

FIRM BROCHURE

TBP INVESTMENTS MANAGEMENT LLC

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This brochure provides information about the qualifications and business practices of TBP Investments Management LLC. If you have any questions about the information contained in this brochure, please call us at (214) 265.4165. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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 governing, offering and/or account documents and other similar materials that contain a description of the material terms relating to such investments, products or services.

Additional information about TBP Investments Management LLC also is available on the SEC's website at WWW.ADVISERINFO.SEC.GOV.

MARCH 27, 2015

Item 2: Material Changes

The date of the last annual updating amendment to our firm brochure was March 21, 2014. A summary of the material changes that have been made to our firm brochure since the date of the last annual updating amendment is set forth below:

- The auditor with respect to each of the Funds (defined below) changed from Rothstein, Kass & Company, P.C. to KPMG, LLP (or an affiliate thereof). **See Item 13.**
- In May 2014, one of our affiliates formed BP Capital Energy Horizons Fund, L.P. (“Energy Horizons”), the primary investment objective of which is to achieve capital appreciation through energy and energy-related investments in equity securities. We serve as investment adviser with respect to Energy Horizons. Accordingly, we have added various disclosures regarding the Energy Horizons to our firm brochure. **See Item 4.**
- We established a one-way restriction on exchange of information between us and its related person, BP Energy Advisors. **See Item 10.**

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

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

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Item 4: Advisory Business

FIRM DESCRIPTION

TBP Investments Management LLC, a Delaware limited liability company and private investment firm, was formed in 2001. We provide investment management, commodity interest trading advice and other services with respect to private pooled investment vehicles, commodity pools and separately managed accounts. We generally have full discretionary authority with respect to client investment decisions. Our investment advice and commodity interest trading advice are provided in accordance with the investment objectives and guidelines set forth in the applicable governing, offering and/or account documents, and the information in this brochure is qualified in its entirety by the information set forth in such documents.

We do not act as a general partner of any of the Funds (as defined below). Instead, certain of our affiliates, including BP Capital, LP, BP Capital Management, LP, BP Capital IA/TR Management, L.P. and BP Capital International Management, Inc., serve as general partners of one or more of the Funds and have delegated exclusive investment advisory and other authority with respect to the Funds to us.

PRINCIPAL OWNERS

Boone Pickens Jr., Ronald D. Bassett, David Meaney and Brian Bradshaw are the members and managers of TBP Investments Management, LLC. Each of Messrs. Pickens and Bassett owns more than 25% of our membership interests.

TYPES OF ADVISORY SERVICES

Funds

We provide investment advice, commodity interest trading advice and/or other services to various affiliated private pooled investment vehicles and commodity pools, including BP Capital Energy Equity Fund, L.P. (“Equity Fund I”), BP Capital Energy Equity Fund II, L.P. (“Equity Fund II”), BP Capital Energy Equity International Holdings I, L.P. (“Equity Holdings” and, together with Equity Fund I and Equity Fund II, the “Domestic Equity Funds”), BP Capital Energy Equity Fund International I, L.P. (“Offshore Equity Fund I”), BP Capital Energy Equity Fund International II, L.P. (“Offshore Equity Fund II” and, together with Offshore Equity Fund I, the “Offshore Equity Funds”), BP Capital Energy Equity Fund Master II, L.P. (“Master Fund II”, and, together with the Domestic Equity Funds and the Offshore Equity Funds, the “Equity Funds”), BP Capital Energy Fund LP (“Commodity Fund I”), BP Capital Energy Fund II LP (“Commodity Fund II” and, together with Commodity Fund I, the “Commodity Funds”), BP Capital Inflation Alpha, L.P. (“Inflation Alpha”) and BP Capital Energy Horizons Fund, L.P. (“Energy Horizons”). The Equity Funds, the Commodity Funds, Inflation Alpha and Energy Horizons are collectively referred to herein as the “Funds”.

Our services consist of managing each of the Fund’s portfolios, including sourcing, selecting, determining investments in, and monitoring investments by the Funds and the execution of transactions on behalf of the Funds. We generally are responsible for investing and re-investing the assets of each Fund in accordance with the investment objectives, policies and guidelines set forth in its offering and governing documents. We also act as commodity pool operator and commodity trading advisor with respect to each Fund and are responsible for the management and operation thereof.

Information about each Fund is set forth in its offering and governing documents. **See Item 8 below.**

Accounts

We also serve as investment adviser and commodity trading advisor to separately managed accounts (the “Accounts”) of various clients with respect to investments in securities, financial instruments, commodity interests, derivatives and other types of financial instruments and investments. Accounts generally are managed in accordance with the terms, conditions, investment guidelines and limitations set forth in the investment advisory agreement between us and each advisory client.

INVESTMENT RESTRICTIONS

Funds

We provide investment advice and commodity interest trading advice to each Fund in accordance with the investment objectives, policies and guidelines set forth in the applicable offering and/or governing documents, and not in accordance with the individual needs or objectives of any particular investor in that Fund. Investors generally are not permitted to impose restrictions or limitations on the management of the Funds. Notwithstanding the foregoing, the general partner of each Fund may enter into side letter agreements or arrangements with one or more investors in that Fund that alter, modify or change the terms of the interests held by such investors.

Accounts

We provide and tailor our investment and commodity interest trading advice with respect to each Account based on the investment guidelines and objectives of the applicable client and the terms and conditions set forth in the applicable investment advisory agreement. Subject to our approval, Account clients may impose reasonable restrictions and limitations on the management of their Accounts.

ASSETS UNDER MANAGEMENT

As of December 31, 2014, we had approximately \$430,473,712 in regulatory assets under management. All of these assets were managed on a discretionary basis.

Item 5: Fees and Compensation

DESCRIPTION OF COMPENSATION AND BASIC FEE SCHEDULE

In consideration of our advisory and other services, we and/or certain of our affiliates generally are entitled to receive management fees, and may receive performance allocations, with respect to the Funds. While the fees and compensation applicable to each Fund are described in detail in the applicable governing and/or offering documents, an overview of our basic fee schedule is summarized below.

Equity Funds

One of our affiliates generally is entitled to receive management fees, payable monthly in advance, equal to one-twelfth of 1.75% (1.75% per annum) of each investor's capital account. An affiliate generally is also entitled to receive performance allocations equal to 20% of each investor's allocable share of net profits for the applicable performance period. Performance allocations are subject to a "high water mark" limitation.

Commodity Funds

One of our affiliates generally is entitled to receive an annual management fee, payable on the first business day of each calendar month in advance, equal to one-twelfth of 2.0% (2.0% per annum) of the net asset value of each investor's capital account. An affiliate generally is entitled to receive performance allocations equal to 20% of each investor's allocable share of net profits for the applicable performance period.

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 subsequent years applies only to the extent that an investor's pro rata share of net profits for all years since such investor's admission (or December 31, 2012) exceeds the highest level of such cumulative net profits achieved through the close of any prior year since admission (or December 31, 2012).

Inflation Alpha

One of our affiliates generally is entitled to receive, as of the beginning of each calendar month in advance, management fees equal to one-twelfth of 2.0% (2.0% per annum) of the net asset value of the capital account of each investor as of the beginning of each calendar month. An affiliate generally is also entitled to receive performance allocations equal to 20% of each investor's allocable share of net profits for the applicable performance period. Performance allocations are subject to a "high water mark" limitation.

Energy Horizons

One of our affiliates generally is entitled to receive, as of the beginning of each calendar month in advance, management fees equal to one-twelfth of 1.75% (1.75% per annum) of the net asset value of the capital account of each investor as of the beginning of such calendar month. An affiliate generally is entitled to receive an annual performance allocation equal to 20% of each investor's allocable share of net profits for the applicable performance period. Performance allocations are subject to a "high water mark" limitation.

Accounts

With respect to the Accounts, our advisory fees generally are negotiable based upon various factors that we deem relevant including, without limitation, the nature of the relationship between us and an advisory client, the size of an advisory account and the nature of the services being provided. In general, we may receive an asset-based fee, payable monthly in advance, equal to one-twelfth of 1.75% (1.75% per annum) of the market value of the assets in the Account as of the end of the applicable calendar month. In addition, we may also be entitled to receive an annual performance fee equal to up to 20% of the net profits of an Account during the applicable calendar year (or portion thereof), subject to a high water mark limitation.

With respect to certain Accounts, we are not or may not be entitled to receive any management fees or performance-based compensation.

Advisory clients generally are responsible for brokerage commissions, transfer taxes and other brokerage fees and investment expenses relating to investment instrument transactions in the Accounts.

General

With respect to each of the Funds, we or our affiliates may reduce or waive management fees and/or performance allocations with respect to one or more investors.

Each investor in a Fund generally must certify that it is, among other things, an “accredited investor,” as such term is defined in Rule 501 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 advisory client generally is required to be, among other things, a “qualified client” as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended.

PAYMENT OF FEES

Funds

Management fees generally are payable by investors in the Funds on a monthly basis in advance, as of the beginning of each month. Management fees are deducted directly from the capital account of each investor. In the event that a Fund is dissolved, an investor withdraws or our advisory services are terminated prior to the end of any calendar month, then a proportionate amount of such management fee will be refunded to the applicable investor(s).

Performance allocations generally are calculated and paid annually, in arrears, as of the end of each fiscal year (and at such other times set forth in the applicable partnership agreement). If any amounts are withdrawn during a fiscal year, the performance allocation generally will be allocable on the applicable withdrawal date. Performance allocations are allocated directly from the capital account of each applicable investor to the capital account of one of our affiliates.

Accounts

To the extent applicable, management fees generally are calculated on the first business day of each calendar month, based upon the market value of the Account as of the close of trading on the last business day of the previous calendar month. Management fees generally are charged in advance, and will be due and payable by advisory clients promptly after the first business day of the applicable calendar month. In the event that the Account is established or is terminated as of any date other than the last or first day of a calendar month or an advisory client adds or withdraws funds from the Account on a day other than the first or last business day of a calendar month, the management fee generally will be prorated based on the actual number of days that have elapsed or the number of days remaining, as applicable, in the applicable calendar month. If our investment advisory services are terminated prior to the end of any calendar month, a proportionate share of any billed management fees will be refunded to the applicable client.

To the extent applicable, performance fees generally are calculated and paid annually, in arrears, as of the end of each calendar year (and at such other times set forth in the investment advisory agreement). Performance fees generally will be due and payable promptly after the end of each calendar year (or at such other times set forth in the investment advisory agreement).

Clients generally may select whether they would like for us to invoice them for advisory fees or whether they would like for advisory fees to be deducted directly from their Accounts. In order to deduct advisory fees directly from an Account, the advisory client generally must authorize and direct its custodian, following receipt of an invoice from us, to deduct the applicable advisory fees from the Account and pay such fees to us.

OTHER FEES AND EXPENSES

Funds

In addition to management fees and performance allocations, each Fund generally bears all costs and expenses relating to the Fund’s activities and operations, including, without limitation, (i) legal, accounting, and auditing expenses and organizational expenses, (ii) costs related to the review of subscription materials and compliance with federal and state securities laws relating to the offer and sale of interests in the Fund, (iii) costs for the preparation of the Fund’s financial statements, tax returns and IRS Forms K-1, (iv) expenses of the meetings of the limited partners, if any, (v) all costs, expenses and charges incurred in connection with the investment and trading activities of the Fund (e.g., brokerage commissions, mark-ups, margin interest, expenses relating to short sales, custodial fees, clearing and settlement charges, and other transaction costs to brokers), and all professional and other advisory and

consulting expenses and travel expenses incurred in connection with investment due diligence, and (vi) extraordinary expenses, such as litigation. Each Fund generally is responsible for and pays all brokerage and custodial fee and expenses. **See Item 12: Brokerage Practices below.**

Accounts

In addition to management fees and/or performance-based fees (to the extent applicable), an advisory client generally will bear all costs and expenses relating to or associated with the Account's investment activities, including, but not limited to, all costs and expenses relating to portfolio investments or prospective investments for the Account, withholding taxes, interest expenses, brokerage commissions and other transaction costs, proxy voting expenses, custody fees and administration fees.

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 COMPENSATION

As noted under **Item 5: Fees and Compensation—Description of Compensation and Fee Schedule** above, certain of our affiliates generally are entitled to receive performance-based fees or allocations with respect to each investor in the Funds and certain Accounts. Performance-based fees and allocations could motivate us, due to our relationship with our affiliates, to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. In addition, because performance-based fees or allocations with respect to the Funds and certain Accounts 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. Certain of our individual employees and affiliates who are compensated to some extent based upon investment profits for which they are responsible face the same potential conflicts. We address these conflicts through full and fair disclosure in the applicable governing and/or offering documents and/or this brochure.

SIDE-BY-SIDE MANAGEMENT

We manage accounts for which we are entitled to receive performance-based fees and 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 the Accounts and other clients for which such fees are not payable. We attempt to address this conflict by, among other things, adhering to objective allocation policies and procedures. **See Item 12: Brokerage Practices—Allocation of Investment Opportunities** below.

Item 7: Types of Clients

TYPES OF CLIENTS

We provide investment advisory and other services to various types of clients, including affiliated private pooled investment vehicles, commodity pools and separately managed accounts of foundations, endowments entities and high net worth individuals.

ACCOUNT REQUIREMENTS

Funds

The minimum initial capital contribution required for an investor in each Fund is set forth in its offering documents. Commodity Fund I, Equity Fund I and Offshore Equity Fund I generally are closed to new investors.

Each investor in a Fund 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 us, which are designed to provide 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.

Accounts

Advisory clients generally are required to sign an investment management agreement that, among other things, sets forth the nature and scope of our investment management authority and the investment objectives, guidelines and restrictions applicable to the management of the Account. In addition, an advisory client generally must meet certain net worth, net asset and/or other eligibility requirements imposed by various securities and commodities laws. Each advisory client generally is required to be a “qualified client” as such term is defined in Rule 205-3 under the Advisers Act.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Equity Funds

The principal objective of the Equity Funds is to achieve capital appreciation through investments in securities of public companies in energy and energy-related or dependent industries, as well as crude oil and natural gas futures, options and other commodity interests, and other financial instruments. The Equity Funds intend to achieve their objective through a strategy that employs diversification and managed market exposure through both long and short equity investments and limited capital allocated to energy and energy-related commodities interests. The Equity Funds currently allocate approximately ninety percent (90%) of their capital to the equity markets in securities of companies engaged in the energy, natural resources and energy-dependent industries and approximately ten percent (10%) of their capital to energy-related commodity interests. The Equity Funds utilize leverage in connection with their equity investments and take advantage of the inherent leverage in their futures positions.

We select investments based primarily on a top-down approach by considering fundamental aspects of supply and demand for energy as well as general oil and gas industry conditions. As part of this process, we identify industry sectors either as long or short positions and establish futures positions based on internally-developed themes. We also select individual stocks within sectors using a bottom-up approach based on valuation and anticipated sensitivity to the aforementioned sector themes. Energy futures investments are made based on fundamental supply and demand trends and other “macro” variables.

We believe equity and commodity values in the energy sector are principally driven by current and expected prices for oil and natural gas, and energy prices also affect the share prices of companies that use oil and natural gas as inputs for operations. In formulating a view of future oil and natural gas prices, we consider the effects of oil and natural gas inventories, productive capacity, the policies of OPEC, global political conditions, the demand for energy, weather and general economic conditions. Our oil and gas price forecasts are key components of our investment strategy.

We believe the energy exploration process is an important driver of values for various downstream energy sectors. In assessing industry conditions, we consider the viability of oil and gas prospects in various producing basins, the state of exploration, development, completion and production technology, the potential commercial value of non-producing reserves, existing reservoir decline rates and the effect of industry investment rates and drilling activity on the energy markets. Our analysis of energy industry fundamentals is a key input to our investment strategy.

We, from time to time, use outside advisors for matters relating to economic forecasting, currency markets and international affairs, among other things.

In the case of energy futures, we make investment decisions using various resources, including internal discussions that focus on (i) supply trends, principally through production, new exploration activity and import data gathered from a variety of public and private sources, (ii) demand conditions, also based on a variety of sources, (iii) weather forecasts, and (iv) geopolitical considerations. We also may supplement our internal discussions with input from consultants with relevant expertise in one or more of the aforementioned areas.

We evaluate equity sectors in light of the aforementioned energy market analyses but with a special emphasis on industry conditions and sector valuations. Our investment approach to valuing and investing in individual equities considers, among other items, the following factors: (i) sustainability of investment interest, (ii) business fundamentals, (iii) quality of management, (iv) geopolitical risks, and (v) other factors, including compatible positions, asset quality, growth projections, dividend policy, interest rate risk, foreign exchange risk and liquidity risk. We gather this information from public filings, discussions with management, internal experience and third-party sources.

Commodity Funds

The principal investment objective of the Commodity Funds is to achieve capital appreciation through buying and selling commodity interests in energy, including crude oil and natural gas futures and options and other financial instruments. The Commodity Funds attempt to achieve their objective through a strategy that employs diversification and managed market exposure through both long and short investments in commodities interests. The Commodity Funds utilize leverage in connection with their investments and take advantage of the inherent

leverage in their positions in commodity interests.

We rely on a top-down approach to making investments by considering fundamental aspects of the supply and demand for energy, as well as general oil and gas industry conditions. The Commodity Funds may hold either long or short positions and establish investment decisions based on internally developed themes.

We believe commodity values in the energy sector are principally driven by current and expected prices for oil and natural gas. In formulating a view of future oil and natural gas prices, we consider the effects of oil and natural gas inventories, productive capacity, the policies of OPEC, global political conditions, the demand for energy, weather and general economic conditions. Our oil and gas price forecasts are key components of our investment strategy.

We believe the energy exploration process is an important driver of values for various downstream energy sectors. In assessing industry conditions, we consider the viability of oil and gas prospects in various producing basins, the state of exploration, development, completion and production technology, the potential commercial value of non-producing reserves, existing reservoir decline rates and the effect of industry investment rates and drilling activity on the energy markets. Our analysis of energy industry fundamentals is a key input to our investment strategy.

We, from time to time, use outside advisors for matters relating to economic forecasting, currency markets and international affairs, among other things.

We make investment decisions using various resources, including internal discussions that focus on (i) supply trends, principally through production, new exploration activity and import data gathered from a variety of public and private sources, (ii) demand conditions, also based on a variety of sources, (iii) weather forecasts and (iv) geopolitical considerations. We also may supplement its internal discussions with input from consultants with relevant expertise in one or more of the aforementioned areas.

Inflation Alpha

The principal objective of Inflation Alpha is to capitalize on movements in asset prices as a result of changes in inflation expectations. While the central thesis of Inflation Alpha is that inflation levels are at secular low levels and will rise over time, we also believe that there will be periods of stable or even declining inflation. Inflation Alpha attempts to identify and profit in low, stable or high inflation environments and we attempt to manage its investments to correspond to these views. Inflation Alpha seeks investments across asset classes such as commodities, currencies, equities and fixed-income.

Our investment process begins with idea generation driven by the monitoring of macro-economic conditions including: global inflation trends, global central bank actions, global economic trends, corporate activity, and other internal and external sources. Potential investments are subject to risk/ reward evaluation, and their sensitivity to the overriding theme of higher inflation over time. Our portfolio managers make the final decision regarding whether to proceed with an investment idea and position sizing. Positions are sized based on their perceived risk and potential reward, depending on the specific opportunity identified. Concentration of exposures to certain asset classes or geographies is monitored closely by our portfolio managers, and our investment team, who help formulate portfolio construction.

Energy Horizons

The principal objective of Energy Horizons is to achieve capital appreciation through investments in securities of public companies in energy and energy-related or dependent industries. We intend to achieve this objective through a strategy that employs diversification and managed market exposure through long and short equity investments. We currently expect to allocate substantially all of Energy Horizon's capital to the equity markets in securities of companies engaged in the energy, natural resources and energy-dependent industries.

Our investment process with respect to Energy Horizons predominately will rely on a top-down approach by considering fundamental aspects of supply and demand for energy, as well as general oil and gas industry conditions. Energy Horizons will target industry sectors as either long positions or short positions based on internally developed themes. We choose individual stocks within sectors using a bottom-up approach based on valuation and anticipated sensitivity to the aforementioned sector themes.

Accounts

As noted in **Item 4**, we manage Accounts in accordance with the terms, conditions, investment objectives and guidelines and limitations set forth in the investment management agreement entered into with each client. We

generally utilize and pursue the same or similar investment strategies, processes and methods of analysis with respect to Accounts as we utilize and pursue for the Funds.

Risk Management

We maintain risk management policies and procedures in connection with our advisory and management services with respect to client accounts. Such policies and procedures are discussed periodically and considered in connection with ongoing investment advisory and commodity interest trading activities. We consider a variety of risks that may affect client accounts, including margin to equity ratios, liquidity issues and counterparty risk, among others. Such risk assessment and management efforts will relate to both equity and commodity-related positions. The Chief Compliance Officer and the portfolio managers work to identify these and other risks and monitor the materiality of these risks with respect to funds managed by us on a periodic basis as part of our general compliance program.

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The methods of analysis and investment strategies summarized above are not intended to be comprehensive. For more information regarding the investment objective and strategies of each Fund, please carefully review its applicable offering documents.

CERTAIN RISK FACTORS

There can be no assurance that our clients will achieve their investment objectives or that investments will be successful or profitable. Our 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 the Funds or our investment strategies and services are low risk or risk free. The various risks outlined below are not the only risks associated with the Funds and our investment strategies and processes and may not necessarily apply to each Fund or client. Investors and advisory clients are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. With respect to the Funds, 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 our activities is affected by general economic and market conditions, such as changes in interest rates, availability of credit and debt-related issues, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of client investments), trade barriers, unemployment rates, release of economic data, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters, security operations, the European debt crisis or the U.S. budget negotiations). These factors may affect the level and volatility of securities prices and the liquidity of client investments. Volatility and/or illiquidity could impair a client's profitability or result in losses. Clients could incur material losses even if we react quickly to difficult market or economic conditions, and there can be no assurance that clients 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 we invest client assets 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 clients from significant losses under certain market conditions.

Recent Legal and Regulatory Developments. The legal, tax and regulatory environment worldwide for private investment funds (such as the Funds) is evolving, and changes in the regulation of private investment funds, their managers and their trading and investing activities may have a material adverse effect on the ability of the Funds to pursue their investment programs and the value of investments held by the Funds. There has been an increase in scrutiny of the alternative investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Funds to pursue their investment programs or conduct business with brokers and other counterparties could have a material adverse effect on the Funds.

Commodity markets are subject to comprehensive statutes and regulations promulgated not only by the CFTC, but also by self-regulatory organizations such as the NFA. Among other things, the CFTC and the exchanges on which futures contracts and other commodities interests are traded are authorized to take extraordinary actions in the event of a market emergency, including, without limitation, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily limits and the suspension of trading. Any of these actions, if taken, could adversely affect the returns of clients by limiting or precluding investment decisions that we might

otherwise have made. The regulation of commodities interest transactions in the U.S. is a rapidly changing area of the law and is subject to ongoing modification by government, self-regulatory and judicial action. In addition, various national governments have expressed concern regarding the disruptive effects of speculative trading in the currency and commodity markets and the need to regulate the derivative and commodities interest trading market in general. The effect of any future regulatory change on our clients is impossible to predict, but could be substantial and adverse to such clients.

Regulations under the Dodd Frank Act have added and may continue to add costs to the legal, operational and compliance obligations and increase the amount of time that we spend on non-investment-related activities. The European Union ("EU") recently approved the Alternative Investment Fund Managers Directive ("AIFMD"), which seeks a common EU approach to the regulation of hedge funds and other types of alternative investment funds. The Dodd-Frank Act, AIFMD and other regulations could cause certain investment strategies in which our clients currently engage or may otherwise have engaged to become not viable, economically or practically. Regulations adopted under these and other regulations could have a material adverse impact on the potential of our clients. Among other possible effects, such legislation and regulations could change the functioning of capital markets in unpredictable ways, limit the scope of our investment activities, including through limitations on short selling imposed with little or no notice, limit access to financing, increase margin or collateral requirements, limit leverage, impose position limits, require disclosure of confidential information, change applicable accounting requirements, impose new taxes or impose significant administrative burdens, which divert resources, time and attention. Consequently, we may not be capable of, or successful at, preserving the value of our clients' portfolios, generating positive investment returns or effectively managing their risks.

Terrorist Attacks, War and Natural Disasters. Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and markets and could prevent us and our clients from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and recent natural disasters have created many economic and political uncertainties, which may adversely affect the United States and world financial markets and our clients for the short or long-term in ways that cannot presently be predicted.

Supply and Demand Risk. Client investments may be impacted by the levels of supply and demand for energy commodities. Client 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.

Shortages of Drilling Rigs, Equipment, Supplies and Personnel. In the past, there have been periods where general shortages of drilling rigs, equipment and supplies have occurred. Shortages of drilling rigs, equipment or supplies could delay and adversely affect the oil and gas industry and may affect the value of client investments. The oil and natural gas industry also may in the future experience variances in the availability of qualified personnel to operate drilling rigs, which could affect certain companies' drilling operations and, in turn, affect their business, financial condition and results of operations. Such variances could have a material effect on the value of oil and natural gas prices and, consequently, our clients.

Regulatory Risks Relating to 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 impact the price of oil and/or natural gas.

Investment and Trading Risks Generally. All investments risk the loss of capital. No guarantee or representation is or can be made that our program will be successful. Our investment program may involve, without limitation, risks associated with limited diversification, short-selling, commodity interest trading, equity risks, distressed issuers, interest rates, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in our activities. Certain investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which our 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.

As disclosed herein, we trade, buy, sell, spread, swap, and otherwise acquire, hold, dispose of, and deal in energy and energy-related commodities (including any which are now, or may hereafter be, the subject of commodities or commodities contract trading), futures contracts, forward contracts, options on futures contracts and physical commodities, spot (cash) commodities and any rights pertaining thereto and interests therein that may be traded on a commodities exchange or in the over-the-counter markets (hereinafter referred to collectively as “*commodities 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. 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, we may utilize highly speculative investment techniques, including high leverage, highly concentrated commodity portfolios and illiquid investments. Such investments may expose our clients’ assets to the risks of material financial loss. Furthermore, our investments are focused on the energy, natural resources and energy-dependent industries. Certain of our investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which our clients may be subject. In addition, our investments may be materially affected by conditions in the financial markets and U.S. and worldwide economic conditions.

Our 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.

Limited Diversification and Risk Management Failures. At any given time, client assets may not be diversified to any material extent and, as a result, clients could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers whose securities are owned by our clients (*i.e.*, energy-related securities), decline. In addition, client portfolios could become significantly concentrated in a limited number of issuers, types of financial instruments, industries, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by clients. This limited diversity could expose clients 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. 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 our clients.

Equity Risks. The market price of securities owned by our clients may go up or down, sometimes rapidly or unpredictably. The equity securities in our clients’ portfolios may decline in value due to factors affecting equity securities markets generally or the energy sector. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries,

including the basic minerals sector, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which we believe are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate. As a result, clients may lose all or substantially all of their investments in any particular instance.

Changing Interests of Commodities Interest Market Participants. In order to induce investors or speculators to take the corresponding long side of a futures contract, commodity producers must be willing to sell futures contracts at prices that are below the present value of expected future spot prices. Conversely, if the predominant participants in the futures market are the ultimate purchasers of the underlying commodity futures contracts in order to hedge against a rise in prices, then speculators should only take the short side of the futures contract if the futures price is greater than the present value of the expected future spot price of the commodity. This can have significant implications for our clients when it is time to reinvest the proceeds from a maturing futures contract into a new futures contract. If the interests of investors, hedgers and speculators in futures markets have shifted such that commodity purchasers are the predominant participants in the market, we will be constrained to reinvest at higher futures prices which could have a negative effect on client returns and may cause clients to suffer losses on their short positions. Conversely, if commodity sellers are the predominant participants in the market, we will be constrained to reinvest client assets at lower prices which could have a negative effect on client returns and may cause clients to suffer losses on its long positions.

Over-the-Counter Transactions. We invest client assets 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 clients 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. The energy markets in which clients invest can experience periods of illiquidity, and we may choose to invest client assets in joint ventures, private companies, physical assets (e.g., tankers, rigs, transmission lines, oil storage facilities and oil and gas producing properties) as well as a variety of other ventures and investments. The foregoing investments may be illiquid and may not have a readily-ascertainable market value.

Highly Volatile Markets. The prices of financial instruments in which we invest client assets can be highly volatile. Price movements of the financial instruments in which client assets are 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. Clients 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.

Short Sales. We effect short sales of securities, commodities and derivative investments made in the over-the-counter markets. Short selling is the practice of selling securities, commodities or other underlying investments (as applicable, "Underlying Investments") or derivative investments that are not owned by the seller, generally when the seller anticipates a decline in the price of the underlying investment or for hedging purposes. To complete a short sale, clients generally must borrow the Underlying Investments from a third party in order to make delivery to the buyer. We generally will be required to pay a brokerage commission that will increase the cost to clients of selling such Underlying Investments. The proceeds of the short sale plus additional cash or Underlying Investments must be deposited as collateral with the lender of the Underlying Investments to the extent necessary to meet margin requirements. The amount of the required deposit will be adjusted periodically to reflect any change in the market price of the Underlying Investments that a client is required to return to the lender. The client generally will be 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. The client will be obligated to return the applicable Underlying Investments equivalent to those borrowed at any time on demand of the lender of the Underlying Investments borrowed by purchasing them at the market price at the time of replacement. Until the Underlying Investments are

replaced, the client will be required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan of the Underlying Investments. An increase in the value of any Underlying Investment that is the subject of short selling by a client may, as a result of the foregoing, have a material adverse effect on the assets of the client, and therefore the return on investment of the client.

Futures Contracts. We may invest client assets in commodities futures contracts, options on futures contracts and in other products and commodities interests that may be traded on commodities exchanges regulated by the CFTC or international exchanges or in the over-the-counter markets. The value of futures depends upon the price of the financial instruments, such as commodities, underlying them. The prices of futures are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, investments in futures are also subject to the risk of the failure of any of the exchanges on which our clients' positions trade or of their clearing houses or counterparties.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent us from promptly liquidating unfavorable positions and subject clients to substantial losses or from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Put and Call Options. We also may purchase, on behalf of our clients, exchange-listed and over-the-counter put and call options on specific securities or commodities interests. In addition, we may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security or commodities interest at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security or commodities interest at a stated exercise price at any time prior to the expiration of the option. Options written by our clients may be wholly or partially covered (meaning that the client holds an offsetting position) or uncovered. Options on specific securities or commodities interests may be used by to seek enhanced profits with respect to a particular security or commodities interest. Alternatively, we may use options for various defensive or hedging purposes.

Use of put and call options may result in losses to clients, force the sale or purchase of portfolio holdings at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation clients can realize on their investments or cause a client to hold a security or commodities interest it might otherwise sell. For example, a decline in the market price of a particular security could result in a complete loss of the amount expended by a client to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by a client. The use of uncovered option writing techniques may entail greater risks of potential loss to a client than other forms of options transactions. For example, a rise in the market price of the underlying security will result in clients realizing a loss on the calls written, which would not be offset by the increase in the value of the security or commodities interest to the extent the call option position was uncovered.

Investments in Distressed Issuers. We might invest client assets in equity securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems and "below investment-grade" debt securities, including companies involved in covenant or payment default or in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a

particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high, and there is no assurance that we will analyze such investments correctly.

Index Contracts. We may also invest client assets in customized instruments seeking to hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of securities or commodities interests. These hedging strategies may be executed by us through the use of exchange-traded index options or futures contracts or options thereon, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts (collectively, “index contracts”) structured by investment banking or other institutions.

Index contracts generally have substantial risks associated with them, including possible default by the counterparty to the transaction, illiquidity and, to the extent our view as to certain market movements is incorrect, the risk that the use of such index contracts could result in losses greater than if they had not been used. Moreover, any lack of correlation between price movements of index contracts and price movements in the position of a client may create the possibility that losses in the value of the client’s position may be greater than the gain on the hedging instrument (or that a gain in the client’s position may be less than the loss on the hedging instrument). In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter index contracts may have no markets. As a result, in certain markets, a client might not be able to close a transaction without incurring substantial losses, if at all. Any such result may have a material adverse effect on the client.

Swap Agreements. Clients may enter into swap agreements and options on swap agreements (“swaptions”). Swap agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. A client, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease client exposure to, for example, long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, credit spreads, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. We are not limited to any particular form of swap agreement if consistent with the client’s investment objective and policies.

Swap agreements tend to shift client investment exposure from one type of investment to another. For example, if a client agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the client’s exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a client’s portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the client. If a swap agreement calls for payments by a client, the client must be prepared to make such payments when due. In addition, if a counterparty’s creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the client.

Whether a client’s use of swap agreements or swaptions will be successful will depend on our ability to select appropriate transactions for the client. Swap transactions may be highly illiquid and may increase or decrease the volatility of the client’s portfolio. Moreover, the client bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The client also bears the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the client to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the client’s ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Repurchase and Reverse Repurchase Agreements. We may enter into, on behalf of our clients, repurchase and reverse repurchase agreements. When a client enters into a repurchase agreement, it “sells” securities or commodities interests to a broker or financial institution, and agrees to repurchase such securities or commodities interests on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the client “buys” securities or commodities interests issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities or commodities interests at the price paid by the client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements involves certain risks. For example, if the seller of securities to a client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying

securities, as a result of its bankruptcy or otherwise, the client will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the client's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that a client may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which we would otherwise recommend, to the possible detriment of our clients. Market illiquidity or disruption could result in significant losses to our clients.

Other Derivative Instruments. We may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with our investment objective and legally permissible. Special risks may apply to instruments that are invested in by our clients in the future that cannot be determined at this time or until such instruments are developed or invested in by our clients. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Fixed Income Securities. We invest client assets in bonds or other fixed income securities of issuers including, without limitation, bonds, notes and debentures issued by corporations; debt securities and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which we invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Illiquid Investments. Under certain market conditions, such as during volatile markets or when trading in an interest or market is otherwise impaired, the liquidity of client investments may be reduced. In addition, a client may from time to time hold large positions with respect to a specific type of investment, which may reduce the client's liquidity. During such times, the client may be unable to dispose of certain assets, which would adversely affect the client's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the client to dispose of assets at reduced prices, thereby adversely affecting the client's performance. If there are other market participants seeking to dispose of similar assets at the same time, the client may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if a client incurs 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 client's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the client's credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for client investments.

Investments in energy-related commodities futures contracts may be less liquid than investments in publicly traded securities. Commodities investments by our clients are typically made on the major exchanges such as CME or ICE or in the over the-counter markets. Accordingly, any premature sales or dispositions of these investments also may adversely affect the investment results of our clients.

Litigation. Our investment activities may subject us, our affiliates and our clients to the risks of becoming involved

in litigation with third parties. The expense of defending against claims against a client by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by the client. We and our affiliates will generally be indemnified by our clients in connection with any such litigation, subject to certain conditions.

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

Some of the markets in which we effect client 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 clients to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the client to suffer a loss. In addition, in the case of a default, the client 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 client has concentrated its transactions with a single counterparty or small group of counterparties.

Clients 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 client 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 clients and their assets.

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

Hedging Transactions. While hedging strategies do not play a significant role in our investment strategy, a client may utilize financial instruments, both for investment purposes and for risk management purposes, in order to: (i) protect against possible changes in the market value of the client's investment portfolio resulting from fluctuations in the commodities markets and changes in interest rates; (ii) protect the client's unrealized gains in the value of the client's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the client's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate or currency exchange rate on any liabilities or assets of our clients; (vii) protect against any increase in the price of any commodities interests the client anticipates purchasing at a later date; or (viii) for any reason that we deem appropriate.

The success of hedging strategies 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 commodities interests change as markets change or time passes, the success of a client's hedging strategy is also subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While a client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the client than if it 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 client from achieving the intended hedge or expose the client to risk of loss. We are not required to hedge any particular risk in connection with a particular transaction or its 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 client portfolio holdings.

Position Limits. “Position limits” imposed by various regulators may also limit our ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if we do not intend to exceed applicable position limits, it is possible that different accounts managed by us may be aggregated. To the extent that client position limits were collapsed, the effect on our clients and resulting restriction on their investment activities may be significant. If at any time positions managed by us were to exceed applicable position limits, we would be required to liquidate positions of our clients to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, we might have to forego or modify certain of client contemplated trades.

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

Non-U.S. Investments. We might periodically invest client assets 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 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, we may be unable to structure client transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce our clients’ 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 CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to our clients under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

Leverage and Liquidity Risks. We may have the authority to borrow funds and may do so when deemed necessary or appropriate by us or our affiliates. We may borrow funds on behalf of our clients from brokers, banks and other lenders to finance its investing and trading operations, which borrowings may be secured by client assets. The use of such leverage can, in certain circumstances, maximize the losses to which a client’s 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 the client as a whole is leveraged. The cumulative effect of the use of leverage in a market that moves adversely to client investments could result in a substantial loss to our clients, which would be greater than if our clients were not leveraged. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options and other derivatives.

The purchase of options 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 a client. In addition, a client may have unlimited discretion to use derivative instruments, which generally provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment.

Currency risks. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Fund are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, trade deficits, budget deficits, national savings rates, fiscal policy, and political

and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

We may enter into spot and forward currency contracts and options on currencies to trade currencies or to shift exposure to foreign currency fluctuations from one currency to another with respect to clients. Currency transactions made on a spot basis are for cash at the spot rate prevailing in the currency market for buying or selling currency. A forward currency contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces a client's exposure with respect to its investment to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract.

Currency trading is subject to risks different from those of other transactions. In countries where exchange rate control is of great importance and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These government actions can result in losses to a client if we are unable to deliver or receive currency or funds in settlement of obligations. Furthermore, settlement of a currency forward contract for the purchase of most currencies must occur at a bank based in the issuing nation.

Under normal market conditions, transactions involving the U.S. Dollar and emerging market currencies are expected to be executed quickly and with low transaction costs. However, in periods of market stress, the instruments necessary to permit a client to execute its investment program may not generally be available or may not, in our judgment, be economically priced. In addition, following a significant decline in the net asset value of a client, or a significant loss by a client on the emerging market currency portfolio, counterparties may be unwilling to continue to offer currency instruments to a client and may have the ability to terminate the master agreements relating to the existing currency instruments and all currency transactions documented thereunder. Finally, client counterparties are not contractually obligated to offer currency instruments to clients following the maturity of a given transaction or to increase the size of a transaction at a client's request.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS THAT MAY BE ASSOCIATED WITH OUR INVESTMENT PROGRAM. PROSPECTIVE CLIENTS AND INVESTORS ARE ENCOURAGED TO REVIEW THIS BROCHURE AND THE APPLICABLE OFFERING, GOVERNING AND ACCOUNT DOCUMENTS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

Item 9: Disciplinary Information

Not applicable.

Item 10: Other Financial Industry Activities and Affiliations

COMMODITY POOL OPERATOR AND COMMODITY TRADING ADVISOR REGISTRATION

As noted in Item 4 above, we act as commodity pool operator (CPO) and commodity trading advisor (CTA) with respect to each applicable Fund and are generally responsible for the management and operation thereof. We are currently registered as both a commodity pool operator and commodity trading advisor with the Commodity Futures Trading Commission (“CFTC”) and are a member of the National Futures Association (“NFA”). Nevertheless, we have claimed relief, with respect to each of the applicable Funds and Accounts, from certain of the disclosure, reporting and recordkeeping requirements generally applicable to CFTC-registered CPOs and CTAs pursuant to CFTC Rule 4.7. Accordingly, we currently do not provide prospective investors in the Funds or advisory clients with a CFTC-compliant disclosure document. CFTC Rule 4.7 is available for registered commodity pool operators whose pools are limited to “qualified eligible persons,” as such term is defined in CFTC Rule 4.7, and registered commodity trading advisors whose clients are “qualified eligible persons.”

Mr. Pickens is (i) listed with the CFTC as a listed Principal of TBP Investments Management LLC, (ii) registered with the CFTC as an associated person and swaps associated person of TBP Investments Management LLC and (iii) an associate member of the NFA.

Mr. Bassett is listed with the CFTC as a Principal of TBP Investments Management LLC, (ii) registered with the CFTC as an associated person and swaps associated person of TBP Investments Management LLC, and (iii) an associate member of the NFA.

Mr. Bradshaw is (i) listed with the CFTC as a Principal of TBP Investments Management LLC, (ii) registered with the CFTC as an associated person and swaps associated person of TBP Investments Management LLC, and (iii) an associate member of the NFA.

Mr. Meaney is (i) listed with the CFTC as a Principal of TBP Investments Management LLC, (ii) registered with the CFTC as an associated person and swaps associated person of TBP Investments Management LLC, and (iii) an associate member of the NFA.

Dick Grant is listed as a Principal of TBP Investments Management LLC.

BP CAPITAL ENERGY ADVISORS, LLC

We currently share offices and certain employees with BP Capital Energy Advisors, LLC (“BP Energy Advisors”), an affiliated private equity firm that is focused on middle-market, natural gas-related investments in the United States, Canada, Mexico and Puerto Rico. BP Energy Advisors provides investment advisory services on a discretionary basis to BP Natural Gas Opportunity Partners, LP, a private equity fund, and an affiliate of BP Energy Advisors, BP Natural Gas Partners, LLC, acts as general partner with respect to BP Natural Gas Opportunity Partners, LP. Mr. Pickens currently serves as Chairman of BP Energy Advisors and indirectly owns approximately 45% of BP Energy Advisors and BP Natural Gas Partners, LLC. Mr. Bassett also owns approximately 5% of BP Energy Advisors and BP Natural Gas Partners, LLC.

BP Energy Advisors is separately registered as an investment adviser with the Securities and Exchange Commission under the Advisers Act. In general, we expect to conduct our activities in a manner that is separate and independent from the activities of BP Energy Advisors and its affiliated entities. Nevertheless, Mr. Pickens and certain of our employees engage or may engage in various activities with respect to BP Energy Advisors and these activities may present various actual or potential conflicts of interest. In light of BP Energy Advisors’ focus on private equity investments, we do not expect that its investment activities will conflict with the transactions and strategies employed by us in managing client accounts.

We have established a one-way restriction on exchange of information between us and BP Energy Advisors. BP Energy Advisors is permitted to make inquiries of, and we are authorized to provide information regarding securities or issuers in our possession. On the other hand, we may not make inquiries of or receive information from BP Energy Advisors regarding any securities or issuers. We have established various procedures in support of this one-way information barrier.

BP CAPITAL FUND ADVISORS, LLC

We currently share offices and various employees with BP Capital Fund Advisors, LLC (“BP Fund Advisors”), an affiliated investment management firm that provides advisory services to two registered investment companies: BP Capital TwinLine MLP Fund and BP Capital TwinLine Energy Fund. Mr. Pickens, Mr. Meaney and Mr. Bradshaw are principals of BP Fund Advisors and Mr. Pickens indirectly owns approximately 27% of BP Fund Advisors. Messrs. Meaney and Bradshaw also serve as portfolio managers with respect to BP Capital TwinLine Energy Fund.

BP Fund Advisors is separately registered as an investment adviser with the Securities and Exchange Commission under the Advisers Act. In general, we expect to conduct our activities in a manner that is separate and independent from the activities of BP Fund Advisors. However, certain of our principals and employees, including Messrs. Meaney and Bradshaw, provide investment advisory and other services and engage in various activities with respect to BP Fund Advisors and BP Capital TwinLine Energy Fund. BP Capital TwinLine Energy Fund could from time to time invest in the same financial instruments or engage in the same or similar investment strategies as us or our clients. These activities could conflict with the transactions and strategies employed by us and our employees and affiliates in managing client accounts and could raise various other actual or potential conflicts of interest. Moreover, the time and effort of our principals, portfolio managers and various employees will not be devoted exclusively to our business or the business of our clients but will be allocated among us, our clients and BP Capital TwinLine Energy Fund.

AFFILIATED GENERAL PARTNERS

Certain of our affiliates, including BP Capital, LP, BP Capital Management, LP, BP Capital International Management Inc. and BP Capital IA/TR Management, L.P. serve as general partners (or managing general partners) of one or more of the Funds. Each general partner has delegated exclusive discretionary investment management, commodity pool operator and/or commodity interest trading authority with respect to the applicable Fund(s) to us. Accordingly, the general partners do not provide any investment advisory services with respect to the Funds.

OTHER ACTIVITIES AND AFFILIATIONS

From time to time, certain of our employees and affiliates may serve as directors and officers of, and provide advice to, privately held or publicly traded companies in which our clients invest. Clients should be aware that the receipt of non-public information by our related persons regarding these companies could preclude us from effecting discretionary transactions on behalf of clients in certain securities of these issues.

In addition, we may from time to time engage third-parties to provide certain consulting and strategic advisory services with respect to us and/or our affiliates. In consideration of such services, we may provide office space, administrative support and other benefits to such persons.

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 business conduct and ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to ensure compliance with certain applicable legal requirements, 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, the circulation of rumors and other forms of market abuse and identify and mitigate conflicts of interest that arise from personal trading by our employees. Our compliance manual and code of ethics contain policies and procedures relating to (among other things): (i) fiduciary standards of conduct for us and our employees; (ii) personal securities transactions; (iii) insider trading; (iv) political contributions. All employees receive a copy of the compliance manual and code of ethics upon hire and upon any material changes thereto. All employees must annually certify and acknowledge that they have received, reviewed and understood, and agree to comply with, our policies and procedures described in the compliance manual and code of ethics. Employees are subject to disciplinary action for failure to abide by the terms and conditions in our code of ethics. We will furnish a copy of our code of ethics to investors and prospective investors upon request.

PERSONAL TRADING

In general, no access person may acquire, directly or indirectly, any beneficial ownership in any “reportable security” without first obtaining the prior written approval of the Chief Compliance Officer or his delegate. New access persons are required to report all of their personal securities holdings and securities accounts not later than 10 days after the commencement of their employment. Access persons are also required to submit quarterly transaction reports and annual securities holdings reports to the Chief Compliance Officer or his delegate.

Our principals and employees and certain of their affiliates may from time to time purchase or sell for their own personal accounts financial instruments that are recommended to, or purchased or sold on behalf of, the Funds and/or other clients. Our principals and employees may also take investment positions in their personal accounts that are different from, or contrary to, those taken by the Funds or other client accounts; however, they generally are not permitted to trade ahead of client accounts. Mr. Pickens and other principals may frequently engage in the purchase and sale of public and private securities and other financial instruments for their own personal accounts, including financial instruments that are recommended to, owned by or purchased or sold on behalf of client accounts. The personal trading activities of our principals, employees and affiliates may raise various actual and potential conflicts of interest. We have implemented various compliance policies and procedures, including personal trading and reporting policies, in an attempt to reduce, mitigate or address any such actual or potential conflicts of interest. For example, as noted above, all access persons generally are required to obtain the prior written consent of the Chief Compliance Officer before buying or selling any “reportable security.” The percentage of time spent by our principals on personal trading does not, in the case of any such person, exceed 15% of such person’s professional time.

Some of our principals and employees also invest in the Funds as limited partners or shareholders and may, from time to time, allocate a portion of their compensation to capital contributions to these accounts. We generally waive the management fee and the performance allocation with respect to accounts held by these persons.

Whenever the Chief Compliance Officer determines that one of our employees is in possession of material non-public information regarding an issuer, such issuer may either be placed on a restricted list or a watch list. When a company is placed on a watch list or restricted list, all employees are prohibited from personal trading in securities of those companies.

As noted in item 10, we have established a one-way restriction on exchange of information between us and BP Energy Advisors.

TRANSACTIONS INVOLVING ACTUAL OR POTENTIAL CONFLICTS OF INTEREST

We may from time to time engage or cause our clients to engage in certain transactions that may involve actual or potential conflicts of interest. For example, we may cause a client to buy securities or other investments from, or sell securities or other investments to, us or our affiliates. We may also cause our clients to buy or sell securities or other investments in which we or one of our affiliates has a financial or economic interest. We, our affiliates, members, employees and agents are not required to devote our/their entire time and attention to our affairs or of any one of our

clients, and we/they currently engage (and may in the future engage) in other investment activities, both for our/their own accounts and for other clients and with respect to certain of our affiliates. **See Item 11.**

We may purchase or sell financial instruments for the Funds or other client accounts while selling or purchasing the same financial instruments on behalf of other client accounts.

Various actual and potential conflicts of interest exist (or may exist) among us, our affiliates, personnel and our clients. We generally review such transactions and other matters involving material conflicts of interest and take such action(s) as we deem necessary and/or appropriate in an attempt to ensure that the terms of such transactions and matters are fair and reasonable under the circumstances, although there can be no assurance that we will be successful in this regard. In any event, clients should be aware of the conflicting interests and incentives faced by us, our affiliates and personnel and the possibility that such interests and incentives could affect behavior, consciously or unconsciously. We may from time to time seek the consent or approval of advisory clients, a limited partner advisory committee, a majority in interest of investors or an independent third party with respect to principal transactions, material conflicts of interest or other transactions or matters requiring client consent under Section 206(3) of the Advisers Act or other applicable laws, rules and regulations and the approval or consent of any such persons on behalf of a Fund or a client, as applicable, generally will be conclusive and binding on such Fund or client.

REBALANCING TRANSACTIONS

We enter into “rebalancing” transactions among Funds that have the same investment objectives when contributions or withdrawals of capital to or from the Funds change the ratio of assets of one Fund to another. The purpose of the rebalancing transactions is to bring each Fund’s exposure to a commonly held investment into line with the Fund’s percentage of total assets under management. A Fund could be a purchaser or a seller in such rebalancing transactions. Substantially all “rebalancing” transactions: (i) are effected for cash consideration at the closing market price of the particular securities on the immediately preceding business day, (ii) do not involve restricted securities or securities for which market quotations are not readily available and (iii) if executed through a broker generally do not involve any brokerage commission fee (except for customary transfer fees and certain non-U.S. equities and U.S. options where customary brokerage fees must be paid) or other remuneration.

If, in our discretion, one of the Funds should not be an investor in a security for tax or regulatory reasons, such investment would be allocated only to the Funds not affected by the tax or regulatory reasons. To the extent an investment is not allocated pro rata to one of the Funds, one or more affiliated Funds may incur a disproportionate amount of income or loss related to such investment.

AGREEMENTS WITH AFFILIATES

We may enter into contracts or agreements on behalf of clients with our affiliates so long as such contracts or agreements are reasonably believed to be on a fair market, arm’s-length and competitive basis.

Item 12: Brokerage Practices

BROKER AND COUNTERPARTY SELECTION AND BEST EXECUTION

We generally have authority to select the brokers, futures commission merchants and other counterparties to be used on behalf of the Funds and the Accounts, and the negotiation of commission rates and other consideration paid by the Funds and the Accounts. While we work with multiple brokers, futures commission merchants and other counterparties in connection with the execution of transactions on behalf of our clients, custody of client assets is maintained by one or more prime brokers, futures commission merchants and/or other qualified custodians. We select broker-dealers, futures commission merchants and other counterparties on the basis of best execution and in consideration of various factors, including the following (among others): 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; and discussions with research personnel. We may pay a commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage or research services provided by the broker. 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.

We have established a best execution committee to review brokerage activities and ensure that we are receiving best execution for our trades after taking into consideration various applicable factors and considerations.

SOFT DOLLAR PRACTICES

We have entered into, and may enter into in the future, written or formal or informal agreements with brokers or third parties where we may use “soft dollars” generated by client accounts to pay for the research and/or related services provided by brokers described above. The term “soft dollars” refers to the receipt by us of products and services provided by brokers without any cash payment by us, based on the volume of revenues generated from brokerage commissions for transactions executed for our clients. 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 potential conflict of interest between us and client accounts, because the “soft dollars” may be used to acquire such products and services that are not exclusively for the benefit of the client accounts that paid such commissions and that may primarily benefit us. To the extent that we are able to acquire these products and services without expending our own resources (including management fees paid by client accounts), 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. We do not, however, negotiate higher rates on fees and expenses to be paid by clients in exchange for lower rates on fees and expenses to be paid by us.

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 research and an order management system with client brokerage commissions.

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, nor do we allow our clients to direct brokerage for order execution purposes.

ORDER AGGREGATION

We may aggregate investment instrument sale and purchase orders for our clients with similar orders being made contemporaneously for other clients managed by us or with accounts of our affiliates if, in our reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to our clients, based on an evaluation that our clients are benefitted by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investment instrument transactions for a client will be effected substantially simultaneously with the purchase or sale of like investment instruments for the accounts of other clients of us and our affiliates. Such transactions may be made at slightly different prices, due to the volume of investment instruments purchased or sold. In such event the average price of all investment instruments purchased or sold in such transactions may be determined, and clients may be charged or credited, as the case may be, the average transaction price.

ALLOCATION OF INVESTMENT OPPORTUNITIES

Because we act as an adviser for more than one client, there may be conflicts of interest over the amount of time devoted to managing any one client account and the allocation of investment opportunities among all accounts we manage. We attempt to resolve all such conflicts in a manner that we believe generally is fair and equitable to all clients. We may give advice and take action with respect to any of our clients that may differ from advice given or timing or nature of action taken with respect to any other particular client. Generally, our policy, to the extent practicable, is to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients. Investment decisions for individual client accounts are made individually. As a result, securities may be purchased or sold for a client's account at a time and price different from the time and price at which such securities were purchased or sold for the account of another client or clients.

Item 13: Review of Accounts

REVIEWS OF ACCOUNTS

We generally review client accounts on a daily basis (or more or less frequently as we deem appropriate). Our Chief Financial Officer and the portfolio managers conduct account reviews and we do not delegate this responsibility to any third party. With respect to accounting matters, we have engaged KPMG, LLP, as an independent public accountant, to conduct an annual audit of the financial statements of each Fund.

We invest each client's funds in securities, commodity interests, derivatives and other financial instruments. In monitoring the performance of investments, we perform various levels of review. Among other items, we consider short and long-term rates of return, investment diversification and risk allocations as part of our regular review.

FACTORS TRIGGERING ADDITIONAL REVIEWS

As a matter of due course, we generally monitor all accounts on a daily basis. Our investment strategy is dynamic and accounts are adjusted from time to time as conditions warrant.

REPORTS TO INVESTORS/CLIENTS

Funds

Each of the Funds generally provides investors with monthly account statements, annual audited financial statements and annual U.S. income tax information. We also provide investors in the Funds with such periodic reports and other information as is from time to time required by applicable CFTC and NFA rules and regulations. All such statements and reports generally are written.

We provide and may in the future provide certain information and documentation 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 based upon such information.

Accounts

With respect to the Accounts, the qualified custodian generally provides each advisory client, on at least a quarterly basis, an account statement identifying the amount of the funds and securities in the Account(s) and any transactions in the Account(s) during the applicable calendar quarter. **Advisory clients are urged to compare any account statements that they receive from us with the account statements that it receives from its qualified custodians.**

Item 14: Client Referrals and Other Compensation

THIRD-PARTY COMPENSATION

Except as described in **Item 12: Brokerage Practices** above, we 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 other professional for client or investor referrals.

Item 15: Custody

Funds

We have, or may be deemed to have, “custody” of each Fund’s cash and securities for purposes of the Advisers Act. In accordance with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, each Fund’s cash and securities (except for certain privately offered securities) are held with one or more qualified custodians. Morgan Stanley & Co. LLC, JPMorgan Clearing Corp., Rosenthal Collins Group, LLC, PlainsCapital Bank and Wells Fargo Prime Services, LLC currently serve as qualified custodians with respect to one or more of the Funds. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged KPMG, LLP to conduct an annual audit of the financial statements of each Fund, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided annually to investors. We attempt to provide such statements to investors within 90 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 send account statements directly to investors.

Accounts

We generally do not have custody of the assets and securities of the Accounts. All cash and securities owned by advisory clients generally is held by one or more qualified custodians that are appointed by such clients pursuant to separate custodial or other arrangements.

Notwithstanding the foregoing, in certain instances, we may be deemed to have custody of the cash and securities in an Account due to our authority to deduct advisory fees directly from such Account. In such event, the applicable advisory client will receive account statements directly from its qualified custodian(s) on at least a quarterly basis.

We urge any such advisory clients to compare any account statements that they receive from us with the account statements they receive from their qualified custodians.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

Subject to the terms and conditions in the applicable governing and/or account documents, we generally have discretionary power and authority to determine the types of securities 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-dealers, futures commission merchants or other counterparties to be used on behalf of the Funds and the Accounts and the negotiation of commission rates and other consideration to be paid by the Funds and the Accounts.

LIMITED POWER OF ATTORNEY

Each investor in the Funds generally grants to us or our affiliate a limited power of attorney to enable us to execute the applicable partnership agreement and take certain other limited actions on its behalf and in connection with the operation of the Fund.

Each of our advisory clients generally grants us special powers of attorney to conduct authorized trading on behalf of the Account.

Item 17: Voting Client Securities

As a fiduciary, an investment adviser with proxy voting authority has a duty to monitor corporate events and to vote proxies, as well as a duty to cast votes in the best interest of clients and not subrogate client interests to its own interests. Rule 206(4)-6 under the Advisers Act (the “Proxy Voting Rule”) places specific requirements on registered investment advisers with proxy voting authority. Because we generally have discretionary authority over the securities held by the Funds and various Accounts, we generally are viewed as having proxy voting authority and are subject to the Proxy Voting Rule. To meet our obligations under this rule, we have adopted written proxy voting policies and procedures. Our general policy is to vote proxies in respect of securities owned by or on behalf of a client in a manner reasonably believed to be in the best economic interest of the client and without regard to our interests or the interests of our affiliates. In the event that we identify a material conflict of interest in connection with the proxy voting process, we generally will attempt to address or otherwise resolve such conflict by, among other things, (i) disclosing the conflict to the client and advising the client that its securities will be voted only upon its written direction or (ii) voting client securities in accordance with the recommendation of an independent third party. We may determine not to vote proxies in respect of securities of any issuer if we determine that it would be in a client’s best interests not to vote. We may also delegate proxy voting decisions and mechanisms to an outside third party which provides specialized proxy voting services in our discretion.

Our Chief Compliance Officer generally is responsible for administering our proxy voting policies and procedures including, without limitation, (i) supervising the proxy voting process, including the identification of material conflicts of interest involving us or our affiliates and the proxy voting process in respect of securities owned by or on behalf of such clients, (ii) determining how to vote proxies relating to issues not covered by our proxy voting guidelines, and (iii) determining when we may deviate from our proxy voting guidelines.

Our proxy voting policy is available to investors and clients upon request. Our proxy voting record also is available to investors in the Funds 45 days after the end of each calendar quarter upon written request.

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.

General Information

PRIVACY POLICY

We have adopted policies and procedures designed to protect various records and information of our advisory clients and investors in the Funds. A copy of our privacy policy will be made available to investors and clients upon request.

TRADE ERRORS

We may on occasion experience errors with respect to trades executed on behalf of our clients. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, the correct security is purchased or sold but for the wrong account, or the wrong quantity is purchased or sold (*e.g.*, 1,000 shares instead of 10,000 shares are traded). It is our general practice that our personnel make and implement investment management decisions with the utmost care.