

## ITEM 1: COVER PAGE

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### Part 2A of Form ADV: Firm Brochure

#### BRAHMAN CAPITAL CORP.

March 2013

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*This brochure (this “Brochure”) provides information about the qualifications and business practices of Brahman Capital Corp. (“Brahman”). If you have any questions about the contents of this Brochure, please contact Brahman at (212) 681-9797 and/or Richard Grossman at [rgrossman@bccny.com](mailto:rgrossman@bccny.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.*

*Brahman is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

*Additional information about Brahman is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **ITEM 2: MATERIAL CHANGES**

Brahman is required to identify and discuss any material changes made to this Brochure since the last annual update (which was filed in February 2012). No material changes have been made to this Brochure since the last annual update.

Brahman recommends that you read this Brochure in its entirety. If Brahman makes any material changes to this Brochure, this Item will be revised to include a summary of such changes.

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## ITEM 4: ADVISORY BUSINESS

### *General Description of Advisory Firm and Advisory Services*

Brahman is a corporation organized under the laws of the State of Delaware that serves as the investment manager of five long/short private investment funds and two long-concentrated private investment fund (each, a “Fund” and, collectively, the “Funds”). The long/short Funds include Brahman Partners II, L.P., Brahman Institutional Partners, L.P., Brahman Partners III, L.P., Brahman C.P.F. Partners, L.P., and Brahman Partners II Offshore, Ltd. and the long-concentrated Funds include Brahman Partners IV, L.P. and BH Investments Fund, L.L.C. The “U.S. Partnership Funds” include Brahman Partners II, L.P., Brahman Institutional Partners, L.P., Brahman Partners III, L.P., Brahman C.P.F. Partners, L.P., and Brahman Partners IV, L.P. The “U.S. Funds” include the U.S. Partnership Funds and BH Investments Fund, L.L.C. The “Offshore Fund” is Brahman Partners II Offshore, Ltd.

Brahman was formed in 1989 by its three founding partners and portfolio managers, Robert J. Sobel, Mitchell A. Kuflik, and Peter A. Hochfelder, and began managing a private investment fund in 1991. Brahman is primarily owned by Messrs. Sobel, Kuflik, and Hochfelder and certain entities established for the benefit of such persons and their families. The firm’s office is located in New York, New York.

Brahman and the general partner of the U.S. Partnership Funds have together filed a single Form ADV in reliance on the position expressed by the SEC in American Bar Association, Business Law Section, SEC No-Action Letter (January 18, 2012). Accordingly, the general partner of the U.S. Partnership Funds is not separately registered as an investment adviser with the SEC, but is considered to be a registered investment adviser by virtue of Brahman's registration with the SEC.

As used herein, the term “client” generally refers to each Fund.

*This Brochure generally includes information about Brahman and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.*

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Shares in the Offshore Fund are offered on a private placement basis to U.S. tax-exempt entities, and, in accordance with Regulation S of the Securities Act, with respect to non-U.S. persons, and subject to certain other conditions, which are fully set forth in the offering documents for the Offshore Fund. The interests in the U.S. Funds are offered on a private placement basis pursuant to Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “Company Act”), to persons who are “accredited investors” as defined under the Securities Act and, if applicable, “qualified purchasers” as defined under the Company Act, and subject to certain other conditions, which are set forth in the offering documents for the U.S. Funds. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein.*

*Any such offer or solicitation will generally be made only by means of a confidential memorandum.*

### *Investment Strategies and Types of Investments*

The Funds' principal investment objective is to achieve attractive risk-adjusted absolute returns while seeking to minimize the risk to principal. Each long/short Fund seeks to generate returns through individual stock selection on both its long and short holdings. Each long/short Fund's long and short positions primarily consist of equity and/or equity-related securities of U.S. or non-U.S. corporations, partnerships, or other entities that Brahman believes to be undervalued or overvalued, respectively. Each Fund's investments include "special situations" involving the securities and other financial instruments of issuers that are engaged in extraordinary corporate events, such as CEO changes, spin-offs, takeover attempts, mergers, tender offers, bankruptcies, liquidations, leveraged buyouts, stock repurchase programs, and other forms of corporate restructurings.

The long-concentrated Funds focus primarily on long positions in equity or equity-related securities of U.S. and non-U.S. companies that Brahman believes to be undervalued and generally includes all of the long positions in the long/short Funds. Please see Item 8 for a more detailed description of the Funds' investment strategies.

*The descriptions set forth in this Brochure of specific advisory services that Brahman offers to clients, and investment strategies pursued and investments made by Brahman on behalf of its clients, should not be understood to limit in any way Brahman's investment activities. Brahman may offer any advisory services, engage in any investment strategy, and make any investment, including any not described in this Brochure, that Brahman considers appropriate, subject to each client's investment objectives and guidelines. Investments in a Fund are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment in such Fund. There can be no assurance that the investment objectives of any client will be achieved.*

### *Availability of Customized Services for Individual Clients*

The Funds are managed by Brahman according to the specific terms disclosed in each Fund's confidential memorandum and/or governing documents. The principal investment objective of the Funds is to achieve attractive risk-adjusted absolute returns while seeking to minimize the risk to principal with a focus on company management. Brahman's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents and/or governing documents.

### *Assets Under Management*

As of December 31, 2012, Brahman managed approximately \$1.56 billion on a discretionary basis on behalf of the Funds.

## ITEM 5: FEES AND COMPENSATION

### *Advisory Fees and Compensation*

Each Fund (i) pays Brahman a fixed management fee generally payable in advance on the first business day of each calendar quarter (and such management fee is amortized monthly by the applicable Fund over the quarter for which such management fee is paid) in an amount between 1% and 2% per annum depending on the liquidity option selected by an investor and (ii) and pays or allocates to Brahman (or its affiliate that serves as the general partner of the applicable Fund) an annual performance-based fee or allocation payable or allocable generally at the end of each fiscal year in an amount up to 20% of the net profits of such Fund, subject to a high water mark, a hurdle, and/or other terms. Additional details regarding the management fee and the performance-based fee/allocation terms applicable to each Fund can be found in such Fund's confidential memorandum and/or governing documents.

In the event that a client's net asset value is reduced in connection with a withdrawal or redemption by an investor from a Fund other than as of the last day of a quarter, Brahman will return to such client an amount equal to the pro rata portion of the management fee, based on the actual number of days remaining in such quarter, and such Fund will distribute such amount to the investor. Upon the complete or partial withdrawal or redemption by an investor in a Fund other than at the end of a fiscal year, the performance-based fee/allocation, if any, will be paid or allocated with respect to the amount being withdrawn or redeemed, as applicable.

The above noted management fee and performance-based fee/allocation may be waived or reduced at Brahman's discretion with respect to any investor, including investors that are affiliates or employees of Brahman, members of the families of such persons, and trusts or other entities for their benefit, without the approval of any other investors. Brahman has entered into reduced fee arrangements with certain investors in the Funds that are not provided to other investors.

### *Prepayment of Fees*

Fees and compensation paid to Brahman or its affiliates by the Funds are generally deducted from the assets of such clients. As discussed above, management fees are generally deducted on a quarterly basis, in advance and performance-based fee/allocation is generally deducted on an annual basis at the end of a fiscal year or at an earlier date during a year if an investor in a Fund withdraws or redeems during such fiscal year.

### *Additional Fees and Expenses*

The below expenses may not be applicable to all of the Funds. To the extent permitted under the applicable offering documents and/or governing documents, each Fund generally bears its own operating and other expenses, including, without limitation: the management fee; investment expenses (e.g., expenses that Brahman or its affiliates reasonably determine to be related to the investment of the Funds' assets, such as brokerage commissions (see Item 12 for more information on brokerage expenses); expenses relating to short sales, research expenses, clearing and settlement charges, custodial fees, bank service fees, interest expenses, and fees to professionals incurred in connection with considering and structuring investments); fees and salaries of the

members of the Board of Directors of the Offshore Fund (the “Directors”); fees and disbursements of an administrator; legal expenses and disbursements, including legal fees and disbursements to counsel to the Directors; all out of pocket expenses of investment banking, consulting, due diligence, and other professional services provided by third-party service providers, other than Brahman or any of its affiliates, insurance in relation to the activities of a Fund; transfer, registration, and similar expenses incurred by a Fund; organization and conduct of its Directors' and shareholders' meetings, in the case of the Offshore Fund (including expenses incurred in connection with the attendance of a representative of Brahman at such meetings); professional fees (including, without limitation, expenses of consultants and experts) relating to investments; accounting expenses (including the cost of accounting software packages); auditing and tax preparation expenses; maintenance of all of its corporate records and books of account, including, without limitation, accounting and auditing fees and disbursements; the preparation and distribution of all reports and other communications with investors; the valuation of the securities of a Fund and the publications thereof and the calculation of the net asset value of the interests or shares, as applicable; taxes; corporate licensing; regulatory expenses (including filing fees and similar fees, including such expenses with respect to transactions that are not consummated, in each case, provided that such amount was not otherwise reimbursable by any person in which such Fund invests or proposes to invest); organizational expenses; trading software; the Funds' communications with the public; other operations and expenses not related to functions assumed by Brahman; and its overhead expenses, including, without limitation, rent, insurance, equipment, salaries, postage, courier delivery, and telephone; expenses incurred in connection with the offering and sale of the interests; expenses incurred with issuing, transferring, and redeeming shares or interests, or a portion thereof, and paying dividends or making other distributions thereon and other similar expenses related to the Funds; and extraordinary expenses, such as litigation expenses.

If any of the above expenses are incurred jointly for the account of more than one Fund, such expenses will be allocated among the Funds and such other accounts in proportion to the net asset value of each Fund that participated in the investment to which the expense relates, in the activity that generated the expense, or in such other manner as Brahman considers fair and reasonable.

#### *Additional Compensation and Conflicts of Interest*

Neither Brahman nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Brahman and its affiliates accept performance-based compensation from every Fund. As a result, Brahman and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based compensation from some clients but not from other clients.



## **ITEM 7: TYPES OF CLIENTS**

Brahman generally provides investment advice to the Funds, as described above. Brahman may in the future provide investment advice to separately managed accounts for institutional and other investors.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### *Methods of Analysis and Investment Strategies*

*The descriptions set forth in this Brochure of specific advisory services that Brahman offers to clients, and investment strategies pursued and investments made by Brahman on behalf of its clients, should not be understood to limit in any way Brahman's investment activities. Brahman may offer any advisory services, engage in any investment strategy, and make any investment, including any not described in this Brochure, that Brahman considers appropriate, subject to each client's investment objectives and guidelines. There can be no assurance that the investment objectives of any client will be achieved.*

Brahman's overall strategy with respect to the Funds is to seek to construct a portfolio in which performance is determined by stock selection and not by overall market direction. The long/short strategy is a fundamental strategy focused primarily on disciplined free cash flow value investing with a strong emphasis on the quality of company management. Brahman's investment ideas are derived from a variety of sources. Given Brahman's management focus, Brahman typically meets, or speaks with, the CEO of every core position. Brahman also conducts an in-depth financial analysis with a focus on free cash flow generation, balance sheet health, and business quality. Additional sources of research include Wall Street research for background on specific industries, SEC public filings, and construction of proprietary models.

Long positions are generally established by first identifying and vetting what Brahman believes to be superior management teams with a prior track record of delivering shareholder value and who also have a substantial equity incentive. For long positions, Brahman utilizes proprietary text based screens to identify investment opportunities driven by CEO changes, spin-offs, merger related situations, and bankruptcy reorganizations. Identifying undervalued securities and other assets is difficult and there are no assurances that such a strategy will succeed. Furthermore, the Funds may be forced to hold such investments for a substantial period of time before realizing any anticipated value.

Short positions are generally established in companies that Brahman believes are fundamentally broken yet overvalued in spite of deteriorating financials and structural competitive issues. For short positions, Brahman utilizes proprietary quantitative screens for balance sheet and quality of earnings issues. If a security that is sold short rises in price, the short seller will lose money. Since there is no limit on how much a security's price may rise, securities sold short are subject to unlimited risk of loss. The Funds mostly invest in equity or equity-related securities, but may invest in other instruments from time-to-time as deemed appropriate for the Funds.

### *Risk Factors*

*The following risk factors may not be applicable to all of the Funds. Investments in a Fund are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment in such Fund. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully*

*described in the applicable Fund's offering documents. These risk factors include only those risks Brahman believes to be material, significant, or unusual and relate to particular significant investment strategies or methods of analysis employed by Brahman and do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by Brahman.*

*Material, Significant, or Unusual Risks Relating to Investment Strategies*

Risks of Investments in Securities Generally. All investments made by a Fund risk the loss of capital. No guarantee or representation is made that the Fund's investment program will be successful, that the Fund will achieve its targeted returns, or that there will be any return of capital invested, and investment results may vary substantially over time. The investment program involves, without limitation, risks associated with limited diversification, leverage, margin transactions, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks, and other risks inherent in a Fund's activities. Certain investment techniques of a Fund can, in certain circumstances, magnify the impact of adverse market moves to which the Fund may be subject. In addition, a Fund's investment in securities may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where a Fund may invest its assets.

A Fund's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete, or current, and such information may be misinterpreted.

Investments in securities entail all of the risks associated with the underlying businesses, including reliance on a company's managers and their ability to execute business strategies. In addition, all businesses face risks such as adverse changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, changes in political situations, market competition, and other factors. Brahman will not have day-to-day control over any company in which it causes a Fund to invest.

A Fund may invest in companies that it identifies as candidates for improvement due to changes in the company's management. If Brahman incorrectly identifies the nature or magnitude of the underlying problems of a company, the investment by a Fund could result in a partial or total loss of the invested capital.

Brahman selects investments for a Fund based, in part, on information provided by issuers in public filings or made directly available to Brahman by the issuers or other sources. Brahman is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and could result in losses to the Fund.

Risks of Event-Driven Investing. On behalf of a Fund, Brahman may engage in event-driven investing, which often involves the purchase of a company's securities after the announcement or

disclosure of a significant event, including, but not limited to, a spin-off, auction of the company or subsidiary, merger, tender offer, or other type of restructuring.

A Fund may also invest and trade in securities of a company that, although not the subject of an announced spin-off, merger, tender offer, or other restructuring transaction is, in Brahman's view, a potential candidate for such a transaction. Alternatively, investments may be made in a company experiencing accounting problems, in anticipation of a potential corporate transaction, or in a company being impacted by possible legislative activity or litigation. If the anticipated transaction or event does not in fact occur, or if events occur in a sequence not anticipated by Brahman, the investment may be closed out at a loss.

The price offered for securities of a company involved in an announced deal generally represents a significant premium above the market price prior to the announcement. Therefore, the value of such securities held by a Fund will decline in the event the proposed transaction is not consummated and if the market price of the securities returns to a level comparable to the price prior to the announcement of the deal. Furthermore, the difference between the price paid by a Fund for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline, perhaps by more than a Fund's anticipated profit. In addition, when a Fund has sold short the securities it anticipates receiving in an exchange or merger, and the proposed transaction is not consummated, the Fund may be forced to cover its short position in the market at a higher price than its short sale, with a resulting loss. If a Fund has sold short securities that are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the Fund also may be forced to cover its short position at a loss.

Where a Fund has purchased put options with respect to the securities it anticipates receiving in an exchange or merger, if the proposed transaction is not consummated, the exercise price of the put options held by the Fund may be lower than the market price of the underlying securities with the result that the cost of the options will not be recovered. If a Fund has purchased put options with respect to securities that are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the Fund also may not exercise its options and may lose the premiums paid therefor. Since options expire on defined dates, in the event consummation of a transaction is delayed beyond the expiration of a put option held by a Fund, it may lose the anticipated benefit of the option.

A Fund may determine that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, the Fund may purchase securities above the offer price, and such purchases are subject to the added risk that the offer price will not be increased or that the offer will be withdrawn.

The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction, (ii) intervention of a regulatory agency, (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror, (iv) in the case of a merger, failure to obtain the necessary stockholder approvals, (v) market conditions

resulting in material changes in securities prices, (vi) compliance with any applicable securities laws, and (vii) inability to obtain adequate financing.

Often a tender or exchange offer will be made for less than all of the outstanding securities of an issuer or a higher price will be offered for a limited amount of the securities, with the provision that, if a greater number is tendered, securities will be accepted pro rata. Thus, a portion of the securities tendered by a Fund may not be accepted and may be returned to the Fund. After completion of the tender offer, the market price of the securities may have declined below a Fund's cost and a sale of any returned securities may result in a loss.

Limited Diversification. In the normal course of making investments on behalf of a Fund, Brahman may, but is not obligated to, diversify the Fund's investments. However, a Fund's portfolio could become significantly concentrated, for example, in any one issuer, industry, sector, strategy, country, or geographic region, and such concentration of risk may increase any losses suffered by the Fund. In addition, it is possible that Brahman may select investments on behalf of a Fund that are concentrated in a limited number or type of financial instruments. This limited diversity could expose the Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

Highly Volatile Markets. The prices of a Fund's investments, including, without limitation, common equity and related equity derivative instruments, high yield securities, convertible bonds, and other derivatives, including futures and option prices, can be highly volatile. Price movements of forward, futures, and other derivative contracts in which a Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in government bonds, currencies, financial instruments, futures, and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

Leverage. Certain of the Funds, when deemed appropriate by Brahman, may use leverage through borrowing from third parties, purchasing securities on margin, or through options and short positions in order to enhance the potential returns to the Funds. A Fund may also pledge, mortgage, lend, or hypothecate securities or other assets. Brahman also expects to leverage certain of the Fund's investment returns with options and short sales. While leverage presents opportunities for increasing a Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by a Fund would be magnified to the extent the Fund is leveraged. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to the Fund that would be greater than if the Fund were not leveraged.

Short Selling. Short selling involves selling securities that may or may not be owned by the seller and borrowing the same securities 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 the value of securities. 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 of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may be sold short by a Fund in a long/short strategy to hedge a long position or to enable a Fund to express a view as to the relative value between the long and short positions. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the short position will not increase in value, causing a Fund losses on both components of the transaction. In addition, when a Fund effects a short sale it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

Systemic Risk. Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, and exchanges with which a Fund interacts on a daily basis.

Hedging Transactions. A Fund may utilize financial instruments, both for investment purposes and for risk management purposes, in order to (i) protect against possible changes in the market value of the Fund's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates, (ii) protect the unrealized gains in the value of the Fund's investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads, or gains on any investment in the Fund's portfolio, (v) hedge the interest rate or currency exchange rate on any of the liabilities or assets of the Funds, (vi) protect against any increase in the price of any securities Brahman anticipates purchasing on behalf of the Fund at a later date, or (vii) for any other reason that Brahman deems appropriate.

The success of any hedging activities by a Fund is subject to its ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund's hedging strategy will also be subject to Brahman's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in such hedging transactions. For a variety of reasons, Brahman may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Fund from achieving the intended hedge or expose a Fund to a risk of loss. Brahman may not hedge against a particular risk because no instruments are available for such purposes, because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings for each Fund.

Competition; Availability of Investments. Certain markets in which a Fund may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that Brahman will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets, and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make such investments which may result in increased competition to a Fund in obtaining suitable investments.

Counterparty Risk. Each Fund expects to establish relationships to obtain financing, derivative intermediation, and prime brokerage services that permit such Fund to trade in any variety of markets or asset classes over time; however, there can be no assurance that such Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships would limit a Fund's trading activities, could create losses, preclude the Fund from engaging in certain transactions, financing, derivative intermediation, and prime brokerage services, and prevent the Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation, and prime brokerage services provided by any such relationships before the applicable Fund establishes additional relationships could have a significant impact on a Fund's business due to the Fund's reliance on such counterparties.

Some of the markets in which a Fund may effect transactions are not "exchanged-based", including "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes a Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of counterparties. Generally, a Fund will not be restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Brahman's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of a Fund's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

Counterparty Default. The stability and liquidity of repurchase agreements, swap transactions, forward transactions, and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that a Fund will monitor on an ongoing basis the creditworthiness of firms with which it will enter into repurchase agreements, interest rate swaps, caps, floors, collars, or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, a Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a Fund being less than if the Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Fund's counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the Securities

Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Fund's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, a Fund may use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Fund and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to a Fund which could be material.

Fraud. Of paramount concern for any investment is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying an investment. Brahman will rely upon the accuracy and completeness of representations made by counterparties to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

#### *Risk Associated With Particular Types of Securities*

Equity Securities. The investment portfolio for a Fund may include equity securities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, a Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from Brahman's expectations or if equity markets generally move in a single direction and a Fund has not hedged against such a general move. A Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks, or other securities that may be converted into, or exchanged for, a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted, or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics, and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is



influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock, or sell it to a third-party. Any of these actions could have an adverse effect on a Fund's ability to achieve its investment objective.

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

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price 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. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to, or less than, the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered 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. If the buyer of the call sells short the underlying security, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security (if the market price of the underlying security declines).

Options may be cash settled, settled by physical delivery, or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Funds may be subject to

loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Other Derivative Instruments. Brahman may cause a Fund to enter into swaps and other derivative instruments, such as credit derivatives. A Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with a Fund's investment objective and legally permissible. Special risks may apply to instruments that are invested in by a Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by the Fund. For example, risks with respect to credit derivatives may include determining whether an event will trigger payment under the contract and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk. Other swaps, options, and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk. In addition, as new derivative instruments are developed, documentation may not be standardized, leading to potential disputes or misunderstanding with counterparties.

Non-U.S. Securities. Investments in securities of non-U.S. issuers (including non-U.S. governments) and securities denominated, or whose prices are quoted, in non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation, and non-exchangeability) as well as a range of other potential risks which could include expropriation, confiscatory taxation, the imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sales or disposition proceeds, political or social instability, illiquidity, price volatility, and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers and non-U.S. issuers may not be subject to accounting, auditing, and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers, and issuers than there is in the United States. A Fund might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect a Fund's performance. In addition, the value of non-U.S. securities is often dependent on the ability of the holder to recover portions of the cash flow. For example, bonds from which coupon interest has been withheld acquire value to a holder capable of recovering the withholding. The withholding and redemption practices of non-U.S. governments may change from time to time without notice, and the ability of a Fund to guarantee recovery of the cash flow is necessarily uncertain.

Distressed Credits. Brahman may cause a Fund to invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial or at times even total losses. Among the

risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by Federal and state laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability, and the bankruptcy court's power to disallow, reduce, subordinate, or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and ask prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied), or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Fund of the security in respect to which such distribution was made.

In certain transactions, a Fund may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Credit Default Swaps. Brahman may cause a Fund to invest in credit default swaps. Credit default swaps can be used to implement Brahman's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, a Fund may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Fund to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. A Fund may also buy credit default protection with respect to a referenced entity if, in the judgment of Brahman, there is a high likelihood of credit deterioration. In such instance, a Fund will pay a premium regardless of whether there is a credit event. The credit default swap market in high-yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter into a particular transaction.

## **ITEM 9: DISCIPLINARY INFORMATION**

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

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### *Broker-Dealer Registration Status*

Brahman and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

### *Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status*

Brahman and its management persons are not registered as, and do not have any application pending to register as, futures commission merchants, commodity pool operators, commodity trading advisors, or associated persons of the foregoing entities.

### *Material Relationships or Arrangements with Industry Participants*

Brahman is a related person to Brahman Management, L.L.C., which serves as the general partner of the U.S. Partnership Funds.

### *Material Conflicts of Interest Relating to Other Investment Advisers*

Brahman does not recommend or select other investment advisers for its clients.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### *Code of Ethics*

Brahman strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty, and trust. In seeking to meet these standards, Brahman has adopted a Code of Ethics (the “Code”), which includes, among others, a code of conduct, personal trading policies and procedures, and insider trading policies and procedures for all of its employees. Brahman’s Code requires, among other things, that Brahman’s employees:

- act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- place the integrity of the investment profession, the interests of clients, and the interests of Brahman above one’s own personal interests;
- adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- avoid or disclose any conflicts of interest;
- conduct all securities transactions in a manner consistent with the Code;
- use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- practice, and encourage others to practice, in a professional and ethical manner that will reflect favorably on employees and the profession;
- promote the integrity of, and uphold the rules governing, capital markets;
- maintain and improve employees’ professional competence and strive to maintain and improve the competence of other investment professionals; and
- abide by the requirements contained in the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and rules thereunder, as well as applicable provisions of the Federal securities laws.

### *Investing in Securities that Brahman or a Related Person Recommends to Clients*

Brahman’s Code generally prohibits employees from trading in certain securities including stock, convertible preferred stock, treasury stock, and all derivative instruments (including swaps, options, warrants, and futures on any of the foregoing) and may only dispose of such securities

held in their respective personal trading accounts prior to their employment by Brahman. The Code also requires employees to (i) pre-clear certain personal securities transactions, (ii) report personal securities transactions on at least a quarterly basis, and (iii) provide Brahman with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

Employees may, however, purchase and sell mutual funds and exchange-traded funds ("ETFs"), although pre-clearance is required in the case of open-end mutual funds and ETFs. Some clients may invest in the same or similar mutual funds and/or ETFs.

Brahman, its affiliates, and its employees may give advice or take action for their own accounts that may differ from, conflict with, or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by, or potentially considered for, one or more clients. Potential conflicts also may arise due to the fact that Brahman and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

Brahman has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

Investors may request a copy of the Code by contacting Brahman at the address or telephone number listed on the first page of this document.

#### *Securities in which Brahman or a Related Person Has a Material Financial Interest*

Brahman may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a "Cross Trade"). In general, Brahman engages in cross transactions in only limited circumstances, usually to rebalance positions at times of capital activity. If Brahman decides to engage in a Cross Trade, Brahman will take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

Brahman generally executes Cross Trades with the assistance of a broker-dealer who executes and books the transaction at or before the opening of the market on the day of the transaction. Alternatively, a Cross Trade between two clients may occur as an "internal cross", where Brahman instructs the custodian for the clients to book the transaction at the price determined in accordance with Brahman's valuation policy. If Brahman effects an internal cross, Brahman will not receive any fee in connection with the completion of the transaction.

To the extent that a Cross Trade may be viewed as a principal transaction due to the ownership interest in a client by Brahman or its personnel, Brahman will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a client and approved or disapproved by (i) an advisory board comprised of representatives of such investors, or (ii) a committee consisting of one or more

persons selected by Brahman (or its affiliate), and any valuation approved by such a committee will be determined by an independent third-party that has appropriate experience in providing such valuations.

*Conflicts of Interest Created by Contemporaneous Trading*

Brahman manages investments on behalf of a number of clients. Certain clients have investment programs that are similar or overlap and may, therefore, participate with each other in investments. It is the policy of Brahman to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time. Brahman will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because Brahman purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction, or investment opportunity does not appear to be suitable, practical, or desirable for the client.

If it is determined by Brahman or its affiliates that it would be appropriate for more than one Fund to participate in an investment opportunity, Brahman will seek to execute orders for all of the Funds, on a basis believed by Brahman to be equitable, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Funds for which participation is appropriate.



## **ITEM 12: BROKERAGE PRACTICES**

### *Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions*

Brahman is authorized to make the following determinations in accordance with each Fund's objectives and restrictions without obtaining prior consent from the Fund or any of its investors: (i) which securities or instruments to buy or sell, (ii) the total amount or price of securities or instruments to buy or sell, (iii) the executing broker or dealer for any transaction, and (iv) the commission rates or commission equivalents charged for transactions. Each of the Funds pays its own brokerage commissions and other transaction costs. Neither Brahman nor any affiliates receive any commissions generated by a Fund's trading activities. Brahman may benefit indirectly from payments made by a Fund (including payments by way of soft dollars) as described below. Brahman's authority is limited by regulatory requirements, its own internal policies and procedures, and each Fund's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers consistent with Brahman's duty of best execution, which may entail consideration of numerous factors including, but not exclusively, lowest pricing. Brokers and dealers may provide other services that are beneficial to Brahman and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, Brahman may consider, among other things, price, the ability of the brokers and dealers to effect the transactions, the brokers' facilities, reliability, and financial responsibility, and the brokers' or dealers' provision of payment (or the rebate to the Fund for payment) of the costs of brokerage or research products or services and the provision by the brokers of capital introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management, and access to deal flow.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. Brahman need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither Brahman nor the Funds separately compensate any broker or dealer for any of these other services.

If Brahman decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another: the ease of use, the flexibility of the ECN compared to other ECNs, and the level of care and attention that will be given to smaller orders.

Brahman maintains policies and procedures to review the quality of executions, including periodic reviews by its trading and investment professionals.

### *Research and Other Soft Dollar Benefits*

From time to time, Brahman may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. In such instances or when best execution may be obtained from more than one broker, Brahman may purchase and sell securities through brokers who provide research, statistical, and other information, although not all of the Funds may in every instance be the direct beneficiaries of any research services provided. Research furnished by brokers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with analysts and company management. In addition to accepting proprietary research from broker-dealers, Brahman also utilizes soft dollar commissions generated through commission sharing arrangements that it maintains with broker-dealers to purchase certain research services.

Brahman may cause the Funds to pay a broker-dealer that directly or indirectly provides eligible brokerage and research services that benefit Brahman a commission for effecting a securities transaction in excess of the lowest available commission cost. Brahman would only pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits provided that (i) Brahman determines in good faith that the amount is reasonable in relation to the services in terms of the particular transaction or in terms of Brahman's overall responsibilities with respect to the Funds, (ii) such payment is made in compliance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended, subject to prevailing guidance provided by the SEC regarding Section 28(e) and applicable state and Federal laws, and each Fund's offering documents and/or governing documents, and (iii) in the opinion of Brahman, the total commissions paid by a Fund is reasonable in relation to the benefits to such Fund over the long-term. Brahman believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Funds may be used by Brahman to service one or more other clients, including clients that may not have paid for the soft dollar benefits. Brahman does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate.

Where a product or service obtained with soft dollars provides both research and non-research assistance to Brahman (*i.e.*, a "mixed use" item), Brahman will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of Brahman's allocation of the costs of such benefits and services between those that primarily benefit Brahman and those that primarily benefit the Funds.

Brahman may have an incentive to select or recommend a broker-dealer to receive research products and services rather than based on the Funds' interest in receiving the most favorable execution. When Brahman uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Brahman receives a benefit because it does not have to produce or pay for such products or services. Brahman may have an incentive to select or recommend a broker-dealer based on Brahman's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

Many of the broker-dealers utilized by Brahman provide Brahman with access to proprietary research reports (such as standard investment research) which are used to manage all of the Funds. To the best of Brahman's knowledge, these reports are generally made available to all institutional investors doing business with such broker-dealers. Research reports are made available to Brahman on an unsolicited basis and without regard to the rates of commissions charged or paid by Brahman or the volume of business Brahman directs to such broker-dealers. Since the reports are merely made available by broker-dealers as part of a bundled business package to Brahman, who may or may not use them, it is Brahman's understanding that such broker-dealers do not set discrete prices for the reports.

Within the last fiscal year of Brahman, Brahman or its related persons acquired the following types of products and services with client brokerage commissions (or markups or markdowns): information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts and company management. In addition, such research services may be provided in the form of access to various computer-generated data, computer hardware and software, and meetings arranged with corporate and industry spokespersons, economists, and academicians. In some cases, research services are generated by third parties but are provided to Brahman by or through broker-dealers.

On a quarterly basis, Brahman considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of the Funds on the basis of that consideration.

In order to determine where to direct Fund transactions and/or soft dollars, Brahman maintains an internal allocation procedure. Investment and trading personnel are responsible for identifying those broker-dealers who have provided Brahman with research and execution services that Brahman considers useful to its investment decision-making process on a quarterly basis. Brahman then develops a quarterly commission budget which is based on the amount, quality, and usefulness of the research provided by brokers or dealers and its value to Brahman. Compliance personnel review the commission budget to determine if commissions paid appear reasonable in light of the services provided by the brokers or dealers. The amount of brokerage specifically allocated to any broker or dealer will be based, in part, on the cost of such research to the broker, and the amount allocated is generally higher than that which Brahman would pay for the research were it to pay for it in cash using its own funds. All new soft dollar products and services must be reviewed and approved by compliance personnel.

Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will Brahman make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

#### *Brokerage for Client Referrals*

The broker-dealers that have entered into prime brokerage arrangements with Brahman may occasionally provide Brahman with introductions to potential Fund investors. As a result, subject to best execution, Brahman may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds. Brahman may compensate broker-dealers directly and/or indirectly based on investor introductions. Additional information about Brahman's investor referral arrangements can be found in the *Client Referrals and Other Compensation* section in Item 14 below.

#### *Directed Brokerage*

Brahman does not recommend, request, or require that a client direct Brahman to execute transactions through a specified broker-dealer.

#### *Order Aggregation*

As noted in the *Advisory Business* section in Item 4 above, Brahman manages five long/short Funds and two long-concentrated Funds. Brahman generally aggregates trade orders for all of the Funds, in each case in proportion to the Funds' relative capital balances at the beginning of the applicable trading day. Trades are generally allocated automatically by Brahman's order management system based on capital entered into the system and are allocated at an average price and commission. Brahman periodically invests in certain equity initial public offerings which are allocated among the Funds in proportion to their relative capital balances available to participate in such offerings.

If Brahman determines that the purchase or sale of a security is appropriate with regard to multiple clients, Brahman may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which Brahman or its affiliates consider equitable.

### *Trade Error Policy*

From time to time, there may be a trade error with respect to one or more of the Funds (i.e., an order may be placed to purchase or sell a security other than the one intended by the portfolio manager or at an erroneous quantity or limit price). It is Brahman's policy to address trade errors as soon after discovery as is reasonably possible and in such a manner that the applicable Funds incur no loss (not including the loss of an investment opportunity). Consistent with industry practice, Brahman does not provide reimbursement for lost opportunity costs (i.e., the speculative profits that could have been achieved in the absence of the trade error).

## **ITEM 13: REVIEW OF ACCOUNTS**

### *Frequency and Nature of Review of Client Accounts and Factors Prompting Review of Client Accounts Other than a Periodic Review*

Brahman performs various daily, weekly, monthly, quarterly, and periodic reviews of each client's portfolio. The Funds are reviewed on a continuous basis by the portfolio managers, Messrs. Sobel, Kuflik, and Hochfelder. These reviews are designed to monitor and analyze Fund transactions, positions, and investment levels. Particular attention is given to changes in company fundamentals, industry outlook, market outlook, and price levels. All investment personnel regularly hold both formal and informal meetings to discuss investment ideas, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities. A review of a client account may be triggered by any unusual activity or special circumstances.

### *Content and Frequency of Account Reports to Funds and Investors*

Brahman generally provides annual audited financial statements to the Funds and their investors within 120 days of the applicable Fund's fiscal year end.

Investors in the Funds also receive monthly capital account statements directly from the Fund's administrator documenting the performance of their investment in their Fund and a monthly portfolio summary and quarterly performance letters from Brahman. Additional reporting or performance updates or assets under management figures may be provided to Fund investors or prospective investors upon request.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### *Economic Benefits for Providing Services to Clients*

Brahman does not receive economic benefits from non-clients for providing investment advice and other advisory services.

### *Compensation to Non-Supervised Persons for Client Referrals*

Neither Brahman nor any related person directly or indirectly compensates anyone for client referrals. However, each of Brahman, Brahman Partners III, L.P., and Brahman Partners II Offshore, Ltd. has entered into an arrangement with a third-party placement agent to solicit direct and indirect investors in Brahman Partners III, L.P. and Brahman Partners II Offshore, Ltd. Such placement agent receives compensation from Brahman in an amount equal to a portion of the management fee otherwise payable to Brahman from Brahman Partners III, L.P. and Brahman Partners II Offshore, Ltd. in respect of the investors solicited by such placement agent, however such compensation will not increase the amount of fees that are charged by Brahman to such investors. Such placement agent may also receive additional compensation directly from the investors it solicits.

Brahman may from time to time engage additional placement agents to assist it in marketing Brahman Partners III, L.P. or Brahman Partners II Offshore, Ltd. or one or more of the other Funds. Such placement agents will be compensated at Brahman's expense, including by receiving a portion of the management fee and/or performance-based fee/allocation in respect of a Fund.

## **ITEM 15: CUSTODY**

Brahman is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Accordingly, Brahman is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). Brahman maintains client funds and securities with independent qualified custodians. In addition, Brahman complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.



## **ITEM 16: INVESTMENT DISCRETION**

Brahman serves as the management company with discretionary trading authority for each Fund. Brahman maintains investment discretion over the Funds, including the amount and price of securities bought and sold, the preferred broker-dealer, and the commission rate, as applicable.

Brahman's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents and/or governing documents.

Brahman or an affiliate of Brahman entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which Brahman or an affiliate of Brahman was granted discretionary trading authority.

Each Fund's governing document provides that the general partner or manager has exclusive and absolute discretion and authority in managing and controlling the business and affairs of such Fund, subject only to specific and express limitations provided therein.

## ITEM 17: VOTING CLIENT SECURITIES

### *Policies and Procedures Relating to Voting Client Securities.*

In compliance with Advisers Act Rule 206(4)-6, Brahman has adopted proxy voting policies and procedures. The general policy is to vote proxies on behalf of the Funds it manages in the interest of maximizing shareholder value. Consideration is given to both the short and long term implications of the proposal to be voted on when considering the optimal vote. Brahman utilizes Institutional Shareholder Services (“ISS”) as its independent third-party proxy voting service. ISS provides Brahman with voting recommendations and Brahman’s investment personnel determine on a case-by-case basis how Brahman will vote each proxy.

As part of its investment process, Brahman generally makes investments on the long side in companies it believes to have strong management in place. Therefore, when Brahman’s view of a company’s management is favorable Brahman will generally support current management initiatives and when Brahman’s view changes and it believes that changes to the management structure would probably increase shareholder value Brahman will generally not support management on a variety of proposals. Brahman, however, will also take into account other relevant factors which may cause it to vote differently, including, but not limited to:

- the impact on the value of the securities;
- the conflict between management and shareholder interests;
- the anticipated costs and benefits associated with the proposal;
- the extent to which a proposal acts to entrench management;
- the effect on liquidity;
- customary industry and business practices;
- the appropriateness of abstaining from voting or affirmatively not voting, as described below; and
- any applicable conflicts of interest between the interests of Brahman and the Funds, as described below.

In limited circumstances, Brahman may abstain from voting (which generally requires submission of a proxy voting card) or affirmatively decide not to vote if Brahman determines that abstaining or not voting is in the best interests of the Funds. In making such a determination, Brahman will consider various factors, including, but not limited to (i) the costs associated with exercising the proxy (e.g., translation or travel costs), (ii) any legal restrictions on trading resulting from the exercise of a proxy, (iii) whether Brahman has sold the underlying securities since the record date for the proxy, and (iv) whether or not the vote is in a blocking country. Brahman will not abstain from voting or affirmatively decide not to vote a proxy if a Fund is determined to be a plan asset fund subject to the requirements of the Employee Retirement Income Security Act of 1974, as

amended. Furthermore, Brahman will not abstain from voting or affirmatively decide not to vote merely to avoid a conflict of interest.

Brahman's complete proxy voting policy and procedures have been memorialized in writing and are available for review by investors upon request. In addition, Brahman maintains a record of all of the proxy votes cast on behalf of the Funds and such records may be reviewed by an investor upon request. An investor can contact Brahman at the address or telephone number listed on the first page of this document if it would like to review Brahman's proxy voting policies and procedures and/or proxy voting record.

At times, conflicts may arise between the interests of the investing Funds, on the one hand, and the interests of Brahman or its affiliates, on the other hand. If Brahman determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, Brahman will address matters involving such conflicts of interest as follows:

- If a proposal is addressed by the specific policies herein, Brahman will vote in accordance with such policies;
- If Brahman believes it is in the best interests of the investing Funds to depart from the specific policies provided for herein, Brahman will be subject to the requirements of the following two paragraphs, as applicable;
- If the proxy proposal is (i) not addressed by the specific policies, or (ii) requires a case-by-case determination by Brahman, Brahman may vote such proxy as it determines to be in the best interest of the investing Funds, without taking any action described in the next paragraph, provided that such vote would be against Brahman's own interest in the matter (i.e., against the perceived or actual conflict). Brahman will memorialize the rationale of such vote in writing; and
- If the proxy proposal is (i) not addressed by the specific policies, or (ii) requires a case-by-case determination by Brahman, and Brahman believes it should vote in a way that may also benefit, or be perceived to benefit, its own interest, then Brahman must take one of the following actions in voting such proxy: (a) delegate the voting decision for such proxy proposal to an independent third-party; (b) delegate the voting decision to an independent committee of partners, members, directors, or other representatives of the Funds, as applicable; (c) inform the investors in the investing Funds of the conflict of interest and obtain consent (majority consent in the case of a Fund) to vote the proxy as recommended by Brahman; or (d) obtain approval of the decision from Brahman's Chief Compliance Officer and outside legal counsel.

Brahman may, from time to time, determine that it is in the best interests of its clients to depart from specific policies described herein.

## **ITEM 18: FINANCIAL INFORMATION**

Brahman is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.