

**FIRM BROCHURE**

**BRENHAM CAPITAL MANAGEMENT, L.P.**

3963 Maple Avenue, Suite 400  
Dallas, Texas 75219  
(972) 663-5123 (telephone)  
CRD Number: 158994  
[www.brenhamcapital.com](http://www.brenhamcapital.com)

**This brochure provides information about the qualifications and business practices of Brenham Capital Management, L.P. If you have any questions about the information contained in this brochure, please contact us at (972) 663-5123. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**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 offering memoranda and/or governing documents that contain the material terms relating to such investment, products or services.**

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

MARCH 18, 2014

## Item 2: Material Changes

The date of the last annual update to our firm brochure was March 21, 2013. A summary of certain changes that have been made to our firm brochure since the date of our last annual updating amendment is set forth below:

- In December 2013, we and certain of our affiliates entered into a project agreement with certain strategic investors, pursuant to which the strategic investors have and will have certain preferential economic and non-economic rights and terms. **See Item 10.**
- In February 2014, we transitioned Brenham Capital Fund, L.P. into a new “master-feeder” structure, whereby Brenham Capital Fund, L.P. (the “Domestic Fund”) invests all or substantially all of its assets in, and conducts its investment activities through, Brenham Intermediate Fund, L.P., a newly-formed Cayman Islands exempted limited partnership (the “Intermediate Fund”), which in turn invests all or substantially all of its assets in, and conducts all or substantially all of its investment activities through, Brenham Master Fund, L.P., a newly-formed Cayman Islands exempted limited partnership. **See Item 4.**
- Brenham Capital Offshore Fund, Ltd., a newly-formed Cayman Islands exempted company (the “Offshore Fund”), has been established to operate as a private pooled investment vehicle primarily for the benefit of U.S. tax-exempt investors and non-U.S. persons. The Offshore Fund invests all or substantially all of its assets in, and conducts its investment activities through, the Intermediate Fund. **See Item 4.**
- The management fee and performance allocation are now paid and allocated at the Intermediate Fund level, rather than at the Domestic Fund level. **See Item 5.**
- Each investor initially admitted to a Fund prior to February 1, 2014 generally is subject to a management fee equal to 1.0% per annum (subject to certain limitations) and each investor initially admitted to a Fund on or after February 1, 2014 generally is subject to a management fee equal to 1.5% per annum. **See Item 5.**
- A portion of the management fee and performance allocation generally is paid or allocated, as applicable, to the strategic investors, which reduces the amounts that would otherwise be paid or allocated to us or our affiliate. **See Item 5 and Item 10.**
- As of February 2014, we converted the Domestic Fund exemption from registration as an investment company under the Investment Company Act of 1940, as amended, from the exemption set forth in Section 3(c)(1) to Section 3(c)(7). **See Item 7.**
- Each of the Domestic Fund and the Offshore Fund bears its proportionate share of the expenses related to the Intermediate Fund and the Master Fund. **See Item 5.**
- Brenham Offshore Management Inc., a newly-formed Cayman Islands exempted company, serves as administrative general partner of the Intermediate Fund and the Master Fund. **See Item 10.**
- As of November 2013, Matt McKamy now serves as our Chief Compliance Officer and Chief Financial Officer.

The information set forth in this brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and offering documents, such documents shall control.

We encourage all investors to review this brochure in its entirety.

### Item 3: Table of Contents

Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation.....	5
Item 6: Performance-Based Fees and Side-By-Side Management .....	7
Item 7: Types of Clients .....	8
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9: Disciplinary Information .....	16
Item 10: Other Financial Industry Activities and Affiliations .....	17
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	18
Item 12: Brokerage Practices.....	19
Item 13: Review of Accounts .....	20
Item 14: Client Referrals and Other Compensation.....	21
Item 15: Custody .....	22
Item 16: Investment Discretion .....	23
Item 17: Voting Client Securities .....	24
Item 18: Financial Information.....	25
Item 19: Requirements for State-Registered Advisers Only.....	26
General Information .....	26
BROCHURE SUPPLEMENT .....	28
Item 2: Educational Background and Experience .....	29
Item 3: Disciplinary Information .....	30
Item 4: Other Business Activities .....	31
Item 5: Additional Compensation.....	32
Item 6: Supervision .....	33
Item 7: Requirements for State-Registered Advisers Only .....	34

## **Item 4: Advisory Business**

### **FIRM DESCRIPTION**

Brenham Capital Management, L.P., a Delaware limited partnership and private investment advisory firm, was organized in 2011. We provide investment management services with respect to private pooled investment vehicles, and have full discretionary authority with respect to investment decisions. Our investment advisory services are provided in accordance with the investment objectives and guidelines set forth in the applicable offering and/or governing documents, and the information in this brochure is qualified in its entirety by the information set forth in such documents.

### **PRINCIPAL OWNERS**

The general partner of Brenham Capital Management, L.P. is Brenham Management, LLC, a Delaware limited liability company, which is wholly owned and controlled by John P. Labanowski. Mr. Labanowski is also the sole limited partner of Brenham Capital Management.

### **TYPES OF ADVISORY SERVICES**

We provide investment advisory services with respect to the following private pooled investment vehicles: Brenham Capital Fund, L.P., a Delaware limited partnership (the “Domestic Fund”), Brenham Capital Offshore Fund, Ltd., a Cayman Islands exempted company (the “Offshore Fund” and, together with the Domestic Fund, the “Feeder Funds”), Brenham Intermediate Fund, L.P., a Cayman Islands exempted limited partnership (the “Intermediate Fund”), and Brenham Master Fund, a Cayman Islands exempted limited partnership (the “Master Fund” and, together with the Feeder Funds and the Intermediate Fund, the “Funds”). We also serve as general partner or managing general partner with respect to each of the Domestic Fund, the Intermediate Fund and the Master Fund. Each of the Feeder Funds invests all or substantially all of its assets in, and conducts its investment activities through, the Intermediate Fund, which in turn invests all or substantially all of its assets in, and conducts its investment activities through, the Master Fund. Accordingly, the Master Fund serves as a centralized investment vehicle for the Feeder Funds and the Intermediate Fund and an investment in a Feeder Fund is an indirect investment in the Master Fund. We are responsible for investing and re-investing the capital of the Master Fund in securities, financial instruments and/or other assets in accordance with the investment objectives, policies and guidelines set forth in the offering and/or governing documents of the Funds. Information about each of the Funds is set forth in the offering documents of the Feeder Funds. **See Item 8 below.**

### **INVESTMENT RESTRICTIONS**

We provide investment advice to the Funds in accordance with the investment objectives, policies and guidelines set forth in the applicable offering and governing documents, and not in accordance with the individual needs or objectives of any particular investor in the Funds. Investors generally are not permitted to impose restrictions or limitations on the management of the Funds.

Notwithstanding the foregoing, we and the Funds have entered into and may in the future enter into side letter agreements and other arrangements with certain investors that alter, modify or change the terms of the interests held by those investors. Among other things, these agreements or arrangements may entitle certain investors to specific reports or notice of specified events, including reports listing positions and related risk statistics at a level of detail or frequency not provided to other investors.

The Funds, us and certain of our affiliates have entered into a project agreement with a group of strategic investors, pursuant to which the strategic investors have and will have certain preferential economic and non-economic rights and terms. **See Item 10.**

### **ASSETS UNDER MANAGEMENT**

As of February 28, 2014, we had approximately \$155,658,000 in regulatory assets under management, all of which were managed on a discretionary basis.

## Item 5: Fees and Compensation

### DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our advisory services, we generally receive management fees and one of our affiliates generally is entitled to receive performance allocations with respect to the Funds. The fees and expenses applicable to the Funds are set forth in detail in the applicable governing and offering documents. A brief summary of such fees and expenses is set forth below:

*Management Fee.* We generally receive a management fee, payable quarterly in advance, equal to a percentage of the net asset value of each separate account of an investor as of the beginning of such calendar quarter. The management fee percentage generally is (i) 1.0% per annum with respect to each investor initially admitted to a Fund prior to February 1, 2014 and (ii) 1.5% per annum with respect to each investor initially admitted to a Fund on or after February 1, 2014. Our affiliates generally are not subject to any management fee.

*Performance Allocation.* Subject to certain terms and limitations, one of our affiliates generally is entitled to receive an annual performance allocation equal to twenty percent (20%) of the aggregate net profits (subject to certain adjustments) allocated to each separate account of an investor for the applicable period. Our affiliates generally are not subject to any performance allocations. The performance allocation is calculated and determined separately with respect to each capital contribution made by an investor.

A “cumulative net loss” account (also known as a “high water mark”) is maintained by the Intermediate Fund with respect to each separate account of an investor (a “Cumulative Net Loss Account”). At the end of each fiscal period, each Cumulative Net Loss Account is (a) debited with the sum of the cumulative amount of net losses, if any, allocated to the relevant separate account since the immediately preceding date as of which a calculation of the performance allocation was made (or if no calculation has yet been made with respect to such separate account, since the date such separate account was initially established) and the cumulative amount of management fees charged with respect to the separate account and (b) credited (but not below zero) with the cumulative net profits, if any, allocated to such separate account since the immediately preceding date as of which a calculation of a performance allocation was made (or the date such separate account was initially established). No performance allocation is allocated with respect to a separate account of an investor until the debit balance in the corresponding Cumulative Net Loss Account has been reduced to zero.

A portion of the management fee and performance allocation generally is paid or allocated, as applicable, to certain strategic investors, which reduces the amounts that would otherwise be paid or allocated to us or our affiliate.

Each investor generally is required to certify that it is, among other things, an “accredited investor” (as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended) and a “qualified purchaser” (as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended).

Our advisory fees with respect to each investor generally are not negotiable. However, subject to certain conditions and limitations, the management fee and/or performance allocation with respect to any investor may be waived or reduced by us or our affiliate.

### DEDUCTION OF ADVISORY FEES

With respect to each applicable investor, management fees are payable quarterly, in advance, as of the first day of each calendar quarter and deducted directly from the separate account of each investor. The management fee is prorated with respect to any capital contribution effective other than as of the first day of a calendar quarter. In the event of a withdrawal by an investor other than as of the last day of a calendar quarter, a *pro rata* portion of the management fee, based upon the actual number of days remaining in such calendar quarter, generally is repaid by us to the Intermediate Fund for credit to the separate account of such investor.

Performance allocations are calculated and allocated as of the end of each fiscal year and at such other times as set forth in the partnership agreement of the Intermediate Fund. Performance allocations are re-allocated from each separate account of an investor to the separate account of our affiliate.

### OTHER FEES AND EXPENSES

In addition to management fees and performance allocations, the Funds generally bear (and reimburse us and our affiliates for) all costs and expenses relating to their activities, including but not limited to (a) with respect to each

Feeder Fund, its proportionate share of expenses related to the Intermediate Fund and the Master Fund that are determined to be properly and ratably allocable to that Feeder Fund, (b) all expenses incurred in connection with the offering, including, but not limited to, marketing expenses, documentation of performance and the admission of investors or the acceptance of subscriptions, (c) all operating expenses such as tax preparation fees (including, without limitation, any such fees related to the preparation of tax returns and Schedule K-1s), governmental fees and taxes (or any other governmental charges levied against a Fund), administrator, custodial and prime brokerage fees and expenses, communications with investors and ongoing legal, accounting, auditing, administration, appraisal, bookkeeping, consulting and other professional fees and expenses, including for litigation and preparation of financial statements and reports, (d) all costs, expenses and charges incurred in connection with the investment and trading activities of the Funds (*e.g.*, brokerage commissions, mark-ups, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges and other transaction costs to brokers), (e) professional and other advisory and consulting expenses and travel expenses incurred in connection with investment due diligence, monitoring or the assertion of rights or pursuit of remedies (including, without limitation, pursuant to bankruptcy or other legal proceedings or participation in informal committees of creditors or other security holders of an issuer), (f) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Funds, (g) interest on, and fees and expenses arising out of, all borrowings, (h) organizational costs, (i) expenses of any meetings of the limited partners or shareholders, (j) the costs of any litigation and indemnification relating to the affairs of the Funds, (k) expenses related to third party research, publications, data and data services, including real time pricing and market information (such as Bloomberg and Reuters services) and historical pricing and other data, (l) costs of compliance with applicable laws and regulations of governmental and self-regulatory bodies, including costs incurred by us and our affiliates in complying with laws and regulations that apply to any such entities as a result of our services to the Funds, (m) expenses associated with forming and maintaining the legal existence of the Funds, including administrators' fees, occupancy costs and other operating costs of entities that maintain their own offices in certain jurisdictions, and (n) all other reasonable expenses related to the management and operation of the Funds and/or the purchase, sale or disposition of interests. The Funds generally are responsible for and pay all brokerage and custodial expenses and fees. **See Item 12 below.**

#### **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, one of our affiliates generally is entitled to receive performance allocations from the Intermediate Fund with respect to each separate account of an investor. Performance allocations could motivate us, due to our relationship with our affiliate, to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. Because the performance allocation is calculated on the basis that includes unrealized appreciation in the Funds' portfolio based upon values assigned by us, we face a conflict of interest in valuing the Funds' portfolio. Our individual employees and affiliates who are compensated to some extent based upon trading profits for which they are responsible face the same potential conflict. We address this conflict through full and fair disclosure in the applicable offering documents and this brochure.

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

### **TYPES OF CLIENTS**

We provide investment advisory services to affiliated private pooled investment vehicles. We may in the future provide investment advice to other types of clients.

### **ACCOUNT REQUIREMENTS**

The minimum initial capital contribution or subscription amount required for an investor in a Feeder Fund generally is \$1,000,000, although capital contributions or subscriptions of lesser amounts may be accepted in our discretion.

To invest in the Funds, each investor generally is required to certify that it is, among other things, an “accredited investor” (as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended) and a “qualified purchaser” (as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended). Each prospective investor generally is required to complete and return various subscription documents to the applicable Fund, which are designed to provide the applicable Fund, the administrator, us and our affiliates and agents with important information about the investor. Subscriptions may be accepted or rejected, in whole or in part, in our sole discretion.



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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The primary investment objective of the Funds is to generate superior absolute returns while attempting to minimize the risk of permanent loss through a long/short strategy of investments in publicly traded equity securities. To achieve this investment objective, the Funds focus primarily on investments in the energy industry and emphasize situations for investment where we believe companies have been overlooked or are misunderstood by other market participants.

The Funds generally establish (i) long positions in securities of companies with attractive valuations, limited downside risk, high rates of return on invested capital, strong balance sheets and management teams that are honest, competent and well-aligned and (ii) short positions in securities of companies with unrealistically high expectations, upcoming business headwinds, poor competitive positions, low rates of return on invested capital, over-leveraged balance sheets and management teams with a history of failure. We conduct intensive research with respect to each potential investment including, without limitation, reviewing public regulatory and disclosure filings, conference call transcripts and issuer presentations; researching an issuer's products, services and assets to understand its value proposition; meeting with issuer management teams to better understand its business; reviewing historical energy industry data and speaking to industry participants to assess an issuer's exposure to key trends and risks; created detailed financial models to help identify disconnects in issuer valuations; appraising management's incentives and track record of execution.

We construct a portfolio that is driven predominantly by bottom-up research, taking into account some additional top-down considerations such as commodity price levels, macroeconomic data and diversification.

The Funds' portfolio generally is comprised of 10 to 20 long positions and 10 to 30 short positions. Cash or cash equivalents may be held in the absence of attractive investments.

The investment strategies summarized above are not intended to be comprehensive and are qualified in their entirety by the information set forth in the offering documents.

### CERTAIN RISK FACTORS

*There can be no assurance that the Funds will achieve their investment objective. The Funds' investment strategies involve 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 an investment in any of the Funds is low risk or risk free. The investment strategies and programs of the Funds are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors are encouraged to carefully consider the risk factors set forth in the applicable offering memorandum, among others, before making any investment decisions. Certain of the risks that may be associated with an investment in the Funds are set forth below. The various risks outlined below are not the only risks that may be associated with the Funds' investment strategies and processes. The following risks are qualified in their entirety by the risks set forth in the applicable offering documents.*

**General Economic and Market Conditions.** The success of the Funds' activities are affected by general economic and market conditions, such as changes in interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters or security operations). These factors may affect the level and volatility of securities prices and the liquidity of investments. Volatility and/or illiquidity could impair the Funds' profitability or result in losses. The Funds could incur material losses even if we react quickly to difficult market conditions, and there can be no assurance that the Funds will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Investors should realize that markets for the financial instruments in which the Funds invest can correlate strongly with each other at times or in ways that are difficult for us to predict. Even a well-analyzed approach may not protect the Funds from significant losses under certain market conditions.

### Risks Relating to Energy Investments

**General.** The Funds primarily invest in issuers operating or conducting business in the energy sector. Companies operating in the energy sector may be affected by fluctuations in the prices of energy commodities, including, for

example, natural gas, natural gas liquids, crude oil and coal, in the short- and long-term. Fluctuations in energy commodity prices would directly impact companies that own such energy commodities and could indirectly impact companies that engage in transportation, storage, processing, distribution or marketing of such energy commodities. Fluctuations in energy commodity prices can result from changes in general economic conditions or political circumstances (especially of key energy-consuming countries), market conditions, weather patterns, domestic production levels, volume of imports, energy conservation, domestic and foreign governmental regulation, international politics, policies of the Organization of Petroleum Exporting Countries (“*OPEC*”), taxation, tariffs, and the availability and costs of local, intrastate and interstate transportation methods. The energy sector as a whole may also be impacted by the perception that the performance of energy sector companies is directly linked to commodity prices.

The Funds may invest in energy-based financial instruments, including, without limitation, exchange-traded and over-the-counter derivatives contracts such as futures, options, swaps and forwards, which have energy commodities (such as petroleum products, natural gas and electric power) as their reference asset. Certain of these markets are in developmental stages and may expose the Funds to unusually volatile returns and illiquidity. Energy-based derivatives have the same risks associated with them as other energy-related transactions and derivative financial instruments, including a high degree of leverage, deviations between the theoretical and realizable value of the reference commodity and the derivative and imperfections in dealer pricing.

*Supply and Demand Risk.* The Funds and their investments may be impacted by the levels of supply and demand for energy commodities. The Funds and their investments could be adversely affected by reductions in the supply of or demand for energy commodities. The volume of production of energy commodities and the volume of energy commodities available for transportation, storage, processing or distribution could be affected by a variety of factors, including depletion of resources, depressed commodity prices, catastrophic events, labor relations, increased environmental or other governmental regulation, equipment malfunctions and maintenance difficulties, import volumes, international politics, policies of OPEC, and increased competition from alternative energy sources. Alternatively, a decline in demand for energy commodities could result from factors such as adverse economic conditions (especially in key energy-consuming countries), increased taxation, increased environmental or other governmental regulation, increased fuel economy, increased energy conservation or use of alternative energy sources, or increased commodity prices.

*Depletion Risk.* Companies engaged in the exploration, development, management or production of energy commodities face the risk that commodity reserves are depleted over time. Such companies seek to increase their reserves through expansion of their current businesses, acquisitions, further development of their existing sources of energy commodities or exploration of new sources of energy commodities or by entering into long-term contracts for additional reserves; however, there are risks associated with each of these potential strategies. If such companies fail to acquire additional reserves in a cost-effective manner and at a rate at least equal to the rate at which their existing reserves decline, their financial performance may suffer. Additionally, failure to replenish reserves could reduce the amount and affect the tax characterization of the distributions paid by such companies.

*Regulatory Risks Relating to the Energy Sector.* The energy sector is highly regulated. Companies operating in the energy sector are subject to significant regulation of nearly every aspect of their operations by federal, state and local governmental agencies. Examples of governmental regulations which impact companies operating in the energy sector include, without limitation, regulation of the construction, maintenance and operation of facilities, environmental regulation, worker safety regulation, labor regulation, trade regulation and the regulation of the prices charged for products and services. Compliance with these regulations is enforced by numerous governmental agencies and authorities through administrative, civil and criminal penalties. Stricter laws or regulations or stricter enforcement policies with respect to existing regulations would likely increase the costs of regulatory compliance and could have an adverse effect on the financial performance of companies operating in the energy sector.

*Catastrophic Event Risk.* Companies operating in the energy sector are subject to many dangers inherent in the production, exploration, management, transportation, processing and distribution of natural gas, natural gas liquids, crude oil, refined petroleum and petroleum products and other hydrocarbons. These dangers include leaks, fires, explosions, damage to facilities and equipment resulting from natural disasters, inadvertent damage to facilities and equipment and terrorist acts. These dangers give rise to risks of substantial losses as a result of the following: loss or destruction of commodity reserves; damage to or destruction of property, facilities and equipment; pollution and environmental damage; and personal injury or loss of life. Any occurrence of such catastrophic events could bring about a limitation, suspension or discontinuation of the operations of companies operating in the energy sector.

Companies operating in the energy sector may not be fully insured against all risks inherent in their business operations, and therefore accidents and catastrophic events could adversely affect such companies' financial conditions and ability to pay distributions to shareholders.

### **General Investment and Portfolio Risks**

*Investment and Trading Risks Generally.* All investments risk the loss of capital. No guarantee or representation is made that the Funds' program will be successful. The Funds' investment program involves, without limitation, risks associated with limited diversification, leverage, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Funds' activities. Certain investment techniques of the Funds may, in certain circumstances, substantially increase the impact of adverse market movements to which the Funds may be subject. In addition, the Funds' investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Funds invest their assets.

The Funds' 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.

*Equity Risks.* The Funds invest primarily in equity and equity-linked securities. The value of these securities generally varies with the performance of the issuer and movements in the broader equity markets. As a result, the Funds may suffer losses if they invest in equity securities of issuers whose performance diverges from our expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. The Funds 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.

*Micro- and Small-Capitalization Companies.* The Funds may invest in securities of companies with micro- and small-capitalizations. While we believe such securities often provide significant potential for appreciation, the securities of micro- and small-capitalization companies involve higher risks in some respects than do investments in securities of mid- or large-capitalization companies. For example, prices of securities of companies with micro- and small-capitalizations are often more volatile than prices of securities of companies with mid- and large-capitalizations and the risk of bankruptcy or insolvency of many micro- and small-capitalization companies (with the attendant losses to investors) is higher than that for mid- or large-capitalization companies. In addition, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in such companies may be illiquid.

*Short Selling.* The Funds' investment portfolio includes short positions. Short selling involves selling securities which may or may not be owned 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 a decline in the price of a particular security to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales depends upon our investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the security necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

*Highly Volatile Markets.* The prices of financial instruments in which the Funds may invest can be (and have recently been) volatile. Price movements of the financial instruments in which the Funds' 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. The Funds are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same

direction. The effect of such intervention is often heightened by a group of governments acting in concert.

*Limited Diversification and Risk Management Failures.* The Funds primarily invest in the securities of energy-related companies and the Funds' portfolio generally is comprised of a relatively small number of positions. Due to the Funds' primary focus on investments in the energy industry, the Funds will not be diversified to any material extent and the Funds could experience significant losses if general economic conditions, and, in particular, those relevant to the energy industry, decline. In addition, the Funds' portfolio may from time to time be significantly concentrated in a limited number of positions, issuers, types of financial instruments, industries, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by the Funds. This limited diversity could expose the Funds to losses disproportionate to market movements in general. Other investment funds pursue similar strategies, which creates the risk that many funds may be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although we attempt to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective, particularly given the Funds' focus on investments in the energy industry. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in our risk management efforts could result in material losses for the Funds.

*Non-U.S. Investments.* The Funds may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Funds may be unable to structure their transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds' rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the Commodity Futures Trading Commission (the "CFTC") or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

*Competition.* The markets in which the Funds participate are extremely competitive. There can be no assurance that we will be able to identify or successfully pursue attractive investment opportunities in this environment. Investors should expect that the Funds' investments will involve substantially more company-specific and market risk and associated volatility in the future than in the past. We and the Funds compete with many firms, some of which may have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to us and the Funds.

*Less Liquid Instruments.* The Funds may make investments in publicly-traded equity securities that are relatively liquid. However, the Funds may invest in the securities of companies with micro- and small- capitalizations, which may be thinly traded and otherwise illiquid. In addition, the Funds may from time to time hold large positions with respect to a specific type of instrument, which may reduce the Funds' liquidity. The Funds may be unable to timely dispose of certain assets, which would adversely affect the Funds' ability to rebalance their portfolios or to meet withdrawal or redemption requests. In addition, such circumstances may force the Funds to dispose of assets at reduced prices, thereby adversely affecting the Funds' performance. If there are other market participants seeking to dispose of similar assets at the same time, the Funds may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if the Funds incur substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, the Funds' counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Funds' credit risk to them.

The Funds may also invest in the securities of privately-held companies that are subject to legal or other restrictions

on transfer. The Funds may be contractually prohibited from disposing of such investments for a specified period of time. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Funds may not be able to sell them when we desire to do so or to realize what we perceive to be their fair value in the event of a sale.

*Default and Credit Risks.* The Funds may invest in debt obligations of both government and corporate issuers. These financial instruments involve the risk that the obligor either cannot or will not fulfill its obligations under the terms of the financial instrument. We and the Funds also assume credit risk to our brokers, custodians and other counterparties in connection with brokerage arrangements, derivatives and other contractual relationships. In evaluating credit risk, we and the Funds are often dependent upon information provided by the obligor, which may be materially inaccurate or fraudulent. Any actual default, or any circumstance that increases the possibility of such a default, could have a material adverse effect on the Funds.

*Hedging Transactions.* The Funds may utilize financial instruments, both for investment purposes and for risk management purposes, in order to: (a) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (b) protect the Funds' unrealized gains in the value of the Funds' investment portfolio; (c) facilitate the sale of any such investments; (d) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio; (e) hedge against a directional trade; (f) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (g) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (h) for any reason that we deem appropriate.

The success of the Funds' hedging strategy depends, in part, upon our 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 Funds' hedging strategy is also subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in such hedging transactions. For a variety of reasons, we 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 the Funds from achieving the intended hedge or expose the Funds to risk of loss. The Funds are not required to hedge any particular risk in connection with a particular transaction or their portfolios generally. Moreover, it should be noted that the portfolio will always be exposed to certain risks that may not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings.

*Relative Value and Directional Investments.* The Funds' investment strategies depend on our ability to accurately predict future price movements or the convergence of market prices toward the theoretical values expected by us. Any such attempt to predict future price movements is inherently risky and inaccurate. Often, price movements will be determined by unanticipated factors, and our analysis of known factors may prove incorrect, in each case potentially leading to substantial losses to the Funds.

*Equity Swaps.* The Funds may make use of equity swaps. A swap is a contract under which two parties agree to make periodic payments to each other based on the value of a security, specified interest rates, an index or the value of some other instrument, applied to a stated or "notional" amount. An equity swap is a customized derivative instrument that entitles the counterparty to certain payments on the gain or loss on the value of an underlying equity security. Equity swaps are subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

*Litigation.* The Funds' investment activities may subject them to the risks of becoming involved in litigation with third parties. The expense of defending against claims against the Funds by third parties and the payment of any amounts pursuant to settlements or judgments generally would be borne by the Funds, reduce net assets and could require investors to return distributed capital and earnings to the Funds. We and our affiliates generally will be indemnified by the Funds in connection with any such litigation, subject to certain conditions.

*Trading Decisions.* Our trading decisions are based on fundamental, technical and other analysis. Any factor that

would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernable trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that the Funds' strategies will be successful under all or any market conditions.

*Leverage and Borrowing Risks.* The Funds have the power to borrow funds and may do so when we deem appropriate, including to enhance the Funds' returns and for cash management purposes (e.g., short-term borrowings to make investments in anticipation of additional subscriptions and to fund withdrawals or redemptions). The Funds may borrow funds from brokers, banks and other lenders to finance their investing and trading operations, which borrowings may be secured by assets of the Funds. The use of such leverage can, in certain circumstances, maximize the losses to which the Funds' investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or a Fund as a whole is leveraged. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the Funds' investments could result in a substantial loss to the Funds, which would be greater than if the Funds were not leveraged. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. The access to capital could be impaired by many factors, including market forces or regulatory changes.

The use of margin and short-term borrowings creates several risks for the Funds. If the value of the Funds' securities falls below the margin level required by a prime broker, additional margin deposits would be required. If the Funds are unable to satisfy any margin call by a prime broker, then the prime broker could liquidate the Funds' position in some or all of the financial instruments that are in the Funds' accounts at the prime broker and cause the Funds to incur significant losses. Furthermore, secured counterparties and lenders may have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by the Funds. This could increase exposure to the risk of a counterparty default since, under such circumstances, the Funds may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under the Funds' agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of the Funds.

The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involves little or no margin deposit and, therefore, will provide substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to the Funds.

*Counterparty Risks.* The Funds has established (and may in the future establish) relationships to obtain financing, engage in derivative transactions and obtain prime brokerage services, all of which permit the Funds to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Funds will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Funds' trading activities and could create losses, preclude the Funds from engaging in certain transactions, financing and prime brokerage services and prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing and, derivative and prime brokerage services provided by any such relationships before the Funds establish additional relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

Some of the markets in which the Funds may effect their transactions are "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Funds to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the Funds to suffer a loss. In addition, in the case of a default, the Funds could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where the Funds have concentrated their transactions with a single counterparty or small group of counterparties. **See Item 12 below.**

Furthermore, there is a risk that any of the Funds' counterparties could become insolvent and/or the subject of

insolvency proceedings. If one or more of the Funds' counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of the Funds' securities and other assets from the Funds' prime brokers or broker-dealers 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.

The Funds may use counterparties located in jurisdictions outside the United States. Such 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 the Funds' 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 the Funds and their assets.

The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, our internal process for evaluating the creditworthiness of the Funds' counterparties may prove insufficient. The ability of the Funds to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of the Funds' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FUNDS' INVESTMENT PROGRAMS OR OUR INVESTMENT STRATEGIES. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO REVIEW THE APPLICABLE OFFERING MATERIALS OF THE FUNDS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS. THE FOREGOING RISK FACTORS ARE QUALIFIED IN THEIR ENTIRETY BY THE RISK FACTORS SET FORTH IN THE OFFERING DOCUMENTS.**

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

Neither we nor any of our employees have been involved in any legal or disciplinary events related to past or present investment clients or investors.



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

### **MATERIAL RELATIONSHIPS WITH OTHER PERSONS**

We currently share offices with EBL Capital Partners, LP, a family office established exclusively to manage the wealth and direct the investments of the Lyon family (“EBL”). We intend to keep our business activities and operations separate and independent from the business activities and operations of EBL. Notwithstanding the foregoing, the activities of EBL may present actual or potential conflicts of interest with our activities on behalf of the Funds.

### **ARRANGEMENT WITH STRATEGIC INVESTORS**

The Funds, us and certain of our affiliates have entered into a project agreement with certain strategic investors. Pursuant to the project agreement, among other things, (i) the strategic investors have agreed to make a significant investment in the Intermediate Fund, (ii) the strategic investors have certain ongoing non-investment consent and notification rights concerning the operations of the Funds and us, (iii) the strategic investors generally are entitled to share in certain of the compensation that would otherwise be payable or allocable to us or our affiliates with respect to the Funds, and (iv) the strategic investors have access to certain information and documents with respect to the Funds and us that generally are not made available to other investors (including, without limitation, monthly position-level transparency with respect to the Funds). We generally must obtain the prior written consent of the strategic investors before (among other things): (a) making any material changes, developments or alterations to the Funds’ investment strategy (as contemplated in the offering memoranda), (b) making any material amendments to the offering documents, the governing documents or any other operative documents relating to the Funds, or (c) engaging any new accountant or significant service provider. Pursuant to the foregoing, we generally are not able to make any changes to the Funds’ investment strategy without the prior consent of the strategic investors.

The strategic investors own a significant percentage of the interests in the Intermediate Fund (and may hold a significant percentage of the interests in one or more of the other Funds) and have certain significant consent, notification and other preferential rights. As a result of the foregoing and other provisions set forth in the project agreement, the strategic investors may have the practical ability to exert influence over us. Nevertheless, the strategic investors are not responsible for and do not have any authority over the management and operation of the Funds and us (except with respect to the consent rights set forth in the project agreement). The strategic investors will not participate in the management of us or have any authority over any aspect of the trading, investment or other activities of the Funds or any other client of us.

The strategic investors are not sponsors or promoters of the Funds, do not owe any fiduciary duties or other special duties or obligations to the Funds or any of the other investors and may have interests that conflict with the Funds and the other investors.

For more information regarding the project agreement, please see the applicable offering documents.

### **AFFILIATED GENERAL PARTNER**

Brenham Offshore Management Inc., a Cayman Islands exempted company (the “Administrative GP”), serves as the administrative general partner of the Intermediate Fund and the Master Fund. We are the sole shareholder of the Administrative GP and Mr. Labanowski is the sole director.

## **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 supervised persons. Our code of ethics is designed to educate supervised persons about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage supervised persons to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address material conflicts of interest that arise from personal trading by access persons. Subject to the terms of the code of ethics, we generally impose restrictions on access persons relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. All access persons generally are required to submit (i) initial and annual reports of their personal securities holdings and (ii) quarterly reports of all of their personal securities transactions within 30 days after the close of each calendar quarter. We also maintain certain policies and procedures designed to prevent supervised persons from misusing material non-public information and to address certain actual and potential conflicts of interest that may arise when supervised persons accept, provide, offer or give gifts or entertainment events. We will furnish a copy of our code of ethics to investors upon request.

### **TRANSACTIONS INVOLVING CONFLICTS OF INTEREST**

We may cause the Funds to enter into transactions and arrangements involving actual or potential conflicts of interest. We will review any transactions involving material conflicts of interest and take such actions as we deem necessary or appropriate in an attempt to ensure that the terms of such transactions are fair and reasonable under the circumstances and, if we approve, we may consent thereto on behalf of the Funds and the investors.

We may establish and appoint an advisory committee with respect to one or more of the Funds consisting of one or more individuals selected by us (none of whom would be affiliated or associated with us). If established, the advisory committee will have the authority, at our request and on behalf of the applicable Fund and its investors, to consider and, on behalf of the applicable Fund and its investors, approve or disapprove (to the extent required by applicable law or deemed appropriate by us) principal transactions, certain actual or potential conflicts of interest, matters requiring client consent under Section 206(3) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") (or any other applicable laws) and any other matters that we elect to present thereto. Any consent given by the advisory committee on behalf of a Fund in good faith after consultation with us will be binding on the Fund and the investors.

## **Item 12: Brokerage Practices**

### **BROKER SELECTION AND BEST EXECUTION**

We have authority to select the brokers and other counterparties to be used for the Funds' transactions and negotiate commission rates and other compensation paid by the Funds to such brokers and counterparties. We select broker-dealers and other counterparties on the basis of best execution and in consideration of the broker's ability to effect the transactions; its facilities, reliability and financial responsibility; the provision or payment by the broker of the costs of research and research-related services which are of benefit to us and the Funds; and such other factors as we deem appropriate and consistent with applicable law. We may cause the Funds to pay higher commissions to brokers believed to offer superior service under the circumstances, including brokers that provide investment research and analysis to their clients, including the Funds. Accordingly, when we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the overall services provided to the Funds, including internally-developed research and other services provided by such broker, we may cause the Funds to pay commissions to such broker in an amount greater than the amount another broker might charge.

We have adopted policies and procedures that we believe are reasonably designed to ensure that the Funds achieve best net execution and that brokers utilized have been selected based on the Funds' best interests.

### **SOFT DOLLAR PRACTICES**

We may 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 (such as quotation equipment).

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.

During the last fiscal year, we obtained investment research from our broker-dealers.

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.

### **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. We also do not permit a client to direct brokerage for order execution purposes.

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

#### **REVIEWS OF ACCOUNTS**

We generally conduct reviews of the Funds' portfolio on a daily basis. Mr. Labanowski is primarily responsible for reviewing the Funds' portfolio and their investment activities. With respect to accounting matters, we have engaged Rothstein, Kass and Company, PLLC to conduct annual audits of the financial statements of the Funds.

We invest the Funds' 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 short and long term rates of return, investment performance and risk allocations.

#### **FACTORS TRIGGERING ADDITIONAL REVIEWS**

While we generally conduct reviews of the Funds' portfolio on a daily basis, we may conduct additional or more frequent reviews in the event of any withdrawal, redemption or capital contribution by an investor in the Funds.

#### **REPORTS TO INVESTORS**

We generally provide (or cause the administrator or auditor to provide) to investors as soon as reasonably practicable after the end of each fiscal year (or as otherwise required by law) annual reports containing financial statements audited by the Funds' independent auditor and any other tax information required by law or reasonably requested by an investor. We also provide investors with periodic notices and reports relating to the performance and activities of the Funds. All such statements and reports are written.

We provide and may in the future provide certain information and documentation with respect to the Funds to certain investors that are not distributed or otherwise made available to other investors. Such investors may make investment decisions (including withdrawal requests) with respect to their investment in the Funds based upon such information.

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

##### **THIRD PARTY COMPENSATION**

Except as otherwise disclosed herein, 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 currently do not compensate any third party for client or investor referrals.

### **Item 15: Custody**

We have, or may be deemed to have, custody of each Fund's cash and securities. To the extent required by Rule 206(4)-2 under the Advisers Act, each Fund's cash and securities 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, or notice to, investors. We have engaged Rothstein, Kass and Company, PLLC to conduct annual audits of the Funds, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided to investors on an annual basis. We generally attempt to provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors in the Funds.

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

We 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 each of our Funds. In addition, we generally have authority to determine the broker-dealer or other counterparty to be used for Fund transactions and the negotiation of commission rates and other consideration to be paid by the Funds.

### **LIMITED POWER OF ATTORNEY**

Each investor in the Funds generally grants us or our affiliate a limited power of attorney to enable us or our affiliate to execute the applicable partnership agreement on its behalf. We have authority to conduct authorized trading on behalf of the Funds.

### **Item 17: Voting Client Securities**

We have voting authority with respect to securities that are owned directly by the Funds. Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise or have voting authority over client securities to implement proxy voting policies and procedures. In accordance with the rule, we have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Funds, as determined in our discretion, taking into account various factors. We may take no action with respect to a proxy if we reasonably determine that it is in the best interest of a client not to vote the proxy. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation.

Investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.



### **Item 18: Financial Information**

We do not have any financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients, nor have we been the subject of any bankruptcy proceeding.

## Item 19: Requirements for State-Registered Advisers Only

### PRINCIPAL OFFICERS AND MANAGEMENT PERSONS

#### John P. Labanowski

Mr. Labanowski, age 32, earned a Bachelor of Science in economics from The Wharton School at the University of Pennsylvania in 2004. From 2004 to 2005, he was an investment banking analyst at Deutsche Bank. From 2005 to 2006, Mr. Labanowski was an investment banking analyst at Goldman Sachs. From 2006 to 2011, he was an energy analyst at WS Capital Management, L.P. From 2011 to the present, Mr. Labanowski has been the founder, principal and portfolio manager at Brenham Capital Management, L.P.

### PERFORMANCE-BASED FEES

Subject to certain terms and limitations, one of our affiliates generally is entitled to receive an annual performance allocation equal to twenty percent (20%) of the aggregate net profits (subject to certain adjustments) allocated to each separate account of an investor for the applicable period. Our affiliates generally are not subject to any performance allocations. The performance allocation is calculated and determined separately with respect to each capital contribution made by an investor.

A “cumulative net loss” account (also known as a “high water mark”) is maintained by the Intermediate Fund with respect to each separate account of an investor (a “Cumulative Net Loss Account”). At the end of each fiscal period, each Cumulative Net Loss Account is (a) debited with the sum of the cumulative amount of net losses, if any, allocated to the relevant separate account since the immediately preceding date as of which a calculation of the performance allocation was made (or if no calculation has yet been made with respect to such separate account, since the date such separate account was initially established) and the cumulative amount of management fees charged with respect to the separate account and (b) credited (but not below zero) with the cumulative net profits, if any, allocated to such separate account since the immediately preceding date as of which a calculation of a performance allocation was made (or the date such separate account was initially established). No performance allocation is allocated with respect to a separate account of an investor until the debit balance in the corresponding Cumulative Net Loss Account has been reduced to zero.

A portion of the management fee and performance allocation generally is paid or allocated, as applicable, to certain strategic investors, which reduces the amounts that would otherwise be paid or allocated to us or our affiliate..

Performance-based allocations could motivate us, due to our relationship with our affiliate, to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. Our individual employees and affiliates who are compensated to some extent based upon trading profits for which they are responsible face the same potential conflict. We address this conflict through full and fair disclosure in the applicable governing and/or offering documents and/or this brochure.

## **General Information**

### **PRIVACY POLICY**

We have adopted policies and procedures reasonably designed to protect various records and information of investors. Except as set forth in the applicable offering materials and as otherwise authorized by each investor, private information about investors in the Funds 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 operation of the Funds. Notice of our privacy policy generally is provided to each investor in connection with its subscription for an interest in a Fund.

## **BROCHURE SUPPLEMENT**

**JOHN P. LABANOWSKI**  
BRENHAM CAPITAL MANAGEMENT, L.P.  
3963 Maple Avenue, Suite 400  
Dallas, Texas 75219  
(214) 580-2034 (telephone)  
CRD Number: 5018144

**This brochure supplement provides information about John P. Labanowski that supplements Brenham Capital Management, L.P.'s brochure. You should have received a copy of that brochure. If you did not receive that brochure or if you have any questions about the contents of this supplement, please contact Brenham Capital Management, L.P. at (972) 663-5123.**

**Additional information about John P. Labanowski is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

MARCH 18, 2014

## **Item 2: Educational Background and Experience**

Mr. Labanowski, age 32, earned a Bachelor of Science in economics from The Wharton School at the University of Pennsylvania in 2004. From 2004 to 2005, he was an investment banking analyst at Deutsche Bank. From 2005 to 2006, Mr. Labanowski was an investment banking analyst at Goldman Sachs. From 2006 to 2011, he was an energy analyst at WS Capital Management, L.P. From 2011 to the present, Mr. Labanowski has been the founder, principal and portfolio manager at Brenham Capital Management, L.P.

### **Item 3: Disciplinary Information**

Mr. Labanowski has not been involved in any legal or disciplinary events related to past or present investment clients.

#### **Item 4: Other Business Activities**

Mr. Labanowski is not actively engaged in any other investment-related business or occupation outside of Brenham Capital Management and its affiliated entities. He is not registered and has no application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”), commodity trading advisor (“CTA”) or an associated person of an FCM, CPO or CTA.

Mr. Labanowski does not receive commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service (“trail”) fees from the sale of mutual funds.

Mr. Labanowski is not actively engaged in any other business or occupation for compensation, which provides a substantial source of his income or involves a substantial amount of his time.

### **Item 5: Additional Compensation**

No person who is not a client provides an economic benefit to Mr. Labanowski for providing advisory services.



### **Item 6: Supervision**

Brenham Capital Management has a continuing responsibility to supervise all persons who act on its behalf in order to prevent violations of applicable securities laws. To fulfill this responsibility, Brenham Capital Management has implemented procedures and a system for applying such procedures as part of its compliance manual that are reasonably expected to prevent and detect violations by supervised persons, including Mr. Labanowski. Matt McKamy currently serves as chief compliance officer of Brenham Capital Management and is responsible for administering its compliance program. Notwithstanding the foregoing, Mr. Labanowski is the principal of Brenham Capital Management and, as such, has no direct supervisor.

**Item 7: Requirements for State-Registered Advisers Only**

Mr. Labanowski has not been involved in any legal or disciplinary events involving (i) an investment or an investment-related business or activity, (ii) fraud, false statement(s) or omissions, (iii) theft, embezzlement or other wrongful taking of property, (iv) bribery, forgery, counterfeiting or extortion, or (v) dishonest, unfair or unethical practices.

Mr. Labanowski has not been the subject of a bankruptcy petition.