

**FIRM BROCHURE**

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THIS BROCHURE DOES NOT CONSTITUTE AN OFFER, SOLICITATION OR RECOMMENDATION TO SELL OR AN OFFER TO BUY ANY SECURITIES, INVESTMENT PRODUCTS OR INVESTMENT ADVISORY SERVICES. SUCH AN OFFER MAY ONLY BE MADE TO ELIGIBLE PERSONS BY MEANS OF DELIVERY OF A CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM AND OTHER SIMILAR MATERIALS THAT CONTAIN A DESCRIPTION OF THE MATERIAL TERMS RELATING TO SUCH INVESTMENT.

ADDITIONAL INFORMATION ABOUT LONGHORN CAPITAL PARTNERS, L.P. ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).

MARCH 28, 2014

## Item 2: Material Changes

The date of the last annual update to our firm brochure was April 1, 2013. A summary of the material changes that have been made to our firm brochure since the date of our last annual update is set forth below:

- On May 1, 2013, Mr. Britton Brown was admitted as a limited partner of Longhorn Capital Partners, L.P. **See Item 4.**
- We have adopted policies and procedures relating to any product or service obtained with client commissions that has a mixed use. **See Item 12.**

Nevertheless, investors and clients are encouraged to review this brochure in its entirety. The information set forth herein is qualified in its entirety by the applicable offering materials and/or governing or account documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering documents and/or governing or account documents, such documents shall control.

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## **Item 4: Advisory Business**

### **FIRM DESCRIPTION**

Longhorn Capital Partners, L.P., a Delaware limited partnership and private investment advisory firm (“Longhorn Capital Partners”), was founded in 2006 and is located in Dallas, Texas. We provide investment management services to various types of clients, including private investment vehicles, separately managed accounts and investment companies. We generally have full discretionary power and authority with respect to investment decisions, and our advisory services are provided in accordance with the investment objectives, strategies, guidelines, limitations and other terms and conditions set forth in the applicable governing, account and/or offering documents. The information set forth in this brochure is qualified in its entirety by the applicable governing, account and/or offering documents.

### **PRINCIPAL OWNERS**

Our general partner is Longhorn Management, LLC, a Delaware limited liability company, which is owned and controlled by Mr. Kristopher N. Kristynik and Mr. Philip M. Eckian. Mr. Kristynik, Mr. Eckian and Mr. Britton Brown are the limited partners of Longhorn Capital Partners and Mr. Kristynik owns a majority of our limited partnership interests.

### **TYPES OF ADVISORY SERVICES**

#### Longhorn Funds

We serve as investment manager to various private investment funds, including Longhorn Onshore Investors, L.P., a Delaware limited partnership (the “Onshore Fund”), and Longhorn Master Investors, L.P., a Cayman Islands exempted limited partnership (the “Master Fund” and, together with the Onshore Fund, the “Longhorn Funds”). The Onshore Fund invests substantially all of its assets in, and conducts substantially all of its investment activities through, the Master Fund. We have the discretionary authority to invest and reinvest the assets of the Longhorn Funds in securities and other financial instruments in accordance with the terms and conditions set forth in the applicable governing and offering documents.

#### Separately Managed Accounts and Other Clients

In addition to the Longhorn Funds, we serve and may serve as investment adviser and/or sub-adviser to various other advisory clients, including separately managed funds or accounts, investment companies and other private investment funds. We will manage the accounts of each such client in accordance with the terms, conditions, guidelines and limitations set forth in the applicable governing documents, investment management or sub-advisory agreement.

### **INVESTMENT RESTRICTIONS**

#### Longhorn Funds

We provide investment advice to the Longhorn Funds in accordance with the investment objectives, policies and guidelines set forth in the applicable offering and/or governing documents. Investors generally are not permitted to impose restrictions or limitations on the management of the Longhorn Funds. Notwithstanding the foregoing, we may enter into side letter agreements with one or more investors that alter, modify or change the terms of the interests held by those investors.

Information about each Longhorn Fund is set forth in its offering materials and applicable governing documents. Investment in a Longhorn Fund does not, in and of itself, create an advisory relationship between an investor in such fund and us.

#### Separately Managed Accounts and Other Clients

We tailor our advisory services and recommendations to the individual objectives, strategies, goals, guidelines and limitations of each of our advisory clients.

### **ASSETS UNDER MANAGEMENT**

As of December 31, 2013, we had approximately \$1.1464 billion in regulatory assets under management. All of

these assets were managed on a discretionary basis.

## Item 5: Fees and Compensation

### DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our advisory services, we and/or our affiliates generally are entitled to receive management fees and/or performance-based fees or allocations from our clients. The fees applicable to each client are set forth in detail in the applicable governing and/or offering documents. A brief summary of our basic fee schedule is provided below.

#### Onshore Fund

With respect to the Onshore Fund, we are entitled to receive a management fee, payable quarterly in advance, equal to:

- (i) with respect to Class A Interests and Class B Interests, one-fourth (1/4) of one and one-half percent (1.5% per annum) of the aggregate capital account balance of each investor as of the first business day of each calendar quarter; and
- (ii) with respect to Class C Interests, one-fourth (1/4) of two percent (2.0% per annum) of the aggregate capital account balance of each investor as of the first business day of each calendar quarter.

In addition, we are entitled to receive annual performance allocations equal to:

- (i) with respect to Class A Interests and Class C Interests, twenty percent (20%) of each investor's share of any net profits for the applicable fiscal year; and
- (ii) with respect to the Class B Interests, seventeen percent (17%) of each investor's share of any net profits for the applicable fiscal year.

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

Each investor in the Onshore Fund generally is required to be, among other things, a "qualified purchaser" as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "Company Act").

Our fees with respect to the Onshore Fund generally are not negotiable. However, we have entered and may enter into side letters or similar arrangements in the future with certain investors that grant different terms (including lower fees) to such investors than the terms generally applicable to other investors.

#### Separately Managed Accounts and Other Clients

We generally negotiate fees with respect to our other advisory clients, including separately managed funds or accounts, investment companies and other private investment funds, on a case by case basis, taking into consideration various factors relating to the services performed by us on behalf of the applicable client. In general, we receive a management fee, payable quarterly/monthly in arrears, equal to a percentage of the net asset value of the advisory account of each client. In addition, we may be entitled to receive a performance-based fee equal to a percentage of the net profits allocated to the account during the applicable performance period (subject to the terms and conditions set forth in the applicable governing documents or investment management agreement).

### PAYMENT OF FEES

#### Onshore Fund

Management fees are payable by investors quarterly, in advance, as of the first business day of each calendar quarter. Management fees are deducted directly from the capital account of each investor on the first business day of each calendar quarter.

Performance allocations are calculated and paid or allocated, as applicable, as of the end of each fiscal year (and at such other times as set forth in the applicable partnership agreements). Performance allocations are allocated directly from the capital account of each applicable investor.

We have waived, and may waive in the future, any management fee or performance-based fee or allocation for our employees and principals who have invested directly or indirectly in the Onshore Fund.

#### Separately Managed Accounts and Other Clients

The billing of management fees with respect to our other advisory clients, including separately managed funds or accounts, investment companies and other private investment funds, is negotiable; however, management fees generally will be payable on a monthly or quarterly basis in arrears. Incentive fees generally will be calculated and paid on an annual basis, if applicable.

### **OTHER FEES AND EXPENSES**

We generally are responsible for and pay all ordinary office overhead expenses, which includes rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures and compensation of security analysts and personnel. All other expenses generally are borne by the client, including (i) legal, accounting, auditing and other professional expenses, (ii) investment expenses such as commissions, research expenses, interest on margin accounts and other indebtedness, (iii) the pro rata share of the fees and expenses incurred from investing in other investment vehicles, (iv) custodial fees and (v) other reasonable expenses related to the purchase, sale or transmittal of client assets. Clients generally are responsible for and pay all custodial and brokerage fees. **See Item 12 below.**

### **TERMINATION OF ADVISORY SERVICES**

#### Onshore Fund

Pursuant to an investment advisory agreement between us and the Onshore Fund, the Onshore Fund may terminate its respective agreement upon 30 days' prior written notice to us and may withdraw all funds that are invested at our direction at the time of such termination.

#### Separately Managed Accounts and Other Clients

Termination rights with respect to our other advisory clients, including separately managed funds or accounts, investment companies and other private investment funds, are negotiable.

### **WITHDRAWALS**

Subject to the terms and conditions disclosed in its offering documents, each investor in the Onshore Fund that has held its limited partner interest for a designated initial lock-up period generally is permitted to make complete or partial withdrawals of amounts from its capital account as of the close of business on the last day of each calendar quarter. The initial lock-up period for Class A Interests and Class B Interests is one year and the initial lock-up period for Class C Interests is two years. Class D Interests are not subject to any initial lock-up period. Notice of any investor withdrawal generally must be given in writing at least 45 days prior to the proposed withdrawal date. Investors in the Onshore Fund are also permitted to make withdrawals in certain other circumstances, as described in its offering documents. We will use commercially reasonable efforts to cause at least 95% of any estimated withdrawal amount to be paid within 30 days of a withdrawal date. Any remaining balance will be settled within 30 days following the completion of the audit of the fund's financial statements for the applicable fiscal year.

A pro rata portion of any management fee paid in advance and not earned will be returned to any investor permitted to withdraw from the fund prior to the end of a calendar quarter.

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

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

## **Item 6: Performance-Based Fees and Side-By-Side Management**

### **PERFORMANCE-BASED FEES**

As noted under Item 5 above, if applicable, we may receive performance-based fees or allocations with respect to certain of our advisory clients. Performance-based fees and allocations could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. The method of calculating the performance-based fee or allocation may result in conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions. In addition, because performance-based fees or allocations may be calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by us, we face a conflict of interest in valuing those portfolios. Our individual employees and affiliates who are compensated to some extent based upon trading profits for which they are responsible face the same potential conflicts. We address this conflict through full and fair disclosure in applicable offering documents and/or this brochure.

### **SIDE-BY-SIDE MANAGEMENT**

We manage accounts for which we are entitled to receive performance-based fees or allocations alongside accounts for which we are not entitled to receive any performance-based fees or allocations. Such side-by-side management could motivate us to favor accounts for which we or our employees or affiliates receive performance-based fees or allocations over other accounts for which such fees are not payable. We attempt to address this conflict by, among other things, adhering to objective allocation policies and procedures and routinely reviewing such allocation policies and procedures, and through disclosure in this brochure. See Item 12 below.



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

### **DESCRIPTION**

We currently provide investment advisory services to the Longhorn Funds, an investment company registered as such under the Company Act, and a separately managed account. We may in the future provide investment advice to other types of clients including, but not limited to, individuals, separately managed accounts, other investment companies and other private investment funds.

### **ACCOUNT REQUIREMENTS**

The minimum initial capital contribution required from an investor in the Onshore Fund is \$1,000,000, although capital contributions of lesser amounts may be accepted in our discretion.

Advisory clients generally are required to sign investment management agreements that, among other things, set forth the nature and scope of our investment management authority and the investment objectives, guidelines, restrictions and limitations applicable to advisory accounts. In addition, advisory clients generally are required to satisfy certain suitability requirements.

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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

We generally select diversified investments in publicly-traded equity securities of companies operating across a range of industries and geographies through employment of a fundamental, research-driven investment framework. We aim to invest with valuation discipline in companies experiencing meaningful intermediate-term change in underlying business fundamentals. We seek to identify and exploit a variant investment view not reflected in consensus thinking surrounding a company's intermediate-term business prospects. Upon identification, we perform rigorous due diligence to better understand and quantify the fundamental drivers of the business and to develop a view on the value of the business. This investment approach stresses an intermediate- to long-term investment horizon, with equal attention paid to long and short sale investments in order to increase potential investment performance as well as mitigate general market risk. As such, we actively adjust position size to reflect the perceived risk-reward of the current market price relative to value. Equal focus is placed on pursuing long and short term investments, as well as international exposure. Importantly, we view short sales as profit centers, not strictly as hedges. We may also utilize derivative instruments such as listed and over-the-counter options, swaps, futures and exchange-traded funds to express investment ideas identified in the research process and as an aid in risk management. We apply this underlying investment approach with respect to each of our advisory clients.

The investment strategies summarized above are not intended to be comprehensive. For a more detailed description of the investment strategies applicable to a Longhorn Fund, please refer to the applicable governing and/or offering documents.

### CERTAIN RISK FACTORS

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

*General Market Developments.* Our success will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates and economic uncertainty. These and other factors may affect the level and volatility of securities prices and the liquidity of client investments. Volatility or illiquidity could impair our profitability or result in losses. We may maintain substantial trading positions that can be adversely affected by the level of or changes in volatility in the financial markets. Unpredictable or unstable market conditions may also result in reduced opportunities to find suitable investments to deploy capital or make it more difficult to exit and realize value from client investments. From time to time, including during 2008 and 2009, various markets around the world experienced extreme periods of volatility, illiquidity, correlation with other markets, negative (or positive) performance and other disruptions and conditions that would previously have been viewed as extremely unlikely or even impossible. Such market developments have, in the past, led to large losses and insolvencies at numerous investment funds. The general economic situation, together with the limited availability of debt and equity capital, including through bank financing, will impact us and their investments. As a result, we could experience a reduction in attractive investment opportunities and client investments could be materially impaired in many ways that cannot be predicted. There can be no assurance that general market developments in the future will not have a material adverse effect on us. It is important to understand that we could incur material losses even if we react quickly to difficult market conditions.

*Investment Risks in General.* Investments, by their nature, involve a high degree of financial risk. In making investments, we may use highly speculative investment techniques, including high leverage, highly concentrated portfolios, workouts, junior securities positions and illiquid investments. In addition, we may invest in derivative instruments. Such investments may expose client assets to the risks of material financial loss, which may in turn adversely affect our financial results.

*Market Volatility.* The success of our investment strategy substantially depends upon correctly assessing the future price movements of stocks, bonds, options on stocks, real estate and other securities and the movements of interest rates. We cannot guarantee that we will be successful in accurately predicting price movements.

*Our Investment Activities.* Our investment activities involve a high degree of risk. The performance of any investment is subject to numerous factors which are neither within our control nor predictable. Such factors include a wide range of economic, political, competitive and other conditions that may affect investments in general or specific industries or companies. In recent years, the securities markets have become increasingly volatile, which may adversely affect our ability to realize profits on behalf of clients. As a result of the nature of our investment activities, it is possible that client financial performance may fluctuate substantially from period to period.

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

*Concentration.* Although we generally intend to diversify client investments, it is possible that client investments may at times be concentrated in a limited number of companies. If such an investment performs poorly, this concentration could cause a proportionately greater loss than if a larger number of investments were made, and if such proportionately greater loss occurs, it may adversely impact the overall return on investment realized by investors.

*Illiquid Investments.* It is possible that certain investments will not be able to be sold except pursuant to a registration statement filed under the Securities Act of 1933, as amended (the “Securities Act”), or in accordance with Rule 144 or another exemption under the Securities Act. Furthermore, because of the speculative and non-public nature of some investments, we may, from time to time, sell or otherwise dispose of investments that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions may prevent clients from realizing as great an overall return on investment as may have been realized if such sales or dispositions had been made at a later date, which may adversely affect investment results of investors.

Certain securities may be difficult or impossible to sell at the time and price that we desire. We may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on client performance.

*Leverage.* We may use leverage in our investment program. Although the use of borrowed money to purchase securities permits us to make investments in an amount in excess of client capital, it also increases client exposure to losses. Moreover, if revenues are not sufficient to pay the principal of and interest on debt when due, investors and clients could sustain a total loss of their investment. We seek to mitigate the risks associated with leverage by generally limiting the amount of loans that we enter into.

*Counterparty Risks.* We enter into many transactions with third parties (*i.e.*, custodians, prime brokers, etc.) in which the failure or delay of the third party to perform its obligations under a contract with us could have a material adverse effect on us and our clients. We generally do not perform extensive credit analyses on our counterparties.

Substantially all client assets are held in custodial accounts maintained for us and our clients by our custodians. We also have substantial exposure to other counterparties in connection with derivatives and other over-the-counter transactions. There is a risk that any of our counterparties could become insolvent. Most of our counterparties are and will be brokerage firms or commercial banks, which are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. In many cases, however, we may not be considered a “customer” of these institutions for purposes of such laws and regulations. Further, a substantial portion of client assets held by custodians, prime brokers and other counterparties may not be held in segregated accounts. Client assets generally are held in the name of the prime broker or custodian or its nominee, rather than in the name of our clients or our name, which may limit (legally or in practice) our ability to exercise voting rights, pursue legal remedies or dispose of positions. In any event, the practical effect of the applicable contracts, laws and regulations and their application to client assets if a counterparty becomes insolvent is subject to substantial limitations and uncertainties. As an example, firms with exposure to Lehman Brothers arising out of prime brokerage arrangements or derivative transactions are facing limited prospects for recovery as well as substantial uncertainty and delay. 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 a counterparty's insolvency on us and client assets. Clients and investors should assume that the insolvency of any of our custodians, prime brokers or other counterparties would result in the loss of all or a substantial portion of the assets held by such custodian, prime broker or counterparty.

*Off-Balance Sheet Risk.* In the normal course of business, we may invest in financial instruments with off-balance sheet risk. These instruments include forward contracts, swaps and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to an accounting and economic loss in excess of the investor's recognized asset carrying value in such financial instrument, if any; or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities. Additionally, in the normal course of business, we may purchase long positions in option contracts that do not have off-balance sheet-risk. The risk to which these financial instruments expose the investor is not in excess of the investor's recognized asset carrying value in the statement of assets and liabilities.

*Short Sales.* We effect short sales on behalf of our clients. Short selling is the practice of selling securities that are not owned by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes. To complete a short sale, we generally must borrow the securities from a third party in order to make delivery to the buyer. We generally must pay a brokerage commission that increases the cost of selling such securities. We must deposit the proceeds of the short sale plus additional cash or securities as collateral with the lender of the securities to the extent necessary to meet margin requirements. The amount of the required deposit is adjusted periodically to reflect any change in the market price of the securities that we are required to return to the lender. We generally are entitled to receive payments from the lender with respect to the short sale proceeds and additional cash on deposit with the lender at negotiated interest rates. We must return securities equivalent to those borrowed at any time on demand of the lender of the securities borrowed by purchasing them at the market price at the time of replacement. Until the securities are replaced, we must pay the lender amounts equal to any dividends or interest that accrues during the period of the loan of the securities. An increase in the value of any security that is the subject of short selling by us may, as a result of the foregoing, have a material adverse effect on client assets, and therefore our clients' return on investment.

*Derivatives.* We use derivative instruments, including (among others) convertible bonds, convertible preferred stock, options (including speculative positions such as buying and writing call options and put options on either a covered or an uncovered basis), futures, forward contracts, repurchase agreements, reverse repurchase agreements and many different types of swaps involving payments based on a wide range of risks. In many cases, derivatives provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment in much the same way that incurring indebtedness would. Many derivatives provide exposure to potential gain or loss from a change in the market price of a financial instrument (or a basket or index) or other event or circumstance in a notional amount that greatly exceeds the amount of cash or assets required to establish or maintain the derivative contract. Accordingly, relatively small price movements in the underlying financial instruments or other events or circumstances may result in immediate and substantial losses. In some cases, exposure under a derivative contract is limited to the amount invested (for example, when we buy a call option). In other cases, the derivative contract may create an open-ended obligation (for example, when we write a call option). Many derivatives, particularly those negotiated over-the-counter, are substantially illiquid or could become illiquid under certain market conditions. As a result, it may be difficult or impossible to determine the fair value of our interest in such contracts. Many derivative contracts involve exposure to the credit risk of the counterparty, because we acquire no direct interest in the underlying financial instrument, but instead depends on the counterparty's ability to perform under the contract. Further, if and when we take economic exposure through a derivative, we generally will not have any voting rights and may not be able to pursue legal remedies that would be available if we invested client assets directly in the underlying financial instrument.

Many derivatives also involve substantial legal risk and uncertainty, because the terms of the contract may be difficult to draft, apply, interpret and enforce, particularly in the context of unforeseen market conditions or events. In many cases, the counterparty has discretion (either pursuant to the express terms of the contract or in practice) to interpret the contract, make required calculations and demand or withhold payments in the manner most favorable to the counterparty and most unfavorable to us and our clients. An adverse interpretation or calculation under one derivative contract could trigger cross-defaults with other contracts and could have a materially adverse effect on liquidity and performance. Any dispute concerning a derivative contract could be expensive and time consuming to resolve, particularly given the potential for complex and novel legal issues and the involvement of multiple legal jurisdictions. Even a favorable resolution could come too late to prevent cross-defaults, trading losses and material

liquidity problems.

*Foreign Securities.* Although we invest in securities issued by entities organized in the United States, we may invest a portion of client assets in securities of companies domiciled or operating in one or more foreign countries. Investing in foreign securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, foreign currency risk, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in foreign securities. Higher expenses may result from investment in foreign securities than would result from investment in domestic securities because of the costs that must be incurred in connection with conversion between various currencies and foreign brokerage commissions that may be higher than in the United States. Foreign securities markets also may be less liquid, more volatile and subject to less governmental supervision than in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

*Risk Arbitrage Transactions.* We also may engage in risk arbitrage transactions where we purchase securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer or other similar transaction. If the proposed merger, exchange offer, tender offer or other similar transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security purchased by us may decline sharply and result in losses if such securities are sold, transferred or exchanged for securities or cash, the value of which is less than the purchase price. In certain transactions, we may not be “hedged” against market fluctuations. This can result in losses, even if the proposed transaction is consummated. In addition, we may sell short a security to be issued in a merger or exchange offer in the expectation that the short position will be covered by delivery of such security when issued. If the merger or exchange offer is not consummated, we may be forced to cover our short position at a higher price than the short sale price, resulting in a loss.

*Commodity Interests.* We may invest to a limited extent in commodity interests, the prices of which can be volatile, particularly over short time periods. Investments in individual commodity futures contracts and options on futures contracts historically have had a high degree of price variability and may be subject to rapid and substantial price changes. These price changes may be magnified by computer-driven algorithmic trading, which is becoming much more prevalent in the commodities markets. Our clients could incur significant losses on their investments in commodities interests. Movements in the prices of commodities interests generally are outside of our control, are extremely difficult to predict and may not be anticipated by us. Price movements are influenced by, among other things: governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; changing supply and demand relationships; changes in international balances of payments and trade; U.S. and international rates of inflation; currency devaluations and revaluations; U.S. and international political and economic events; changes in interest and foreign currency/exchange rates; market liquidity; and changes in philosophies and emotions of market participants. In making investments, the Investment Manager may utilize highly speculative investment techniques, including high leverage, highly concentrated commodity portfolios and illiquid investments. Such investments may expose client assets to the risks of material financial loss, which may in turn adversely affect their financial results. Certain of our investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which clients may be subject. In addition, client investments may be materially affected by conditions in the financial markets and U.S. and worldwide economic conditions.

*Currency Risk.* We may make direct or indirect investments in a number of different currencies. Any returns on, and the value of such investments may, therefore, be materially affected by exchange rate fluctuations, local exchange control, limited liquidity of the relevant foreign exchange markets, the convertibility of the currencies in question and/or other factors. A decline in the value of the currencies in which we invest client assets are denominated against the U.S. dollar may result in a decrease in such client’s net asset value.

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

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

### **Item 9: Disciplinary Information**

Not applicable.

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

### **FINANCIAL INDUSTRY ACTIVITIES**

We are currently not registered with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator with respect to each Longhorn Fund pursuant to an exemption provided by CFTC Rule 4.13(a)(3) and we currently are not registered as a commodity trading advisor pursuant to an exemption provided by Section 6m(3) of the Commodity Exchange Act, as amended.



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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information and the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by our employees. Among other things, we impose restrictions on all employees and principals relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. Our procedures and code of ethics prohibit personal securities trading by principals and employees while in possession of material, non-public information and communication of material, non-public information to any person other than persons entitled to receive such information in connection with the performance of his or her responsibilities for us. Our procedures and code of ethics also prohibit personal securities trading of individual equities and/or options on individual equities. Employees are permitted to invest in the following "Permitted Investments" without prior approval of the Chief Compliance Officer, except for publicly traded exchange-traded funds and options on exchange-traded funds which must be pre-approved: (1) U.S. government securities, (2) bank certificates of deposit, (3) bankers' acceptances, (4) commercial paper, (5) money market investments, (6) mutual funds (except for our mutual fund or other investment company clients), and (7) securities obtained by the employee's spouse as a result of such spouse's employment by the issuer of the securities, (8) futures, commodities, currencies and precious metals (9) harvesting of investment positions that existed in employee's account prior to or at the time of joining the firm, (10) publicly traded exchange-traded funds and options on exchange-traded funds. Employees may maintain investments in legacy brokerage, IRA and 401K accounts. Our code of ethics also provides that "access persons" are subject to additional procedures, including quarterly transaction reports and annual reporting of personal securities holdings, and a supervisory review of securities transactions. These quarterly and annual reports are reviewed on a regular basis by the Chief Compliance Officer. Further, we maintain certain policies and procedures designed to prevent principals and employees from trading the same security, other than those permitted above, ahead of our clients. We will furnish a copy of our code of ethics to clients and investors upon request.

### **PERSONAL TRADING**

Subject to various restrictions set forth in our code of ethics, our employees and principals may purchase for themselves Permitted Investments purchased for, or recommended to, client accounts. Allowing employees and principals to purchase these Permitted Investments may motivate those employees or principals to engage in "scalping," which is the practice of attempting to benefit from the increase in price resulting from recommendations to clients. To prevent this practice, we closely monitor the investments made by our employees and principals and strictly prohibit "scalping."

## Item 12: Brokerage Practices

### SELECTING BROKERAGE FIRMS

In general, we have authority to determine the brokers, futures commission merchants and other counterparties to be used for client transactions and negotiate commission rates and other monies paid by clients. We select broker-dealers on the basis of obtaining the best overall terms available (*i.e.*, best price and execution of transactions), which we evaluate based on a variety of factors, including among other things: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research and related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. Research and related services furnished by brokers include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; discussions with research personnel; and hardware, software, data bases and other news, technical and telecommunications services and equipment used in the investment management process. We may pay commissions in excess of that which another broker might charge for effecting the same or similar transactions, in recognition of the value of the brokerage and/or research services provided by brokers. Because commission rates in the United States as well as other jurisdictions are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

### BEST EXECUTION

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

### SOFT DOLLAR PRACTICES

We may (directly or indirectly through the use of commission sharing or other similar arrangements) use soft dollars generated by client accounts to pay for certain research and/or related services provided by brokers described above. The term “soft dollars” refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties.

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between us and our clients. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of clients which paid the commissions and that may primarily or exclusively benefit us. If we are able to acquire these products and services without expending our own resources (including management fees paid by clients), our use of soft dollars would tend to increase our profitability. Furthermore, we may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on our clients’ interest in receiving most favorable execution. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits.

Soft dollar benefits generally are used to service all of our clients. We seek to allocate soft dollar benefits among client accounts in a fair and equitable manner under the circumstances, but there can be no assurance that we will be successful in this regard.

During the last fiscal year, we acquired the following types of products and services (*i.e.*, soft dollar items) with client brokerage commissions (or markups or markdowns):

- analytics and market data;
- economic and technical research and publications;
- fundamental research and publications (including research and consultations from sell-side research analysts);
- consultants and independent research services;
- software to aid in the analysis of securities portfolios;

- pre-trade and post-trade analytics; and
- trading software.

We may participate in soft dollar arrangements of general availability through brokers that provide us with research and related services as described above. We do not, however, negotiate higher rates on fees and expenses to be paid by client accounts in exchange for lower rates on fees and expenses to be paid by us.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities. We intend that any soft dollars that we receive in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

To the extent applicable, each of our clients will bear any burdens or costs associated with special limitations (e.g. investment or trading restrictions) associated with that client.

At times, a product or service obtained with client commissions may have a “mixed use,” meaning that a portion of the product or service is relevant to our investment decision-making process (and thus eligible for the Section 28(e) safe harbor) and a portion of it may be used for or otherwise provide an administrative or non-research purpose (and thus ineligible for the Section 28(e) safe harbor). With respect to any such “mixed use” item, we will make a reasonable allocation of the cost of such service based upon an evaluation of the research and non-research uses of the product/service. Only the portion of the mixed-use item that is relevant to the investment decision-making process may be paid for in soft dollars, while those services/products that provide administrative or other non-research assistance are outside of the Section 28(e) safe harbor and will be paid for using our own funds.

#### **BROKERAGE FOR CLIENT REFERRALS**

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

#### **DIRECTED BROKERAGE**

We do not routinely recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

#### **ORDER AGGREGATION**

In general, we enter and execute separate orders for each client. We may place aggregated orders or block trades for multiple clients when it would be in the clients’ best interests to do so. Prior to placing an aggregated order or block trade, we will produce a written allocation statement or electronic allocation notation for the trade, stating which clients are participating in the trade and how the security or proceeds from a sale will be allocated among the participating clients. Aggregated orders or block trades generally are filled pro rata based on the sharing ratios in the allocation statement, but we may deviate from this policy if (i) all clients receive fair and equitable treatment, (ii) the reason for the different allocation is set forth in writing and (iii) the deviation is approved by the Chief Compliance Officer prior to settlement of the trades. In general, the average share price for aggregated transactions or block trades in a security on a given day is allocated to each client participating in the allocation on such day. For each client who participates in an aggregated order or block trade on the given day, all transaction costs and expenses generally are shared by the participating clients in proportion to their participation in the trade. We maintain records which separately reflect for each client account the orders which are aggregated or blocked, the securities held by, and bought and sold for, that account.

#### **ALLOCATION OF INVESTMENT OPPORTUNITIES**

We generally allocate investment opportunities among clients in a manner we believe to be fair and equitable under the circumstances. In general, investment opportunities, if appropriate for a client, are allocated to each client participating up to the lesser of the position size established by the Chief Investment Officer for each client or, to the extent applicable, the client’s stated investment position limit. Exceptions to the policy will be permitted on a specific basis. Examples include, but are not limited to, portfolio rebalancing for a client, certain derivative transactions, client investment guidelines, client exposure parameters, client specific position sizes, and eligibility for initial public offerings.

Profits and losses from “new issues,” as such term is defined in Financial Industry Regulatory Authority (“FINRA”)

Rule 5130, are allocated only to clients and investors who are deemed eligible to participate in such new issues, as contemplated by applicable FINRA Rules.

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

### **PERIODIC REVIEWS**

Both we and the administrator for the Longhorn Funds conduct reviews of client accounts on at least a monthly basis (or more frequently in the case of certain material events). We conduct reviews of other client accounts, including separately managed funds or accounts, investment companies and other private investment funds, on at least a monthly basis (or more frequently in the case of certain material events). With respect to accounting matters, we have engaged an independent public accountant to conduct an annual audit of each of the Longhorn Funds.

We invest client assets in securities and other financial instruments. In monitoring the performance of the investments, we perform various levels of review. Among other items, we consider investment performance, investment diversification and risk allocations as part of our regular review.

### **ADDITIONAL REVIEWS**

While we generally conduct reviews of client accounts on at least a monthly basis, we may conduct additional or more frequent reviews in the event of certain material events. In the case of the Longhorn Funds, certain material events would include, but not be limited to, withdrawals or contributions of capital by an investor.

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

We provide investors in the Onshore Fund with annual audited financial statements, quarterly portfolio reports, monthly reviews, monthly account statements (including capital account estimates) and annual U.S. income tax information. All such statements and reports are written.

We provide our other advisory clients, including separately managed funds or accounts, investment companies and other private investment funds, with information relating to transactions concerning assets of the client, as the client may reasonably request and/or require from time to time and as set forth in the applicable governing documents. All such statements and reports are generally written.

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

### **THIRD PARTY COMPENSATION**

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

### **REFERRALS**

We have entered into a referral agreement (the “Referral Agreement”) with a third-party solicitor, whereby the solicitor has agreed, on a non-exclusive basis, to solicit for and refer to us prospective qualified investors in the Onshore Fund and other potential clients. The fees paid to the third-party solicitor under the Referral Agreement ranges from zero percent (0%) to twenty percent (20%) of the fees paid to us or our affiliates by such referred investors or clients.

In addition, we may enter into agreements or arrangements in the future with other persons who refer investors or clients to us and/or the Longhorn Funds. For their referral services, such persons may receive compensation from us which may be a percentage of the management fee and/or performance-based fee or allocation paid to us or our affiliates by such investors and clients.

All solicitation arrangements entered into by us will be appropriately disclosed to applicable investors and clients and will be designed to be in substantial compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), as applicable.

## Item 15: Custody

### The Longhorn Funds

We have, or may be deemed to have, “custody” of the funds and securities of the Longhorn Funds. In accordance with Rule 206(4)-2 under the Advisers Act, funds and securities of the Longhorn Funds are held with one or more qualified custodians. We may change the custodians at any time and from time to time without the consent of clients or investors. Qualified custodians do not provide account statements directly to investors. We have engaged an independent public accountant to conduct an annual audit of each of the Longhorn Funds. Audited financial statements are provided to each investor in the Longhorn Funds within 120 days after the end of each fiscal year.

The administrators of the Longhorn Funds also prepare the monthly net asset value (“NAV”) of client accounts. The resulting monthly NAVs are the basis of the respective monthly performance records of our client accounts. After our review, the statements are distributed to investors. The monthly performance data is net of all fees and expenses and reflects the performance of the respective investor.

### Separately Managed Accounts and Other Clients

We do not have actual or constructive custody of the funds and/or securities of any of our other advisory clients.

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

We generally have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of our clients. We generally have authority to determine the broker-dealer, futures commission merchant or other counterparty to be used for client transactions and the negotiation of commission rates and other consideration to be paid by our clients.

### **LIMITED POWER OF ATTORNEY**

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

Other advisory clients, including separately managed funds or accounts, investment companies and other private investment funds, generally will grant us a limited power of attorney to enable us to perform authorized trading with respect to their accounts.



## Item 17: Voting Client Securities

### **VOTING POLICIES**

We follow an established policy to vote proxies on behalf of clients in a manner we believe is in each client's best economic interests and without regard to the interests of us or any other client. Clients generally may not direct our vote in a particular solicitation. Our proxy voting policy and information about how we voted the client's securities are available to clients and investors upon request.

### **CONFLICTS OF INTEREST**

Where a material conflict of interest has been identified and the matter is covered by our proxy voting policy, the Chief Investment Officer will vote proxies in accordance with our proxy voting policy.

For clients that are registered investment companies, or would be registered investment companies, but for an exemption, where a material conflict of interest has been identified and the matter is not covered by our proxy voting policy, we will disclose the conflict and the Chief Investment Officer's determination of the manner in which to vote to the investment company's management. The Chief Investment Officer's determination will take into account only the interests of the investment company, and the Chief Investment Officer will document the basis for the decision and furnish the documentation to our management team.

For clients that are unregistered pooled investment vehicles, where a material conflict of interest has been identified and the matter is not covered by our proxy voting policy, we will vote in accordance with the recommendation of an independent third party.

For clients other than funds, where a material conflict of interest has been identified and the matter is not covered by our proxy voting policy, the Chief Investment Officer will disclose the conflict to the client and advise the client that its securities will be voted only upon the client's written direction.

## Item 18: Financial Information

Not applicable.

## General Information

### PRIVACY POLICY

We have adopted policies and procedures reasonably designed to protect various records and information of clients and investors. Except as set forth in the applicable offering materials and as otherwise authorized by each client and/or investor, private information about investors and clients is disclosed only as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the services we provide. We deliver initial notification of our privacy policy as part of fund subscription documents, as well as annual privacy notices thereafter, to investors.

### TRADE ERRORS

Consistent with our fiduciary duties, our general policy is to use the utmost care in making and implementing investment decisions with respect to client accounts. To the extent that we make an error while placing a trade for a client's account, we generally will strive to act in a manner that is consistent with our fiduciary duty to such client and take such actions necessary to fulfill our fiduciary obligations to such client. Trading errors and order execution errors that are attributable to us generally will be corrected in accordance with the following principles:

- We will use commercially reasonable efforts to ensure that orders are entered correctly; *provided* that, to the extent that a trade error occurs for which we are responsible, it is to be (a) corrected as soon as reasonably practicable; and (b) reported to the Chief Compliance Officer.
- Trades that are simply misallocated to the wrong account ("trade misallocations") and are discovered prior to settlement date generally should be reallocated to the originally intended account at the price of the original trade.
- If an error (other than a trade misallocation) is discovered on the trade date or thereafter, the trade generally should be broken, if possible. If the executing broker cannot break the trade, the Chief Compliance Officer will investigate the matter and determine an appropriate solution.
- After a complete investigation and evaluation of the circumstances surrounding an error, the Chief Compliance Officer has discretion to resolve a particular error in a manner other than specified in these procedures. Any errors resulting from unique circumstances will be resolved on a case-by-case basis.
- If as a result of any trading error for which we are responsible, after taking any remedial action outlined herein, a client is adversely affected thereby, we will be responsible for compensating such client so that the client is in the same position that it would have been had the trade error not occurred (as determined by us in our discretion and to the extent deemed practicable by us).