

# GREENBRIER PARTNERS CAPITAL MANAGEMENT, LLC

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

July 2012

This brochure provides information about the qualifications and business practices of Greenbrier Partners Capital Management, LLC. If you have any questions about the contents of this brochure, please call us at (214) 720-2060 or email Brian Kilburn at [bkilburn@greenbrierpartners.com](mailto:bkilburn@greenbrierpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

## **MATERIAL CHANGES**

Since the February, 2012 initial filing of Part 2A of Form ADV, the following material changes have occurred:

July 2012      Brian Kilburn assumed the duties of Chief Compliance Officer from Jennifer Williams.

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## **ADVISORY BUSINESS**

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### **Firm Description**

Greenbrier Partners Capital Management, LLC is a Texas limited liability company formed on September 30, 2011. We provide discretionary investment advice and management services to private investment funds. Frederick E. Rowe, Jr. is the managing member and principal owner.

### **Types of Advisory Services**

Our firm currently serves as the investment manager to a single pooled investment vehicle organized as a Texas limited partnership (the “Fund”), the interests of which are offered exclusively to investors on a private placement basis. Our investment advisory and management services include:

- Determining the investment objectives, approach, and strategy of the Fund;
- Identifying, researching and analyzing prospective investment opportunities;
- Managing the Fund’s portfolio (including making all of the trading decisions on behalf of the Fund); and
- Monitoring existing and potential investments.

We provide investment advice directly to the Fund and manage the investment portfolio according to the guidelines and risk parameters described in the Fund’s offering materials. We do not tailor investment advice to any particular investor in the Fund; therefore, prospective investors should carefully review the Fund’s offering materials and associated governing documents when determining whether the Fund meets their individual investment objectives and risk tolerance.

### **Assets under Management**

As of December 31, 2011, we managed approximately \$171 million of assets on a discretionary basis. We do not manage any assets on a non-discretionary basis.

## **FEES AND COMPENSATION**

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### **Fees**

Our firm does not charge an asset-based management fee and is not paid any compensation in exchange for our services to the Fund.

### **Expenses**

The Fund bears the operating and overhead expenses of both the general partner as well as the investment manager. These expenses are paid by the Fund as they are incurred and shall not exceed 0.5% of the Fund’s capital at the time of payment. The Fund’s expenses may vary with the size and scope of the Fund and may include:

- General overhead expenses, such as salaries, rent and technology-related expenses;
- Legal, audit, tax, registration and regulatory filing fees;
- Governmental charges, taxes and duties;

- Expenses associated with buying, selling or holding investments, such as brokers' trading commissions;
- Research tools and data subscriptions used in monitoring the portfolio and evaluating prospective investments;
- Certain other third-party expenses directly related to the administration of the Fund; and
- All costs of generating and mailing capital account statements or any other communications sent by our firm on behalf of the Fund.

Under certain limited circumstances and as permitted by law, the Fund may use "soft dollars" to pay for these costs. Our soft dollar practices are discussed under the section entitled "Brokerage Practices."

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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### **Performance-Based Fees**

Our firm does not receive a performance-based fee in exchange for our investment advice or management services to the Fund. However, the Fund's general partner is entitled to a performance-based profit allocation at the end of each year equal to 12% of the Fund's annual net profits, subject to a cumulative loss carryforward limitation (or "high water mark"). If an investor's account drops in value, then the general partner must bring it back above the previous greatest value (adjusted for any capital withdrawals) before receiving a performance allocation.

### **Side-by-Side Management**

We do not currently provide advisory services to any accounts other than the Fund. In the future, we may provide advisory services to other funds or separately managed accounts for high net worth individuals, trusts, estates, charitable organizations, individual retirement plans, corporations, limited partnerships, limited liability companies and similar entities. A separately managed account may either co-invest with the Fund or follow an investment strategy that is different from the Fund's strategy. In the event our firm advises accounts with differing compensation structures, we will update this brochure to disclose the details of the account management process.

### **Account Termination**

The Fund's general partner reserves the right to force the withdrawal of any limited partner's investment that constitutes less than 1% of the Fund's total assets under management upon ten days' prior written notice. The general partner may also force the withdrawal of any limited partner's investment as of the end of any fiscal year upon ten days' prior written notice if the general partner determines such withdrawal is in the Fund's best interest. Settlements are made in accordance with the Fund's partnership agreement, which is provided along with the Fund's offering materials to prospective investors prior to investing in the Fund.

## **TYPES OF CLIENTS**

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### **Description**

We currently provide investment advisory and management services to private investment funds. To date, Greenbrier Partners, Ltd. (the “Fund”) is our sole advisory client.

Investors in the Fund include high net worth individuals, individual retirement plans, private investment funds, corporations, and limited partnerships wishing to invest in accordance with the Fund’s investment objective.

### **Account Requirements**

The Fund generally requires a minimum investment of \$1 million. The general partner of the Fund may, in its sole discretion, waive any such minimums.

Investors in the Fund must meet the requirements for “accredited investors” under the 1933 Act and “qualified clients” under the Investment Advisers Act of 1940, and, in some cases will also be required to be “qualified purchasers” under the 1940 Act.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

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

The Fund’s investment objective is to protect and grow capital in a tax-efficient, inflation-adjusted manner over time.

We currently utilize a single investment strategy when managing the Fund’s investments which is constructing and maintaining a concentrated, long-only portfolio. The Fund’s portfolio is primarily invested in fifteen to twenty-five publicly-traded U.S. equities, and its composition is not bound by industry-weightings or individual position size constraints. In general, the top fifteen positions represent about 85% of the Fund’s portfolio.

Our investment process focuses on selecting stocks within compelling themes. We primarily seek to identify and purchase shares of what we consider to be quality, well-managed companies trading at attractive valuations. Idea generation and stock selection is driven by the Fund’s managing member, Frederick E. Rowe, Jr. Our investment team assists Mr. Rowe in all aspects of the investment process including fundamental research-driven analysis.

We do not attempt to time the market and maintain a long-term investment horizon. We will sell a stock if: (a) the original investment thesis no longer holds; (b) the stock becomes extremely over-valued; or (c) we identify a much more compelling opportunity.

### **Risk Factors**

We actively seek to manage the Fund’s investments within what we believe to be acceptable risk parameters. However, it is not possible to successfully identify and fully mitigate all of the risks associated with investing. Any investment includes the risk of losing capital, and there can be no

assurance of future performance. We do not guarantee the success of any investment strategy, decision or management process or that any particular level of performance will be achieved. Investment decisions made for the Fund are subject to various market, currency, economic, political and business risks, and those investment decisions will not always be profitable.

Investors are reminded that investing in any security entails risk of loss which they should be willing to bear. More specifically, these risks are detailed in our offering materials and include (but are not limited to):

*Speculative Investments / Illiquidity.* Investing in securities is a highly speculative activity. There is no assurance that the Fund will not lose some or all of its investment in certain securities.

*Performance Allocation.* The performance allocation made to the general partner may create an incentive for the investment manager, an affiliate of the general partner, to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation.

## **DISCIPLINARY INFORMATION**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of our firm or the integrity of our employees and/or management personnel. We have no information to disclose that is applicable to this section.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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### **Related General Partner**

Greenbrier Partners GP, LP, a related entity, is the general partner of the Fund. Greenbrier GP, LLC acts as the general partner to Greenbrier Partners GP, LP. Frederick E. Rowe, Jr. ultimately owns and controls both entities.

## **CODE OF ETHICS AND PERSONAL TRADING**

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### **Code of Ethics**

We have adopted a Code of Ethics which describes the general standards of conduct we expect of all owners and personnel (collectively referred to as “employees”) in accordance with SEC requirements. The basic tenant of our Code of Ethics is that the interests of the Fund are always placed first. It focuses on specific areas where employee conduct has the potential to affect our clients’ interests adversely. Our Code of Ethics requires employees to submit an annual report that sets forth all of their current holdings to the Chief Compliance Officer and the Fund’s managing member. Certain employee trades must be reviewed and approved by our Chief Compliance Officer on a quarterly basis.

This section only represents a summary of key provisions in our Code of Ethics. We provide a copy of our entire Code of Ethics to any prospective investor in the Fund or any current investor in the Fund that requests one.

### **Personal Trading**

Our firm, or individuals associated with our firm, may buy, sell, or hold in their personal accounts the same securities that we recommend to our clients and in accordance with our internal compliance procedures. Such trades must either (a) occur at least the day after trades are placed on behalf of our clients or (b) occur the same day as long as the same or worse price is applicable to the employee. Individuals associated with our firm may purchase open-ended mutual funds for their own accounts without restriction. We do not allow front running.

To manage and mitigate potential conflicts of interest, we have established the following policies in our Code of Ethics, which is available to any client or investor upon request:

- An officer, director, or employee of our firm shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with our firm, unless the information is also available to the investing public on reasonable inquiry.
- Non-public information received by any firm personnel is not to be communicated to others, or to be the basis of any personal or client trades.
- No person associated with our firm shall prefer his or her own interest to that of any client.
- Personal securities trades of IPO’s and private placements must be pre-approved by the Chief Compliance Officer.
- All personal trades must be submitted on a quarterly basis for review. Annual reports of personal securities holdings are also provided to the Chief Compliance Officer for review.
- Gifts received from vendors are to be of nominal value.
- Firm personnel must report all outside business activities for approval from the Chief Compliance Officer, and firm personnel may be directors of publicly traded entities only with prior approval of the Chief Compliance Officer.
- Our firm and our employees must always comply with all applicable securities laws.



## **BROKERAGE PRACTICES**

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### **Selecting Brokerage Firms**

In general, our firm has the authority to determine the brokers and other counterparties to be used for portfolio trades and to negotiate commission rates and other monies paid by the Fund. We select broker/dealers on the basis of obtaining the best overall terms available which we evaluate based on a variety of factors, including among other things: the financial stability and reputation of the particular broker/dealer, the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected and the brokerage and research services provided by such broker/dealer. 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 for the purchase and sale of securities, we seek best net execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers which we believe to be responsible and provide effective execution of trade orders under conditions most favorable to our account and may not be the lowest price available.

### **Soft Dollar Practices**

Currently, our firm has engaged in one Master Commission Management Agreement with BTIG, LLC whereby we pay a higher commission rate for executions in order to generate soft dollar credits that can be used to pay for research expenses. The research products and services provide lawful and appropriate assistance to us in the performance of our investment decision-making responsibilities.

## **REVIEW OF ACCOUNTS**

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### **Oversight and Monitoring**

We continuously monitor the Fund's investments. Reviews include an assessment of daily profit and loss reports as well as an evaluation based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and other considerations we deem appropriate.

### **Reporting**

On a monthly basis, we distribute a letter which reviews the Fund's performance. The monthly letter may include a discussion of specific positions, investment themes, and/or a market outlook written by our managing member with assistance from the investment team. Annually, each investor in the Fund receives a K-1 statement and a copy of the Fund's audited financial statements directly from the auditor or fund administrator.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

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We do not receive any economic benefit from non-investors for providing advisory services, nor do any employees.

Our firm does not compensate outside individuals or entities for referring clients.

## **CUSTODY**

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All of the Fund's assets are held by unrelated "qualified custodians," as such term is defined by Rule 206(4)-2 under the 1940 Act, as amended. In addition, we use a Public Company Accounting Oversight Board registered and inspected accounting firm to audit the Fund's financial statements annually. A copy of the audited financial statements is provided to investors within 120 days of the Fund's fiscal year end.

## **INVESTMENT DISCRETION**

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### **Discretionary Authority**

Our firm accepts discretionary authority to manage the Fund's securities account. Essentially, this means that we have the authority to determine, without obtaining specific investor consent, which securities to buy or sell and the amount of securities to buy or sell, the broker through which we effect trades, and the commission rates at which we effect trades. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in the Fund's private placement memorandum and/or managed account agreements. Our managing member, Frederick E. Rowe, has sole authority to place trade orders on behalf of the Fund.

Prior to providing investment advice to any managed accounts, our firm would require each client to appoint us as agent and attorney-in-fact of its portfolio. This gives our firm complete discretionary authority to buy and sell any investment securities and instruments in the amounts and at the prices that it determines, subject to any limitations that may be imposed in the client's managed account agreement.

## **VOTING AND CLIENT SECURITIES**

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### **Proxy Voting Procedures**

We have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to investors. The Fund usually holds an immaterial ownership of any company (less than 5%); therefore, we do not typically vote on proxies. However, we will vote on proxies in important cases where we feel our vote will have an impact. In these instances, we always strive to vote proxies in a manner consistent with our investors' best interest. Our officers, directors and employees will not be influenced by outside sources whose interests conflict with investor's interests. Our firm determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting.

## **FINANCIAL INFORMATION**

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Our firm does not require nor does it solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, so is not required to provide financial information in this section.

We do not believe any financial condition exists that is reasonably likely to impair our ability to meet contractual commitments to the Fund or its investors.

We have never been the subject of a bankruptcy petition.

## **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

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This section is not applicable to our firm as it is not registered with any state securities authority.