or one of its affiliates has a business arrangement that could be affected by the outcome of a proxy vote or has a personal or business relationship with a person seeking appointment or re-appointment as a director of a company. If a material conflict of interest arises, the Firm will vote all proxies in accordance with "Proxy Voting Policies" above. The Firm will not place its own interests ahead of the interests of its Funds in voting proxies.

At the request of an investor, the Firm provides that investor with a report summarizing all proxy solicitations the Firm received with respect to the Fund in which that investor owns interests during the period requested and action taken by the Firm on each such proxy.

Investors may obtain a copy of the proxy voting policies by contacting Cypress.

### **Financial Information**

Cypress does not have any financial conditions that would be reasonably likely to impair our ability to meet contractual commitments to clients. In addition, Cypress has not been the subject of a bankruptcy petition in the last ten years.

