

**Item 1 – Cover Page**

**Talara Capital Management, LLC**

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**New York, NY 10022**

**(646) 396-6040**

**March 31, 2013**

This Brochure provides information about the qualifications and business practices of Talara Capital Management, LLC (“Talara”). If you have any questions about the contents of this Brochure, please contact us at (646) 396-6040. 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.

Talara is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Talara also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Talara is 158866.

## Item 2 – Material Changes

This is Talara’s filing of the Form ADV Part 2A Brochure.

In the future, this Item 2 (“Material Changes”) will inform you about any material changes to our policies and practices so that you can determine whether to review the brochure in its entirety or to contact us with questions about the changes. As required, we will also reference the date of our last annual update of our brochure.

This brochure and the individual Part 2B Supplements provide you with information about our business practices and qualifications, which we will provide to you on at least an annual basis. Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. In addition, we will also provide you with a new, updated Brochure as necessary based on material changes or based on certain changes required to be updated by the instructions to the SEC’s Form ADV at any time, without charge.

Currently, our Brochure may be requested by contacting us at (646) 396-6040.

Additional information about Talara, including a copy of our brochure, is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with an adviser who are registered, or are required to be registered, as investment adviser representatives.

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## Item 4 – Advisory Business

Talara is owned by David Zusman and Andrew Heyman and has been providing advisory services since January 1, 2011. As of February 28, 2013, Talara managed \$129,704,560 on a discretionary basis.

Talara provides investment advisory services on a discretionary basis to pooled investment vehicles including Talara Fund, LP, Talara International Fund, Ltd. and Talara Master Fund, Ltd. (each a "Fund" and, collectively, the "Funds") and for separately managed accounts (the "Accounts") intended for institutional investors and other sophisticated investors. Collectively, the Funds and Accounts advised by Talara are hereinafter referred to as "Clients."

The Funds are long/short investment vehicles that invest primarily in publicly traded equities but also in commodity futures and debt or similar investments. These investments will be made primarily in the commodity, infrastructure and industrial sectors of the global economy.

Talara Fund, LP and Talara International Fund, Ltd. are "Feeder Funds" established to address certain tax or regulatory requirements. Each Feeder Fund is a shareholder of Talara Master Fund, Ltd. "Master Fund," and shares in such Master Fund would be held by the investors who elect to participate in the Master Fund through such Feeder Funds. Rather than make portfolio investments directly, each Feeder Fund will invest substantially all assets in a "master-feeder" structure in the Master Fund. In general, all portfolio investments will be held at the Master Fund level, although each Feeder Fund has the authority to make investments directly. Prospective investors are requested to refer to the Offering Documents of the applicable Fund for complete details.

Talara will invest all Accounts with substantially similar mandates in a similar manner (subject to very limited client account restrictions and to the extent possible given account size, starting date, and date of subsequent contributions or distributions), and a policy is in place to ensure that trades executed in all accounts are treated *pari passu*.

## Item 5 – Fees and Compensation

All investors and prospective investors should review the Governing Documents of each Fund in conjunction with this brochure for complete information on the fees and compensation payable with respect to a particular Fund. Different Funds and Accounts may be subject to different management fees and performance-based compensation arrangements. In certain circumstances, the advisory fees payable to Talara and/or the incentive allocation payable to Talara's affiliated General Partner may be negotiable or waived. Management fees are deducted from the Master Fund by Talara and payable quarterly in advance. Investors and prospective investors in each Fund should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees. All Clients are "qualified purchasers" as defined in Section 2(a)(51) of the Company Act.

Talara's fees are exclusive of investment expenses such as commissions, transaction fees, margin interest and other related costs and expenses which are incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties, custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Talara's fee, and Talara does not receive any portion of these commissions, fees and costs. Item 12 further describes the factors that Talara considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

In the event that Talara is not acting as Investment Manager for an entire quarter, the management fee for such quarter will be prorated to reflect the portion of such quarter in which the Investment Manager is acting as such under the management agreement.

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

In addition to the management fees which Talara receives as Investment Manager, a general partner of the Funds may be entitled to receive performance-based compensation (*i.e.*, Incentive Allocation) from Accounts or investors in the Funds. For investments in the Funds, Talara's affiliated General Partner, Talara GP, LLC may receive an annual Incentive Allocation, calculated on each series of shares, partnership interest or Account interest, equal to between 10% and 20% of the annual basis of appreciation in the Net Asset Value of each series of shares, partnership interest or Account interest subject to a customary loss carryforward provision or "High Water Mark." Accounts may be subject to different performance fee terms to those of the Funds.

The Incentive Allocation will be made in conformity with Section 205 of the 1940 Act and Rule 205-3 thereunder. See each Fund's relevant confidential private placement memorandum, limited partnership agreement, investment advisory contract and other governing documents for more detail. The performance-based compensation may create an incentive for Talara to cause the Funds to make investments which may be riskier or more speculative than those which would be made under a different compensation arrangement.

## **Item 7 – Types of Clients**

All Clients are “qualified purchasers” as defined in Section 2(a)(51) of the Company Act. The Funds advised by Talara generally will be open to investment only by persons that are both “accredited investors” within the meaning of Regulation D of the Securities Act of 1933, as amended and “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended.

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

### Methods of Analysis and Investment Strategy

Through a research-intensive and fundamental approach to investing, the Funds will make both long and short investments primarily in publicly traded equities but also in commodity futures, debt or similar investments. These investments will be made primarily in the commodity, infrastructure and industrial sectors of the global economy. Within these sectors, the Funds will typically invest in companies that have real assets and produce tangible goods. Many of these companies are interconnected across industry supply chains and experience cyclical supply-demand imbalances.

The Funds may hold both long and short investments. For long investments, the Funds will typically seek to identify companies that are (i) trading at a discount to the Investment Manager's assessment of the company's intrinsic value, (ii) are levered to secular growth opportunities, (iii) have sustainable business models with long-term competitive advantages, (iv) generate high returns on investment and free cash flow, and (v) are managed by competent and shareholder-oriented management teams.

For short investments, the Funds will typically seek to identify companies that are (i) overvalued, (ii) have an identifiable catalyst to reduce this valuation premium, (iii) have an unattractive business model with decelerating rates of growth/profitability and (iv) have weak management teams. The Investment Manager typically will use leverage in connection with investments, and the Funds' gross exposure (i.e., long positions plus short positions divided by total equity) is expected to be 50% to 150%, but may at times be

higher. Further the Funds' portfolio may be concentrated (e.g., a core long position may be 10% or higher).

Talara will employ a disciplined investment process in conducting bottom-up fundamental research for both long and short positions. Generally, Talara will conduct proprietary research by speaking to a company's management, customers, competitors, suppliers, distributors and industry experts to assess a specific investment opportunity and obtain a real-time picture of the evolving competitive landscape. In addition to meetings with senior level management and midlevel field contacts at both public and private companies, ideas may also be sourced through a review of corporate filings, industry publications and proprietary screens. Additionally, further research is often conducted on secondary ideas that are downstream or upstream from the original industry point of contact.

### Risk of Loss

#### **Investing in securities involves risk of loss that Clients should be prepared to bear.**

All investments present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities.

Investment in the Private Funds may be deemed a highly speculative investment and involves significant risk, suitable only for persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment and who meet the conditions set forth in the relevant offering documents. There can be no assurances that the Funds will achieve their investment objective. Investment in the Fund's carry with it the inherent risks associated with investments in equity securities, as well as additional risks including, but not limited to, the use of leverage, short sales and investments in commodity futures and debt or similar investments.

*Leverage* – The Funds will utilize leverage as part of their investment strategy. Leverage increases returns to investors if the Funds earn a greater return on leveraged investments than the Funds' cost of such leverage. However, the use of leverage exposes the Funds to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds' cost of leverage related to such investments. In the case of a sudden, precipitous drop in value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to repay their borrowings, further magnifying the losses incurred by the Funds.

In an unsettled credit environment, Talara may find it difficult or impossible to obtain leverage for the Funds. Since leveraging its assets is part of the investment strategy of the Funds, in such event the Funds may find it difficult to fully implement their strategy. In addition, any leverage obtained, if terminated on short notice by the lender, may result in Talara being forced to unwind positions quickly and at prices below what Talara deems to be fair value for the positions.

*Short Selling* – Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales will depend upon Talara’s investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such case, the Funds can be “bought in” (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

*Sector Related Risks* - The value of the Funds’ portfolios may be particularly vulnerable to factors affecting certain sectors, including, but not limited to, the energy, utility, basic material, industrial and transportation sectors. Such sectors may be subject to increasing regulation by both the U.S. And foreign governments, obligations to comply with environmental and other governmental mandates, developments in the particular industry, conservation incentives and mergers, takeovers or acquisitions. Increased regulations or restrictions may, among other things, increase compliance costs, decrease profitability and/or affect business opportunities for the companies in which the Funds invest.

Because the Fund’s investment portfolio (both on the long and short side) will contain investments in such sectors, the value of the Funds’ portfolios may rise and fall more than the value of similar investment vehicles that invest more broadly. The value is also affected by changing commodity prices, which can be highly volatile and are subject to risks of oversupply and reduced demand.

*Commodity & Futures Contracts* – Trading in commodity and futures contracts and options thereon are highly specialized activities which while they may increase the total return in the Funds’ investments, may entail greater than ordinary investment risk.



Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, Talara could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

*Options* – Talara may, on behalf of the Funds, purchase and sell (“write”) options on equities on national and international securities exchanges. The seller (“writer”) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security, receives a premium for writing the put option, but gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

The writer of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the value of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Options may be cash settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

The risks of loss described herein should not be considered to be an exhaustive list of all the risks which Investors should consider. Investors should refer to the applicable Offering Documents for additional information on risk factors and risk of loss.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Talara or the integrity of Talara's management. Talara has no information applicable to this Item.

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

Talara is under common control with Talara GP, LLC, a Delaware limited liability company, which is the general partner for the Talara Fund, LP, Talara International Fund, Ltd. and Talara Master Fund, Ltd.

The sole compensation received by Talara and its management persons is for investment advisory services. Talara is not a broker-dealer, Commodity Pool Operator, Commodity Trading Adviser or Futures Commission Merchant and none of its management persons are associated representatives of a broker-dealer or such regulated entity. As a result, there is no conflict regarding the receipt of related compensation that might otherwise be associated with the ability to receive such related compensation in connection with Talara's investment advisory services.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

Talara has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Talara's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth Talara's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with Talara may buy or sell securities for their personal accounts identical or different than those recommended to clients subject to pre-approval and waiting periods. It is the expressed policy of Talara that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, Talara requires that anyone associated with this advisory practice with access to advisory recommendations provide initial holdings reports, annual securities holding reports and instruct their brokerage firm to provide duplicate broker trade confirmations and account statements to the firm's principal. Talara also requires such access persons to receive approval from the Chief Compliance Officer prior to investing in any IPO's or private placements (limited offerings).

Talara's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. Talara requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

Talara will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

### *Broker Selection*

Talara is granted the discretionary authority in the relevant Offering Documents of the Funds and/or investment management agreements to determine the broker or dealer to be used and the commission rates to be paid. In selecting brokers or dealers to execute transactions, Talara is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Talara's practice to negotiate "execution only" commission rates; thus the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate. In determining the broker or dealer to be used for each securities transaction, the Investment Manager shall conform to and be in accordance with the provisions of the Fund's Governing Offering Documents, as amended from time to time and delivered by Talara.

### *Research and Other Soft Dollar Benefits*

Talara uses client brokerage commissions to obtain research or other products or services. This is a benefit to Talara, as Talara does not have to pay for such research, products or services. Talara may have an incentive to select a broker dealer based upon receiving such benefits, rather than on clients' interest in receiving most favorable execution. Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and

brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be an expense of the Funds, Talara will limit the use of Commissions to obtain services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market (research)); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. The use of Commissions arising from investment transactions for services other than research and brokerage will be limited to services that would otherwise be an expense of the Funds. The use of Commissions to obtain such other services would be outside the parameters of Section 28(e). Similarly, because Section 28(e) relates only to the use of commissions on equity transactions, the use of commissions, mark-ups or other compensation on transactions in instruments other than equity securities would be outside the parameters of Section 28(e).

In some instances, Talara may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, trade analytical software or proxy services). In such instances, Talara will make a good faith effort to determine the relative proportion of the product or service used to assist in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Talara in carrying out its investment decision-making responsibilities will be paid through Commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Talara from its own resources.

Research, products or services received from soft dollar benefits generally serve to benefit all clients. Talara allocates soft dollar benefits to clients proportionately to any soft dollar credits generated.

### *Aggregation and Allocation*

Talara, at its discretion, may aggregate orders in the same security for Funds and Accounts transacting in that security and will generally allocate the securities or proceeds arising as a result of the transactions (and the related transaction expenses) on an average price basis. Exceptions to pro-rata allocations may occur when appropriate. Talara believes that by aggregating orders, commission rates and transaction costs may be reduced as a result of such aggregation. However, in certain instances, average pricing may result in higher or lower total net execution price than otherwise obtainable by effecting transactions separately. Talara believes that aggregating orders contribute to seeking best execution.

## **Item 13 – Review of Accounts**

### **Reviews:**

Talara's portfolio managers, risk management and operations staff are responsible for monitoring investment performance and executing purchases and sales of securities on behalf of the Client portfolios. The portfolio managers review the Client's accounts and exposures on a regular basis. With the assistance of third-party administrators the operations and accounting department reconcile the accounts on a daily basis. Portfolio positions are updated daily and are reviewed by Talara on a daily basis.

### **Reports:**

The Funds will send unaudited monthly statements and letters regarding performance at least quarterly. Further, each of the Funds will prepare and mail to each investor a financial report audited by such Fund's independent auditors after the end of each fiscal year. Investors will also receive unaudited performance reports at least quarterly. With respect to each of the Domestic Funds, each investor will receive tax information that is necessary for the completion of such investor's U.S. tax returns.

Performance results for managed accounts are calculated on at least a quarterly basis and reported to the investor as soon as reasonably practicable.

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

Talara does not currently compensate any third-party for client referrals.

## **Item 15 – Custody**

It is Talara’s policy to cause each Fund with assets over which Talara is deemed to have “custody” to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, Talara will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

## **Item 16 – Investment Discretion**

As investment adviser to the Investment Portfolios, Talara is granted the discretionary authority in the relevant organizational documents and/or investment management agreements to determine which securities and the amounts of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account.

When selecting securities and determining amounts, Talara observes the investment policies, limitations and restrictions of the Clients for which it advises. Investment guidelines and restrictions must be provided to Talara in writing.

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

Unless otherwise advised by written notice from Clients, the Talara shall vote proxies with respect to securities in a manner consistent with the Client's proxy voting policies, a copy of which has been provided in writing by the Client to Talara. In the absence of any applicable provision of the policies and procedures in effect from time to time, Talara, in voting proxies will not subordinate the economic interests of Clients to any other entity or interested party and will vote in the best interest of shareholders and in a manner that is

consistent with Talara's fiduciary responsibilities. Additional information about Talara's Proxy Policy and proxy voting history is available upon written request to Binish Bulsara, Chief Compliance Officer (646) 396-6040.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Talara's financial condition. Talara has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.