

SPO Partners & Co.

Firm Brochure

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This brochure provides information about the qualifications and business practices of SPO Partners & Co. If you have any questions about the contents of this brochure, please contact us at (415) 383-6600. 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 represents Part 2A of Form ADV.

Additional information about SPO Partners & Co. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2

Material Changes

SPO's most recent update to this brochure was made March 31, 2014. Since that filing there have been no material changes.

Item 3

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Item 4
Advisory Business

A. *Description of Firm and Ownership*

SPO Partners & Co. (“SPO”) is a private investment firm founded in 1991 by John H. Scully, William E. Oberndorf and William J. Patterson (“the Founders”) and currently led by Mr. Scully, Edward H. McDermott and Eli J. Weinberg (the “Managing Partners”). The Managing Partners have acted as advisors to and co-investors with a select group of investors for over 40 years. After leading equity investments on behalf of the Bass family from 1971 to 1991, the Founders established SPO as a source of patient capital for public and private companies with significant potential for long-term appreciation.

SPO employs a long-term, value-oriented approach to investing in companies in both the public and private markets. SPO invests across a wide range of industries, preferring those with high barriers to entry and stable competitive environments. SPO’s unique blend of public and private investing offers the flexibility to opportunistically capitalize on an investment theme in the most compelling vehicle available – equity or debt, public or private.

B. *Advisory Services Offered*

SPO currently offers investment advisory services to a small number of investment entities (the “Clients”). SPO has investment discretion with respect to each Client, subject to each Client’s governing documents. SPO does not offer any investment advisory services to any individuals.

C. *Tailored Services*

SPO’s advisory services are provided based on the investment objectives of the Clients and are governed by restrictions on investing that are contained in the governing documents of each Client.

D. *Assets Under Management*

As of December 31, 2014, SPO managed approximately \$9,725,900,000 in assets on a discretionary basis.

Item 5

Fees and Compensation

A. *Compensation for Advisory Services*

For certain Clients, annual management fees are charged by an advisory affiliate of SPO on the date of a contribution by an investor into a Client and on each subsequent January 1 for management services provided to the Client. The fee is equal to one percent of the capital account value of certain investors as determined under the governing documents of the Client and is prorated for contributions made during the year. Management fees for certain Clients may be partially offset by directors' fees from portfolio companies and other transaction fees earned by SPO and/or its advisory affiliates. From time to time SPO and/or its advisory affiliates may choose to waive receipt of director's fees where it feels such decision is in the best overall interest of the Client. See Item 6 in this Brochure for disclosure relative to performance-based fees.

Fees are deducted from Client assets on an annual basis and on the date of a contribution. Fees are not negotiable. Fees charged are not refundable, however see Item 6 in this Brochure for potential adjustments related to performance-based fees.

B. *Other Fees and Expenses*

Management fees cover the fees and expenses relating to the ordinary business operation of SPO; such expenses consist of SPO employee compensation and other overhead expenses, including rent, utilities, and research expenses. The Client pays all other expenses incurred in the conduct of the activities of the Client, including, without limitation, fees and expenses of legal counsel, interest charges, taxes and other expenses of an extraordinary nature (including indemnification expenses), dividends on short sales, brokerage fees and commissions, fees and expenses of custodians or depositories appointed for the safekeeping of Client's cash, securities or other property, and all other expenses incurred in connection with acquiring, financing, holding and disposing of securities on behalf of the Client, accounting, bookkeeping, auditing and other similar expenses, expenses of registering any securities, fees and expenses incurred in connection with the investigation, purchase, proposed purchase or sale of securities and fees and expenses of attorneys, business consultants, appraisers and accountants, investment bankers or other third parties, whether or not such purchase is consummated.

Clients will incur brokerage and other transaction costs. See Item 12 in this Brochure for a description of brokerage practices. SPO does not receive brokerage commissions.

Clients should refer to the relevant governing documents for a more complete description of SPO's fees.

Item 6

Performance-Based Fees and Side-By-Side Management

A carried interest of 20% may be allocated to an advisory affiliate of SPO computed as set forth in the governing documents of the Clients. Such allocations are generally based on the capital appreciation of the Clients' assets, excluding interest and dividends paid on cash or cash equivalents held as idle funds. Such carried interest allocations are computed after reduction for expenses incurred by the Clients and losses incurred by limited partners.

Performance-based fees may in theory create an incentive for SPO and employees and other related persons ("Supervised Persons") to undertake investments that are riskier than investments which might be undertaken in the absence of performance-based fees. However, SPO believes these potential conflicts are minimal and that its interests and the Clients' interests are aligned, particularly as the Managing Partners and other Supervised Persons of SPO are significant investors in the Clients. In order to further mitigate any potential conflicts of interest, SPO has adopted trade aggregation and allocation procedures to allocate trades on a fair and equitable basis among its Clients. See Item 12 of this Brochure.

Item 7

Types of Clients

As noted previously, SPO currently offers investment advisory services only to a small number of investment entities. Generally, investors in the Clients must be (i) an “accredited investor” as defined under the Securities Act of 1933, (ii) a “qualified purchaser” as defined under the Investment Company Act of 1940, or (iii) a “qualified client” as defined under the Investment Advisers Act of 1940.

Item 8

Methods of Analysis, Investment Strategies and Risk of Loss

A. *Methods of Analysis and Investment Strategies*

SPO deploys capital by making concentrated investments in public and private businesses that are often selling at substantial discounts to SPO's view of their long-term intrinsic value. SPO embraces preservation of capital as a central investment tenet. SPO believes this investment approach minimizes investment risk by combining rigorous, value-based investment analysis with a strong bias toward owning good businesses with proprietary franchise characteristics and owner-oriented managements. These businesses frequently exhibit attributes such as substantial market share, high barriers to market entry, strong free cash flow generation, and high returns on invested capital. When such opportunities present themselves, SPO performs detailed analysis of the business, its prospects, and its financial condition. Subject to the investing environment and opportunities available, SPO generally initiates a relatively small number of new investments each year.

Once an investment is made, SPO takes a patient, long-term approach, often holding investments for an extended period of time. SPO has experience serving on boards of directors and has an established record of adding value through working with the managements of portfolio companies.

B. *Material Risks of SPO's Investment Approach*

Investing in securities involves risk of loss. The following are material risks related to SPO's investment strategy that should be considered prior to any investment with SPO:

Nature of Investment. Investment by a Client requires a long-term commitment, with no certainty of return. A Client may invest in companies that are experiencing, or in the future may experience, severe financial difficulties, which difficulties may never be overcome. A Client may only make a limited and concentrated number of total investments; as a result, poor performance by a few of these investments could significantly affect the Client's overall performance.

Past Performance Not Necessarily Indicative of Future Results. To the extent that Clients have experienced strong investment results previously, those results may not necessarily be indicative of future results of Client investments. There can be no assurance that any of the Clients' investments will perform as well as certain past investments made by SPO for its Clients.

Liquidity. There may be no public market for certain investments in privately held entities, and the substantial investment positions held by a Client in public companies may also make disposition of securities difficult. The Clients' ability to dispose of any investment could, in certain cases, be further limited by agreements that may be entered into in connection with such investment or by legal restrictions on the disposition of securities.

Competition for Investments. SPO expects to encounter competition from other investment firms and entities having similar investment objectives. Potential competitors include investment partnerships and

corporations, business development companies, strategic industry acquirers, and other financial investors investing directly or through affiliates.

Restrictions on Transfer and Withdrawal. In general, there are significant restrictions on the transfer and withdrawal by investors of their interests in the Clients.

Reliance on Investment Team. The success of SPO is substantially dependent on a small team of investment professionals. Should any of these individuals become incapacitated or cease to participate in SPO, Client performance could be adversely affected.

Non-Controlling Investments. A Client may often hold less than 50% of the outstanding voting interests of a company and, therefore, may have a limited ability to control or protect its investment in any such company.

Risks Associated with Publicly Traded Securities. A Client may make significant investments in publicly traded securities and may at times be one of the largest shareholders in a public company. A Client's investments in securities of publicly traded companies may be sensitive to movements in the stock and debt markets and trends in the overall economy. A significant investment by a Client in a particular company may impact the ability of the Client to add to or reduce its position in an orderly fashion over a short period of time. Additionally, Supervised Persons may serve on the board of a publicly traded company whose securities are held by a Client. Such board participation may further reduce the ability of a Client to increase or decrease an investment position.

Material Non-Public Information. Certain Supervised Persons may acquire for a number of reasons, including service on the board of directors of a company, confidential or material non-public information. In such cases SPO will be restricted from acting on the information; further, the possession of such information may restrict SPO from initiating transactions that otherwise might have been initiated and prevent its Clients from purchasing or selling certain investments.

Tax Considerations. An investment by a Client may involve complex federal and state income tax considerations that may differ for each investor.

Indemnification. Clients are required to indemnify SPO and its affiliates for liabilities incurred in connection with the affairs of the Clients. Such liabilities may be material and may have an adverse effect on the returns to the Clients. The indemnification obligations of the Clients would be payable from the assets of the Clients.

Item 9

Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that have occurred within the past ten years and that would be material to a Client's evaluation of a firm or the integrity of its management.

Neither SPO nor any of its management persons have any disciplinary events to report.

Item 10

Other Financial Industry Activities and Affiliations

Neither SPO nor any of its management persons are registered, or have an application pending to register, as (i) a broker-dealer or a registered representative of a broker-dealer or (ii) a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities. Neither SPO nor any of its management persons have a relationship that is material to its advisory business with any other financial industry organization.

Item 11

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. *Code of Ethics*

SPO has adopted a Code of Ethics (the “Code”) in compliance with Rule 204A-1 under the Advisers Act, which, among other things, addresses personal trading procedures and policies around the handling of material non-public information. While Supervised Persons would expect to always act in the best interests of the Clients, the Code serves to:

- Educate Supervised Persons about SPO’s expectations regarding their conduct and the laws and principles governing their conduct;
- Further protect SPO’s Clients by explicitly detailing examples of potential misconduct by Supervised Persons of SPO;
- Reinforce in Supervised Persons that they hold a position of trust and must act as fiduciaries in the best interests of SPO’s Clients;
- Guard against any violation of the securities laws; and
- Establish the procedures Supervised Persons must follow to comply with their fiduciary responsibility.

The Code covers the following topics, among others:

- Standards of fair and honest conduct;
- The safeguarding of material non-public information and a prohibition on insider trading; and
- Restrictions on personal securities trading and the acceptance of gifts.

SPO will provide a copy of the Code to any Client or prospective Client upon request.

B. *Proprietary and Personal Securities Trading*

SPO’s Supervised Persons may make investments in the same securities as Clients subject to SPO’s Code, which is designed to reinforce the fiduciary duties Supervised Persons have to Clients. SPO believes that its interests and the Clients’ interests are aligned, particularly as the Managing Partners and other Supervised Persons of SPO are significant investors in the Clients. In order to further mitigate any potential conflict of interest, SPO has adopted trade aggregation and allocation procedures to allocate trades on a fair and equitable basis. See Item 12 of this brochure.

SPO’s Code requires pre-approval of securities transactions as follows:

- Supervised Persons must seek approval from SPO’s Chief Compliance Officer (“CCO”) prior to making purchases or sales of securities, as detailed in SPO’s Code;
- Trade details must be reported to SPO’s compliance group the same day as the trade and a log of requested, approved and executed trades is maintained by SPO’s compliance group; and

- Security transactions are monitored through routine reviews of Supervised Persons' transaction statements by SPO's compliance group.

SPO's Managing Partners and other Supervised Persons expect to devote a majority of their business time and attention to the activities of SPO. They will, however, continue to engage in other business activities and serve in fiduciary capacities for personal and charitable organizations. These organizations may in the course of their ordinary business independently choose to make investments in the same securities in which a Client has an investment or in which a Client may invest. To the extent that personal and charitable entities which the Managing Partners or other Supervised Persons control are making investments in the same securities in which a Client has an investment or in which a Client may invest, such activities will be governed by the Code.

Item 12

Brokerage Practices

A. *Broker Selection Criteria*

SPO is responsible for obtaining best execution for transactions made on behalf of the Clients. In seeking best execution, SPO takes into consideration a range of factors and circumstances, including the size of the transaction and prevailing volume trading in the security as well as the reasonableness of the broker's compensation. In making this determination, it is also SPO's policy to consider the full range of services provided by the executing broker-dealer, including, but not limited by, their execution capabilities, the value of research provided, and commission rates.

SPO has no formal soft dollar arrangements. From time to time SPO may receive research or services other than execution from a broker-dealer. Research received within the last fiscal year included information and reports on the economy, industries, individual companies, political, legal and regulatory developments, introductions to management teams, as well as access to sell side analysts and industry conferences. The research and/or brokerage services received by SPO falls within the safe harbor for soft dollar benefits created by Section 28(e) of the Securities and Exchange Act of 1934 and in a manner consistent with prevailing SEC guidance. SPO receives a benefit by not having to produce or pay for the research or services received from broker-dealers. Accordingly, SPO may have an incentive to select or recommend a broker-dealer based on its interest in receiving research, products or other services, rather than on clients' interests in receiving most favorable execution. SPO manages such potential conflicts in through the exercise of its fiduciary duties, and in conjunction with its policies and procedures on best execution.

B. *Aggregation of Orders*

SPO typically aggregates purchase or sale orders, as applicable, on behalf of Clients and makes daily allocations of the securities purchased or sold on an average price basis among the participating Clients.

Item 13

Review of Accounts

The Clients' accounts are reviewed on a regular basis, typically daily, by the Chief Financial Officer/Chief Compliance Officer to ensure accuracy of the books and records and adherence with any trading instructions for the day as well as to monitor for regulatory filing obligations. Additionally, a daily recap of all Client portfolio trading activity is sent to the Managing Partners, Partners, Principals and Associates of the firm (the "Investment Team") for review. The Investment Team also meets weekly to review the Clients' portfolios to determine if any of the positions in the Clients' portfolios should be adjusted. Additional reviews also regularly occur as appropriate based on significant events or market movements.

Independently audited financial statements are sent to the Clients and their investors annually.

Item 14

Client Referrals and Other Compensation

Not applicable.

Item 15

Custody

Client assets are held at a third-party qualified custodian, within the meaning of, and as required by, Rule 206(4)-2 under the Investment Advisers Act of 1940, in a separate account for each Client under that Client's name. SPO performs due diligence prior to the selection of a prime broker or custodian and monitors on an ongoing basis the stability of the institution to ensure the safety of the Clients' assets.

Investors in Clients receive unaudited quarterly statements from SPO as well as audited financial statements prepared in accordance with generally accepted accounting principles by a firm registered with the Public Company Accounting Oversight Board (PCAOB) within 120 days after the end of each fiscal year-end.

SPO may be deemed to have custody of the assets of the Clients because its advisory affiliates serve as general partners of the Clients and thus may be deemed to have ownership of the assets of the Clients.

Item 16

Investment Discretion

SPO has discretionary authority to manage securities portfolios on behalf of its Clients subject to each Client's governing documents. Prior to accepting discretionary authority, SPO and/or its advisory affiliates and the Client execute formal investment management agreements delegating discretionary authority to SPO or its advisory affiliates.

Item 17

Voting Client Securities

SPO has authority to vote Client securities and maintains proxy voting policies and procedures pursuant to SEC Rule 206(4)-6. As a matter of its policies and in keeping with its fiduciary obligations, SPO uses its best efforts to vote proxies for Client securities consistent with the best interest of each Client. SPO maintains written policies and procedures as to the administration, voting and reporting of its proxy voting, and makes appropriate disclosures about its proxy policies and practices. Upon a Client's written request SPO will provide a copy of the policies as well as a record of votes cast to the Client.

SPO votes for what it believes is in the best interest of its Clients and maintains that its interests and the Clients' interests are aligned with respect to voting Client securities, particularly as the Managing Partners and other Supervised Persons of SPO are significant investors in the Clients.

In the unlikely event a material conflict of interest were to arise between SPO and the Clients regarding the outcome of certain proxy votes, SPO is committed to resolving the conflict in the best interest of the Clients before voting the proxy in question. Upon identifying a conflict the Investment Team as a whole will come to a decision on how to vote the proxy in the best interest of the Client(s) and, because of the aforementioned alignment of interest between the Clients and SPO, it is unlikely a member of the Investment Team would recuse his or herself from the proxy voting process.

Item 18

Financial Information

SPO does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore, SPO is not required to provide a balance sheet for its most recent fiscal year-end. SPO is not aware of any financial commitment that would impair its ability to meet its contractual obligations and has never been the subject of a bankruptcy proceeding.