

Form ADV Part 2A: Firm Brochure

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Halcyon Long/Short Management LP is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Halcyon Long/Short Management LP. If you have any questions about the contents of this brochure, please contact us at (212) 303-9498. 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.

Additional information about Halcyon Long/Short Management LP also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

We have updated the brochure to reflect the appointment of Mark Simons as a Portfolio Manager for Halcyon Liquid Strategies LP.

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1. Advisory Business

Formed in July 2013, Halcyon Long/Short Management LP is the parent or affiliate entity of the following investment advisory firms that are relying advisers with respect to its registration: (1) Halcyon Energy Investors LP (referred to as “Energy”), investment advisory services firms formed in January 2013 and January 2015 respectively that focus on investing primarily in liquid equity securities in the energy, power and infrastructure markets predominantly in North America; and (2) Halcyon Liquid Strategies LP (referred to as “Liquid Strategies”), an investment advisory services firm formed in July 2013 focusing on highly liquid strategies. (The registrant and its relying advisers, collectively and to the extent required by context, individually, are referred to as “Halcyon” or “we”).

Halcyon is affiliated with Halcyon Asset Management LLC, a leading global asset management firm for private investment funds. Halcyon’s regulatory assets under management are estimated to be \$ 300,420,481 as of December 31, 2014. Halcyon and its affiliates (referred to as the “Halcyon Group”) manage approximately \$11 billion in client assets as of March 1, 2015, for a diverse group of advisory client funds and accounts whose investors include leading public and private pension funds, endowments, foundations, financial institutions, insurance companies, funds of hedge funds, and high-net-worth individuals. The Halcyon Group’s advisory client funds have investors in the United States, Canada, Latin America, the United Kingdom, Continental Europe, the Middle East, Asia, and Australasia.

Halcyon, for which John M. Bader serves as Chairman and Kevah Konner as Vice Chairman, is headquartered in New York. James P. McGinnis, Jr. is the Chief Investment Officer for Energy, which is primarily directly or indirectly owned by Mr. McGinnis and Halcyon Long/Short Management LP. Kevah Konner, Todd Solomon and Mark Simons are the Portfolio Managers for Liquid Strategies, of which Halcyon Management Holdings LP is the sole limited partner. Halcyon Management Holdings LP is also the sole limited partner of Halcyon Long/Short Management LP, and Halcyon Management Holdings GP LLC is its general partner. The Halcyon Group draws on the skills and experience of approximately 125 employees, approximately 50 of whom are investment professionals.

Energy aims to capitalize on observed and anticipated trends in the energy, power, and infrastructure industries, with a particular emphasis on complex, fundamental cross-sector developments that are poorly understood by the broader market. Energy invests primarily in liquid equity, debt, and claims and focuses on five specific subsectors and activities, including oil and gas exploration and production; oilfield services; energy gathering, processing, treatment, and transmission infrastructure; refining of crude oil petroleum products; and power generation, transmission, distribution, and renewable energy.

Liquid Strategies focuses primarily on public equities where there may be structural market inefficiencies and on situations where its research suggests the risk is less asymmetric than for similar investments. These investments may include long/short

strategies; relative value opportunities; opportunistic, liquid credit strategies; and other strategies.

We tailor advisory services to the individual needs and specified investment mandates of our advisory client funds and accounts. We adhere to the investment strategy set forth in each client's Private Placement Memorandum or an equivalent document. We are not required to tailor our services to the needs of specific underlying investors of our fund clients. For each of our managed account clients, which may be structured as single-investor funds or funds with a limited number of investors sponsored by an unaffiliated institution, we enter into an advisory and/or operating agreements that contain a description of the investment objective and mandate for these accounts, as well as investment restrictions that are agreed upon with the client. Our clients typically grant us full discretionary authority over their investment programs, except as otherwise specified in the relevant managed account agreement. We do not participate in wrap fee programs.

2. Fees and Compensation

Halcyon receives compensation from the private funds it sponsors (referred to as the "Halcyon Funds"). This compensation is calculated as a percentage of the assets and on performance achieved for the interests in the Halcyon Funds. The governing documents of the Halcyon Funds permit us to negotiate different compensation arrangements with investors in these Halcyon Funds separately and to waive any compensation for certain of our affiliates, principals, and employees. Neither Halcyon nor any of Halcyon partners and other Halcyon employees (referred to as "Employees") receives any transaction-based compensation for the sale of securities or other investment products.

Halcyon deducts one-twelfth of the asset-based fee described above from the Halcyon Funds monthly. Because investors in the Halcyon Funds may not make intra-month withdrawals of their capital, investors do not pay a management fee in excess of what they owe for the entire period. Halcyon generally deducts performance-based compensation described above from the Halcyon Funds' accounts at the end of each year, or a shorter period coinciding with an earlier withdrawal date with respect to the withdrawn amount.

For managed accounts, Halcyon's fees are negotiable but also consist of asset-based and performance compensation components. An unaffiliated third party typically deducts these amounts from managed account assets, unless the managed account agreement provides for payment outside of the managed account.

The Halcyon Funds bear all costs and expenses directly related to portfolio investments or prospective investments (whether or not consummated), including brokerage commissions; interest on debit balances or borrowings; commitment fees; custodial fees; bank fees; structuring expenses, fees and profit-sharing payments due to unaffiliated advisors, sub-advisors, consultants, lawyers and finders (which do not offset the management fees or the performance compensation payable to Halcyon); specific expenses incurred in obtaining or maintaining systems, research and other information utilized in the clients' investment programs, portfolio management, valuations or

accounting, including the costs of statistics and pricing services, service contracts for quotation equipment and related hardware and software; and any withholding or transfer taxes. The Halcyon Funds also bear all out-of-pocket costs of their administration, including accounting, audit, administrator, offering, licensing, compliance and legal expenses, costs of any litigation or investigation involving the Halcyon Funds' activities, costs associated with reporting and providing information to existing and prospective investors, and the partial costs of any regulatory filings (including any filings made by Halcyon relating to the Halcyon Funds, e.g. Form PF and pursuant to the AIFM Directive) and any liability insurance obtained on behalf of the Halcyon Funds, Halcyon or its affiliates.

The managed accounts generally bear investment program expenses similar to those borne by the Halcyon Funds and any other expenses set forth in their governing documents. When Halcyon incurs expenses on behalf of multiple clients, we allocate expenses among the applicable clients in a fair and equitable manner and consistent with the clients' governing documents. We typically allocate expenses directly related to a specific investment among clients based on the relative value of the positions being acquired, held or sold, and shared expenses not directly related to a specific investment based on the relative net asset value of client accounts. However, we may apply other expense allocation formulas and methods at our discretion. We cannot guarantee the accuracy of all expense allocations and are not financially responsible for incorrect allocations in the absence of a breach of the standard of care set forth in the clients' governing documents.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

3. Performance-Based Fees and Side-By-Side Management

Halcyon receives performance-based compensation from all of its advisory clients.

4. Types of Clients

Each of our advisory clients is a private investment fund or an institutional investor's account. Halcyon Funds directly or indirectly have a diverse group of investors, which may include leading pension funds, endowments, foundations, financial institutions, insurance companies, hedge funds of funds, and high-net-worth individuals throughout the world. Halcyon requires investors that are US persons to be "accredited investors" and "qualified purchasers" or "knowledgeable employees" (as defined in applicable federal securities laws and regulations).

5. Method of Analysis, Investment Strategies, and Risk of Loss

- A. Energy aims to capitalize on observed and anticipated trends in the energy, power, and infrastructure industries, with a particular emphasis on complex, fundamental cross-sector developments that are poorly understood by the broader market. Energy invests primarily in liquid equity, debt, and claims and focuses on five specific subsectors and activities, including Oil and gas exploration and production; oilfield services; energy

gathering, processing, treatment, and transmission infrastructure; refining of crude oil petroleum products; and power generation, transmission, distribution, and renewable energy.

Liquid Strategies focuses primarily on public equities where there may be structural market inefficiencies and on situations where its research suggests the risk is less asymmetric than for similar investments. These investments may include long/short strategies; relative value opportunities; opportunistic, liquid credit strategies; and other strategies.

Halcyon's idea generation process is highly collaborative, with its investment professionals sourcing and evaluating ideas from proprietary research, sell-side analysts, industry experts, company contacts, buy-side peers, news media, and other sources. Halcyon takes an opportunistic and value-oriented approach to each new investment, applying its investment guidelines and portfolio construction techniques to size the purchase appropriately.

We use detailed fundamental analysis (often including company management meetings) to determine catalyst impact, to determine earnings and cash flow models, and to assess management's ability to execute their business strategy. Using a range of appropriate valuation metrics, Halcyon sets price targets to be attained, generally within a one-year time frame, based on relevant valuation measurements and projections. We also use technical analysis to optimize entry and exit levels, as well as for trading around trend lines and to balance exposure.

- B. Halcyon's dedication to the rigorous management of risk within and across subsets of its portfolios is designed to identify and address appropriately the sorts of risk inherent in the types of transactions in which we participate. However, despite our risk management process, investing in any securities or other assets involves a risk of loss that our clients and the investors in our clients must be prepared to bear.

Examples of potential areas of risk associated with the investment strategy in which we engage are:

High Turnover. Halcyon trading activities may be made on the basis of short-term market considerations. The portfolio turnover rate may be significant, potentially involving substantial brokerage commissions, related transaction fees, and expenses and financing charges.

Equity Securities Generally. We engage in trading equity securities. Market prices of equity securities generally, and of certain companies' equity securities more particularly, frequently are subject to greater volatility than prices of fixed-income securities. On numerous occasions in the past, market prices of equity securities as a group have dropped dramatically in a short period of time, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumors of accounting irregularities.

Non-Controlling Investments. We typically make non-controlling investments. Therefore, we may have a limited ability to protect our investments and may be adversely affected by actions taken by the majority equity holders of the portfolio companies in which we invests.

Purchasing Securities of Initial Public Offerings. We may purchase securities of companies involved in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for Halcyon to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

Small and Medium Capitalization Companies. We may invest a portion of our clients' assets in the securities of companies with small to medium-sized market capitalizations. While Halcyon believes such securities often provide significant potential for appreciation, the securities or other instruments of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities or other instruments of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities or other instruments, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities or other instruments of some small-capitalization companies, an investment in those companies may be illiquid.

Distressed Investments Generally. We expect to have interests, directly or indirectly, in securities, claims and other obligations of companies that are experiencing significant financial or business difficulties, have substantial capital needs or negative net worth, face special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings, with a view to making long-term investments in positions that are likely to generate attractive returns over time. Investing in companies experiencing significant business and financial difficulties requires legal and financial sophistication, and such investments may involve a substantial degree of risk. Investments in the debt or equity of companies involved in reorganization proceedings typically entail a number of risks that do not normally apply to investments in financially sound companies.

Investments in Unregistered Securities. Our clients may invest in unregistered securities or other instruments, including investments in new and early stage companies or companies undergoing operational or financial restructuring, which may involve a high

degree of business and financial risk that can result in substantial losses. Because of the possible absence of a liquid trading market for these investments, it may not be possible to liquidate or it may take longer to liquidate these positions than would be the case for publicly traded securities or other instruments. Although these securities or other instruments may be resold in privately negotiated transactions, the prices realized on these sales could be substantially lower than those originally paid by our clients. Further, companies whose securities or other instruments are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities or other instruments.

Short Sales. Our strategy calls for short sales not only for hedging purposes but also occasionally to take advantage of situations in which Halcyon believes an investment has been overvalued by market participants. If our assessment of these situations is incorrect, there is risk that Halcyon could incur a potentially unlimited amount of loss from the short sale.

Energy, Power and Infrastructure Industries. Energy's investments will not be diversified across all economic sectors, but rather concentrated in the energy, power, and infrastructure industries. These industries, moreover, are subject to significant volatility in both profitability and financial market trading prices. This volatility results in part from the influence of both industry-wide and subsector-specific trends in technology, regulation, taxation, geopolitics, and other supply/demand forces. Investors may be affected to a greater extent by any of these developments than would be the case with a more diversified portfolio of investments. In addition, individual companies within the energy, power, and infrastructure industries may be subject to idiosyncratic risks independent of broader trends. Although Halcyon may hedge some of these industry and company risks as described above, there is no guarantee that it will succeed or that its views and predictions on industry trends will ultimately be accurate.

Valuation. Investors in the Halcyon Funds purchase and redeem interests in these funds based on a determination of the fair value of the assets and liabilities of the fund. In addition, our management fees and incentive allocations are determined by reference to these valuations. To the extent market quotations are unavailable or Halcyon determines that such quotations inadequately represent the fair value of the assets, Halcyon will value such positions in good faith (which may be subject to periodic review of certain positions by an independent investment bank). Investors may be adversely affected in connection with subscriptions or redemptions to the extent the values so determined are incorrect. Investors are also subject to a conflict of interest with respect to Halcyon to inflate the determination of fair value because Halcyon is entitled to compensation based on the assets under management, as well as on the unrealized gains and losses.

Competition. The success of investments typically depends on our ability to identify or exploit opportunities more efficiently than other market participants. The ability to do so may be adversely affected as a result of the highly competitive nature of the asset management industry.

Leverage. Halcyon generally has the discretion to use borrowing and other forms of leverage in our strategies. While the use of leverage can amplify the profit on successful investments, it can also amplify the losses incurred on unsuccessful investments.

Fund structure: limited liquidity and transparency. An investor's investment in any Halcyon Fund is subject to the structure and terms of the relevant fund. These include rights to liquidity and transparency that are more restrictive than would be the case for a separate managed account held by a custodian in the investor's name or for the personal account of the investor in its own name.

Limited Liability and Indemnification. Each client's operating agreements limit the instances in which Halcyon may be held liable and generally provide that in the absence of bad faith, gross negligence or willful misconduct Halcyon shall not be liable unless otherwise required by law. In addition, Halcyon and its affiliates are entitled to full indemnification by each client with respect to their services in the absence of a breach of Halcyon's standard of care, which can result in significant financial burden borne by the clients.

Conflicts of Interest. As described elsewhere in this brochure, Halcyon is subject to various conflicts of interest as a result of our management of multiple clients, the nature of our compensation arrangements, our relationship with the Halcyon Group and other accounts managed by it, and the use of our fund structure. The existence of these conflicts of interest may influence the independence of Halcyon's judgment. This brochure and other Halcyon Group materials contain information about how Halcyon manages these conflicts.

The offering documents and/or equivalent documents for the Halcyon Funds and the managed accounts, including a summary of risk factors that we provide to clients, contain discussions of various risk considerations that are more extensive in scope and depth than the foregoing summary.

6. Disciplinary Information

There have been no legal or disciplinary events involving Halcyon or any of our Managing Principals or executive officers that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

7. Other Financial Industry Activities and Affiliates

Relationships with the Halcyon Funds

Halcyon manages the Halcyon Funds as its discretionary manager. HEI Fund GP LLC, which is under common ownership and control with Energy, acts as the general partner of Halcyon Energy, Power, and Infrastructure Capital Master Fund LP, Halcyon Energy, Power, and Infrastructure Capital Master Fund II LP and their domestic and offshore feeder funds. None of the compensation, liquidity, or other terms of the Halcyon Funds are negotiated at arm's length. However, Halcyon discloses to prospective investors the terms of all of its fees and performance-based compensation, as well as the other terms of

an investment, in detail in the Private Placement Memoranda (or equivalent disclosure documents) and/or the limited partnership agreements relating to the Halcyon Funds.

Theoretically, to the extent our clients have different performance compensation provisions but pursue the same or similar strategies or subsets of such strategies, Halcyon could arguably have an interest in favoring clients that are most likely to pay the highest compensation. The potential to earn performance-based compensation could also provide an incentive to invest client assets in an aggressive or speculative manner. Halcyon seeks to minimize this potential conflict by taking a disciplined approach to portfolio construction and risk management. Performance compensation is based in part on unrealized gains and losses. Halcyon therefore may theoretically have an incentive to inflate the value of Halcyon Funds' assets through fair valuation determinations made by Halcyon. Mindful of the presence of these potential conflicts of interest, Halcyon seeks to act fairly when allocating investment opportunities and valuing relevant client assets. Halcyon has adopted written policies and procedures that are designed to ensure fair allocations over time and consistent valuation methodologies. In particular, our policy prevents us from taking into account fee or other compensatory differences in allocating an investment opportunity. We also utilize services of an independent administrator to value assets and interests in Halcyon Funds. See also Section 9: Trade Aggregation and Allocation.

Halcyon does not plan to engage in cross trades among accounts managed by it or by its affiliated management companies within the Halcyon Group. However, to the extent Halcyon determines to engage in any such transaction, it will do so only upon a determination that such transaction is in the best interests of each of its participating client accounts and with the consent of the relevant client if consent is required by applicable law, advisory contract or in other appropriate circumstances as determined by Halcyon. A cross trade may be effectuated, for example, when one client account is being wholly or partially liquidated while another client account has cash available for investment. Also, a Halcyon Group's management company with a strategy or mandate that differs from those of Halcyon may determine to buy or sell a position at a time when Halcyon determines that a transaction on the other side of the market is in its clients' interests. These transactions with related parties may expand the universe of opportunities that are available to our clients, and may result in more favorable pricing for both parties than would be available in the market (due to the ability to transact at a price that is between the current bid and offer quotations). However, not all advisory clients will necessarily derive a benefit from each of these transactions, and the advisory clients may have divergent interests. Moreover, there may be uncertainties regarding the valuation of investments that are subject to these transactions. The following transactions generally will not be subject to any approval, unless otherwise required by the advisory contract or applicable law: (i) buying interests in or selling positions to another fund or account managed by Halcyon or its affiliated management companies where Halcyon has verified the valuation of the interests and where the purchase or sale is in the best interests of each client, (ii) rebalancing transactions for co-investing clients, and (iii) actual or synthetic ownership or support of bank debt owned by our client or a client of an affiliated management company. See also Section 9: Trade Aggregation and Allocation.

Affiliated Investment Advisers

Halcyon is affiliated with the following management companies, which are Halcyon's related persons: Halcyon Asset Management LLC, Halcyon Loan Management LLC, Halcyon Asset-Backed Advisors LP, Halcyon Long Duration Recoveries Management LP, and Halcyon Liquid Strategies IC Management LP. Each of these entities is separately registered with the United States Securities and Exchange Commission as an investment adviser, and information concerning each of these entities and its respective relying advisers (if any) is included in its own Form ADV Part 1 and Part 2. In addition, Halcyon is affiliated with Halcyon Asset Management (UK) LLP and Halcyon Loan Advisors (UK) LLP which are authorized and regulated by the Financial Conduct Authority of the United Kingdom. Our investment professionals participate in managing the portfolios of more than one advisory client and often work simultaneously for Halcyon and one or more of its affiliated management companies. As a result, they do not devote their exclusive attention to any single advisory client or any single management company.

The investment activities of one or more advisory clients of the Halcyon Group can result in the imposition of restrictions on the flexibility of other clients. For example, if the Halcyon Group obtains material non-public information concerning a company on behalf of an advisory client in connection with a privately negotiated transaction, our advisory clients may be unable to trade in securities of the same company in the public markets. In addition, such accounts may compete with the Halcyon Funds and other Halcyon clients for investment opportunities or otherwise pursue different interests within the same portfolio companies, including investing in securities of the same companies with different seniority, participating in litigation or pursuing activist tactics. Certain of Halcyon's affiliated management companies provide sub-advisory services to registered investment companies, and requirements imposed by the Investment Company Act with respect to such affiliated management companies may indirectly result in some prohibitions and restrictions on the investment activities of Halcyon's clients. Halcyon seeks to minimize restrictions when possible, consistent with applicable law and its internal policies, but our efforts may not be successful, and, as a result, restrictions may occur. The investments that we and our affiliates hold in the same issuer for different clients may include instruments with different seniority, resulting in a potential conflict of interest among our clients. We have implemented proxy voting policies and investment screening procedures which aim to minimize these potential conflicts.

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

- A. Halcyon and its affiliated management companies have adopted a Code of Ethics in accordance with legal requirements. The Code of Ethics is designed to ensure that the interests of Halcyon (including personal securities and other investment transactions), Employees and Halcyon's affiliated management companies' do not conflict with the interests (including transactions) of our clients. The Code of Ethics is based on the principle that Halcyon and its Employees owe a fiduciary duty to our clients and their investors. Thus, Employees must, among other things, (i) place the interests of our

clients and their investors first, (ii) avoid taking inappropriate advantage of their positions within Halcyon, and (iii) conduct their personal securities and other investment transactions in full compliance with the Code of Ethics. Policies adopted by Halcyon with which all Employees (and, in certain circumstances, members of their families and other related persons) must comply include, but are not limited to, preapproval of certain personal investment transactions by the Chief Compliance Officer or her designee, annual certification of compliance with the Code of Ethics and requiring brokers to provide Halcyon with duplicate confirmations of all personal transactions and other periodic personal account statements. Halcyon provides a copy of its Code of Ethics to any client, any investor, or any prospective client or investor that requests one.

- B. Employees do not recommend to advisory clients, nor do they buy or sell for clients, securities or other instruments in which they have a material financial interest. In addition, Halcyon's related persons invest personally in some Halcyon Funds. These investments could theoretically pose a conflict of interest with our other advisory clients because Employees may be motivated to allocate time, attention, and/or investment opportunities to the funds in which they invest at the expense of other clients. Halcyon has adopted written policies and procedures governing the allocation of investment opportunities among clients in a fair and equitable manner.
- C. Halcyon has a comprehensive set of procedures in place to ensure that we address any potential conflicts that may arise between Employees and clients when investing in the same securities or instruments and to align incentives properly. The Code of Ethics generally provides that, subject to certain limited exceptions that do not pose potential conflicts of interest and as otherwise authorized in writing by the Chief Compliance Officer or her designee, no Employee may purchase or direct transactions for the purchase of securities and other instruments in personal accounts. The sale of securities or other instruments by an Employee is subject to preapproval from the Chief Compliance Officer or her designee, subject to limited exceptions. The Code of Ethics also provides that all Employees must notify Halcyon of all relevant existing personal accounts and must obtain approval from the Chief Compliance Officer or her designee prior to the opening of a new personal account. Copies of confirmations of all relevant personal transactions and any other information reflecting account or transactional activity involving personal accounts must be provided to Halcyon. In the limited circumstances in which personal trading activities are permitted, the Chief Compliance Officer or her designee approves all relevant proposed transactions involving personal accounts prior to execution. The Chief Compliance Officer or her designee also conducts a quarterly review of personal accounts to examine relevant trades executed during the previous quarter and related statements to determine whether all the accounts are maintained in compliance with the requirements and restrictions described above. To the extent there is any finding relating to personal trading activity that is inconsistent with this policy, Halcyon will investigate and, as with any breach of the firm's policies, a violation is subject to disciplinary action, including dismissal.

9. Brokerage Practices

In selecting broker-dealers and determining the reasonableness of their commissions for our clients' transactions, Halcyon takes into account a number of factors, including the following: ability to secure future investment opportunities; quality and reliability of brokerage services; commissions or other fees for executing the orders; price; the broker's or dealer's facilities; financial responsibility; the ability of the broker or dealer to effect transactions, particularly with regard to aspects such as timing, order size and execution of orders; and the research and other investment-related services provided by the broker or dealer to Halcyon in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended (or in the case of certain instruments for which the "safe harbor" is not available, Halcyon will evaluate the amount of spread charged in relation to the value of the research and other brokerage services provided) to enhance its general portfolio management capabilities, notwithstanding the fact that specific clients may not be direct or exclusive beneficiaries of these services. Halcyon executes trades for advisory clients with broker-dealers with which Halcyon has other business relationships, including prime brokerage, credit relationships and capital introduction or investments by affiliates of the broker-dealers in advisory client entities. We do not take client referrals into account in selecting broker-dealers.

Halcyon does not utilize "soft dollar" commissions to purchase third-party research and other services. We do, however, consider a broker-dealer's proprietary research in selecting broker-dealers and determining the commission rates. Accordingly, Halcyon may cause a client to pay a commission for effecting a transaction for the advisory client in excess of the amount another broker or dealer would have charged for effecting that transaction, where it determines in good faith that this commission is reasonable in relation to the value of the brokerage and/or research services the broker or dealer provides to Halcyon. Halcyon does not put a specific dollar value on the research or brokerage services of any broker or dealer and does not allocate the relative costs or benefits of research, because Halcyon believes that the research received is, in the aggregate, of assistance in fulfilling Halcyon's overall responsibilities to its advisory clients.

The Halcyon Group's Broker Review Committee meets quarterly to ensure that our obligation to seek best execution in trading activities for the benefit of all advisory clients is being met. The Broker Review Committee, the members of which include various officers and Employees, reviews internally generated records and externally prepared reports bearing on the selection of broker-dealers, including: the approved list of executing brokers; best execution worksheets completed by traders; commission reports; gift and entertainment logs; purchase and sale activity and fair value of portfolios related to each executing broker; reports analyzing the Halcyon Group's use of broker-dealers and; a report containing the results of a broker vote by certain Halcyon Group investment professionals. The research services that broker-dealers might provide include written information and analyses concerning specific investments, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. In some cases, research services that are

generated by third parties may be provided by or through the brokerage firm to which commissions are paid. Using client transactions to obtain research and other benefits which Halcyon does not have to buy or produce on its own may create incentives that could result in conflicts of interest. When Halcyon uses client markups or markdowns to obtain research products and services, it receives a benefit because it does not have to produce or pay for the research products and services. The availability of these benefits creates the potential that we might be influenced to select one broker-dealer rather than another to perform services for clients based on our interest in receiving the products and services rather than on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers. To mitigate risks of conflicts of interest, Halcyon does not permit clients to direct us to execute transactions through a specified broker-dealer.

Trade Aggregation and Allocation

The Halcyon Group has adopted comprehensive policies regarding trade aggregation and allocations of investments. Where appropriate, transactions for our advisory clients and advisory clients of our affiliated management companies are aggregated for execution purposes, so long as Halcyon determines in good faith that aggregation is likely to result in relatively better prices, lower commission expenses, beneficial transaction timing or a combination of these and other factors, provided that Halcyon is not required to aggregate any trades. If purchases or sales of assets for multiple clients are effected simultaneously, and to the extent aggregate transactions are executed at slightly different prices, the average transaction price is used instead.

Halcyon and its affiliated management companies, in their discretion, make investment decisions with respect to each client that may be the same as or different from those made for other advisory clients. The Halcyon Group's allocation policy requires Halcyon and its affiliated management companies to act fairly and equitably over time in allocating limited investment (and divestment) opportunities that may be suitable for multiple clients and to ensure that no client is intentionally or systematically favored at the expense of other clients, including as a result of better compensation arrangements or the level of proprietary capital invested in a client. Halcyon determines trade allocation prior to the execution and in the absence of other considerations and, generally allocates each trade pro rata among all clients for which such trade is appropriate on the basis of the monthly opening capital balance of each participating client (factoring in redemptions and subscriptions). Halcyon makes non pro-rata allocations in light of a variety of relevant factors affecting client accounts, including account liquidity (including an account's cash availability, other liquidity obligations in light of investor redemptions, commitments to other investments, and availability of leverage); written investment restrictions contained in applicable investment management or other relevant operating agreements; investment strategies and time horizons; applicable legal and regulatory restrictions, including whether or not an account is deemed to be "plan assets" under ERISA; risk tolerance; advisory client approval (in the case of clients that retain a degree of investment discretion); tax considerations; applicable limitations on credit, clearing and custody; rounding to multiples of trading lot sizes or the avoidance of creating odd-lots; adjustments for accounts in ramp-up or wind-down phases; priority afforded to the

clients of the management company generating the investment idea; and extraordinary corporate actions or corporate events impacting a proposed allocation. At Halcyon's discretion, clients' portfolios may be rebalanced to reflect capital changes at the beginning of each month.

10. Review of Accounts

- A. Halcyon has adopted policies regarding the review of its advisory clients' portfolios. The Risk Management Committee of the relevant management company reviews client portfolios and confers with the relevant Investment Committee. In addition, on a regular basis, each research analyst provides input on the positions for which he or she is responsible to independent risk analysts. By independently verifying estimates provided by the research team, the risk analysts offer a "market reality check."

Halcyon's Risk Management Committees consist of the Portfolio Managers/Chief Investment Officer or their designees and certain other senior members of the Halcyon Group. The Risk Management Committee of the relevant management company meets regularly to review and recommend policy strategies that are consistent with their advisory clients' investment objectives and policies. The Risk Management Committees consider macro-level economic and market trends and assess the advisory client portfolios, managing risk in a manner consistent with each client's operating agreements. The Risk Management Committees review and adjust limits to position size, industry exposure, commodity risk, systemic risks, and other considerations. The Risk Management Committees consider the strategy mix and the biggest risks among the holdings, taking into account macro-economic conditions, the regulatory framework, the political climate, and the potential for decline within companies and/or specific industries.

Halcyon's Investment Committees consist of certain investment professionals. The Investment Committees review relevant clients' investments on a regular basis and make recommendations on behalf of each portfolio.

Halcyon also actively manages counterparty, technology, and operational risk as well as conflicts of interest through various committees, including relevant Risk Management Committees, the Pricing Review Committee, the Information Technology Committee, relevant Investment Committees, the Broker Review Committee, the Client Relations Committee and the Conflicts Committee.

- B. Reports are prepared for and provided regularly to investors in the Halcyon Funds. On a monthly basis, the administrator to the Halcyon Funds provides statements for all investors in these funds, showing performance for the month and year-to-date. Halcyon also prepares a monthly report for investors in the Halcyon Funds containing portfolio information and estimated performance results for the month and year-to-date. On an annual basis, independent certified public accountants audit the financial statements of each Halcyon Fund. Halcyon additionally prepares an annual report including, among other things, the balance sheet for each Halcyon Fund, a statement showing the net gains or net losses of the client, the closing capital account (or net asset value of interests) of

every investor in the client (and the manner of its calculation), the opening capital account (or the net asset value of interests as of the beginning of the year), and the ownership percentage of every investor in the relevant Halcyon Fund.

We provide our managed account clients with financial and other information as may be agreed with respect to each of these clients.

11. Client Referrals and Other Compensation

- A. Halcyon does not, nor do any Employees, receive any economic benefit from non-clients for providing advisory services to our clients.
- B. Halcyon may enter into arrangements with third party placement agents, each of which is a registered broker-dealer (unless otherwise permitted by law). Halcyon will bear any placement agent fees unless a client or an investor specifically agrees to bear a placement agent fee. If a placement agent solicits client accounts, the placement agent will advise the prospective clients of the arrangement between Halcyon and the agent and of any fees associated with the arrangement as required pursuant to applicable regulations.

12. Custody

Due to Halcyon's access to advisory client funds and securities as general partner or manager of the Halcyon Funds and our affiliate's authority to deduct fees and other expenses from Halcyon Funds' accounts, we are deemed to have constructive custody of their funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended. Halcyon utilizes the services of unrelated financial institutions or other qualified custodians (as defined in Rule 206(4)-2) to hold all funds and securities of Halcyon Funds, with the exception of certain privately offered securities, as permitted by Rule 206(4)-2. We also ensure that the qualified custodian maintains these funds and securities in accounts that contain only these clients' funds and securities, under our name as agent or trustee for the relevant Halcyon Fund. We also comply with the requirements of Rule 206(4)-2 with respect to the annual audit (performed in accordance with generally accepted accounting principles by an independent public accounting firm) and the distribution of audited financial statements to investors in the Halcyon Funds within 120 days of the end of their respective fiscal years.

Our managed accounts typically establish their accounts with their own qualified custodians, and neither Halcyon nor any of our affiliates have authority to deduct fees or other amounts from the managed accounts. Our managed account clients receive account statements directly from their qualified custodians. We urge our clients to carefully review the statements they receive from their qualified custodians and compare them with the periodic reports we send them.

13. Investment Discretion

Scope of Authority

Halcyon accepts discretionary authority to manage the Halcyon Funds' assets. We have the authority to determine, without obtaining specific client consent, which securities or other investments to buy or sell, the amount of securities or other investments to buy or sell, the broker through which we effect trades, if any, and the commission rates at which we effect trades. While we have been given this broad authority, Halcyon is committed to adhering to the investment strategy and program set forth in the Halcyon Funds' Private Placement Memoranda and/or operating agreements. Halcyon's discretion over the managed accounts is limited by investment guidelines negotiated with the client. Halcyon has processes and procedures in place to verify that it is complying with any client-imposed restrictions and adhering to each client's investment strategy and objectives. In particular, as discussed in more detail in Section 10, the Risk Management Committee of the relevant Halcyon advisory entity reviews its client accounts regularly to ensure that we are observing our clients' investment strategies and objectives.

With respect to our non-discretionary client, we provide ongoing investment recommendation and advice, and we have authority to execute transactions subject to prior notification to and consent by the client.

Procedures for Assuming Authority

Before accepting their subscriptions for interests, we provide all investors in the Halcyon Funds with a Private Placement Memorandum (or equivalent disclosure) and/or governing documents for the relevant Halcyon Fund that set forth, in detail, our investment strategy and program and the terms of investment for investors, including the scope of our investment authority. By completing the subscription documents to acquire an interest in a Halcyon Fund and/or executing the operating agreement for a Halcyon Fund, each investor consents to the terms and conditions in the operating agreements that give Halcyon complete authority to manage Halcyon Funds' investments in accordance with the Private Placement Memorandum and/or the operating agreements. Prior to providing investment advice to a managed account, we typically require each client to appoint us as discretionary agent and attorney-in-fact of each portfolio that we manage for them. This gives us complete discretionary authority to buy and sell any securities and other instruments in the amounts and at the prices that we determine. With respect to one managed account, our investment authority is subject to client approval to a certain degree and non-discretionary.

14. Voting Client Securities

Proxy Voting Policy

Halcyon's policy is to review each proxy or information statement on an individual basis and to base its voting or consent decision on its judgment about what will best serve the interests of its advisory clients. In determining how or whether to vote proxies or provide consents, Halcyon will not subordinate the economic interests of its advisory clients to

the interests of other persons or to Halcyon's self-interest. Decisions will be made by relevant Portfolio Managers and based on the financial interest of each advisory client in light of the specific applicable investment strategy. Each proxy proposal will be considered on its own merits, and an independent determination will be made whether to support or oppose management's position. Additionally, in certain circumstances, Halcyon may determine that it is in the best interests of its advisory clients not to vote or consent or that a vote or consent is not required, for example, where the clients' holdings are *de minimis*, when the proxy vote covers only routine corporate business, or where the advisory clients' positions were liquidated between the record date and the vote deadline.

Halcyon's Operations Manager or his designee notifies relevant research analysts of pending corporate actions involving the advisory client portfolios. The research analyst assigned to the transaction or security consults with a member of the Investment Committee who is responsible for the ultimate determination regarding the proper vote or consent and with the Chief Compliance Officer. If in reviewing the corporate action, the Chief Compliance Officer (in consultation with the Investment Committee or others) determines that a material conflict may exist between Halcyon's interests and those of its advisory clients, the Chief Compliance Officer will inform the Conflicts Committee of such potential material conflict. The Conflicts Committee will evaluate the potential or actual conflict and, in consultation with the member of the Investment Committee, will determine if a material conflict of interest exists, and if so will determine the appropriate course of action to resolve the conflict in the interests of its advisory clients. If a conflict cannot be resolved, the affected clients will be informed of the conflict and explicit voting instructions will be solicited.

If no material conflict exists, or has been resolved, a member of the Investment Committee will, in accordance with Halcyon's fiduciary duties, make a determination as to how to vote the proxy and communicate the decision to the research analyst. The research analyst will then communicate the decision by the member of the Investment Committee to the Operations Manager, typically prior to the close of business on the day prior to the vote deadline. The Operations Manager utilizes the website www.proxyvote.com to transmit the proxy vote or consent, and receives confirmation of the vote or consent from the website. Upon receipt of said confirmation, the Operations Manager forwards the confirmation to the Chief Compliance Officer or her designee. The Chief Compliance Officer or her designee retains this information for six years from the date the proxy vote or consent is executed.

Recordkeeping

Halcyon maintains the following records relating to proxy voting: copies of our proxy voting policies and procedures and any amendments; proxy statements received for client securities and other assets; records of proxy votes cast on behalf of our clients; records of written requests from clients and investors in the Halcyon Funds for proxy voting information and our written responses to any written or oral requests; and any documents that our Employees prepared that were material to deciding how to vote proxies or that memorialize the basis for a proxy vote. Upon request, any of our clients or any of the

investors in our clients can obtain (1) a copy of our proxy voting policies and procedures and (2) information concerning proxy votes on its behalf.

15. Financial Information

Halcyon does not require nor do we solicit prepayment of more than \$1,200 in fees from clients, six months or more in advance. Halcyon is not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients. Halcyon has never been the subject of a bankruptcy petition.