

**FIRM BROCHURE**

**HIGHSIDE CAPITAL MANAGEMENT, L.P.**

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

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

March 28, 2013

## Item 2: Material Changes

The date of the last annual update to our firm brochure was January 13, 2012. A summary of certain material changes that have been made to our firm brochure since the date of our last annual update is set forth below:

- In reliance upon the position expressed by the Office of Investment Adviser Regulation Division of Investment Management of the Securities and Exchange Commission (the “SEC”) in a January 18, 2012 letter addressed to the American Bar Association, Business Law Section, certain of our affiliates rely on our investment adviser registration instead of separately registering as investment advisers with the SEC under the Investment Advisers Act of 1940, as amended. **See Item 10.**
- Effective August 1, 2012, Alex R. Nettune no longer serves as a senior analyst of Highside Capital Management, L.P.
- Effective December 6, 2012, each of Highside Capital Management, L.P., Highside Performance, L.P., Highside Management, LLC and HOLGP, L.P. rely on the exemption from Commodity Futures Trading Commission (“CFTC”) registration as a commodity pool operator provided by CFTC Rule 4.13(a)(3).
- Effective December 31, 2012, H. Michael Reese no longer serves as a senior analyst of Highside Capital Management, L.P. or as President of HNY, Inc.
- Effective March 5, 2013, David R. Thomas no longer serves as a principal at HNY, Inc.

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

Highside Capital Management, L.P., a Delaware limited partnership and private investment advisory firm, was formed in 2003. We provide investment management services to private pooled investment vehicles, interests of which are offered to investors on a private placement basis. We have full discretionary authority with respect to investment decisions, and our investment advice is provided in accordance with the investment objectives and guidelines set forth in the applicable offering materials and/or governing documents. The information set forth in this brochure is qualified in its entirety by the applicable offering memoranda and/or governing documents.

Certain of our affiliates rely on our investment adviser registration instead of separately registering as investment advisers with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). **See Item 10.** Except as the context otherwise requires, any reference to “we,” “us” or “our” in this document includes Highside Capital Management, L.P. and any affiliates relying on our registration.

### PRINCIPAL OWNERS

Our general partner is Highside Capital Management, LLC, a Delaware limited liability company, which is owned and controlled by H. Lee S. Hobson. H. Lee S. Hobson and Prescott Partners, L.P., which is owned and controlled by H. Lee S. Hobson and his spouse, also are limited partners of Highside Capital Management.

### TYPES OF ADVISORY SERVICES

We and/or certain of our affiliates serve as general partner of, and/or investment adviser to, Highside Capital Partners, L.P., a Delaware limited partnership (“Highside I”), Highside Capital Partners II, L.P., a Delaware limited partnership (“Highside II” and together with Highside I, the “U.S. Funds”), Highside Offshore Mini, L.P., a Cayman Islands exempted limited partnership (the “Offshore Fund”), and Highside Long Portfolio, L.P., a Delaware limited partnership (“Highside Long Portfolio”). We also serve as investment manager to Highside Offshore, Ltd., a Cayman Islands exempted company (the “Offshore Feeder,” and together with the U.S. Funds, the Offshore Fund and Highside Long Portfolio, the “Funds” and individually a “Fund”), which invests substantially all of its assets in the Offshore Fund. Information about each Fund is set forth in its confidential memorandum and applicable governing documents.

We serve as investment manager with respect to each of the Funds and are responsible for investing and re-investing the assets of each Fund in accordance with the investment objectives, policies and guidelines set forth in the applicable offering memoranda and/or governing documents. **See Item 8 below.**

We tailor our advisory services to the individual needs of our clients, and clients generally are not permitted to impose restrictions on investments in certain securities or types of securities.

### ASSETS UNDER MANAGEMENT

As of December 31, 2012, we had approximately \$1,715,789,000 in regulatory assets under management for five clients. All of these assets were managed on a discretionary basis.

## Item 5: Fees and Compensation

### DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our advisory services, we and/or certain of our affiliates generally are entitled to receive management fees and/or incentive-based fees or allocations with respect to the U.S. Funds, the Offshore Fund and Highside Long Portfolio. The fees applicable to each Fund are described in detail in the applicable governing and/or offering documents. A brief summary of our advisory fees is set forth below.

#### U.S. Funds

With respect to the U.S. Funds, we are entitled to receive a management fee, payable monthly in advance, equal to one-twelfth of one and one-half percent (1.5% per annum) of the capital account balances of the U.S. Fund (which give effect to any incentive allocation to Highside Performance only on and after the date of such allocation), excluding for purposes of such calculation the capital account balances held by certain of our affiliates who are not assessed any management fee. This management fee is then allocated to all fee-paying limited partners of the U.S. Funds on a *pro rata* basis.

In addition, Highside Performance, L.P., one of our affiliates (“Highside Performance”), is entitled to receive an incentive allocation equal to 17% or 20% of the net capital appreciation (excluding contributions and withdrawals) of the capital account of each limited partner for such performance period, excluding for purposes of such calculation the net capital appreciation of capital accounts held by certain of our affiliates who are not assessed any incentive allocation. **See Item 6 below.** Incentive allocations are subject to a modified “high water mark” limitation, whereby a memorandum loss recovery account is maintained with respect to each limited partner and is increased for each fiscal year by 200% of the aggregate net capital depreciation, if any, allocated to such limited partner’s capital account for such fiscal year and decreased (not below zero) by 100% of the aggregate net capital appreciation, if any, allocated to such limited partner’s capital account for such fiscal year. In the event that a limited partner’s loss recovery account ends a fiscal year above zero, Highside Performance will only receive 50% of its incentive allocation with respect to that limited partner until such limited partner’s loss recovery account has been reduced to zero. For more detail regarding the modified high water mark, please refer to the offering memorandum of the U.S. Funds.

Each investor in Highside I is required to be, among other things, a “qualified purchaser,” as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “Company Act”). Each investor in Highside II generally is required to be, among other things, a “qualified client,” as such term is defined in Rule 205-3 under the Advisers Act.

Our advisory fees with respect to the U.S. Funds and each investor are not negotiable. However, we have entered into, and may enter into in the future, side letters or similar arrangements with certain investors that grant different non-economic terms to such investors than the terms applicable to other investors.

#### Offshore Fund

The Offshore Feeder invests substantially all of its assets in, and conducts its investment activities indirectly through, the Offshore Fund, and the management fee and incentive allocation with respect to the Offshore Feeder are calculated at the Offshore Fund level. In order to track the management fee and incentive allocation attributable to each shareholder in the Offshore Feeder, the Offshore Fund maintains notional capital accounts with respect to each class, sub-class and series of participating shares of the Feeder Fund (each, a “Tracking Account”).

With respect to the Offshore Fund, we are entitled to receive a management fee, payable monthly in advance, equal to one-twelfth of one and one-half percent (1.5% per annum) of the net asset value of the Offshore Fund (which gives effect to any incentive allocation to HOLGP only on and after the date of such allocation), excluding for purposes of such calculation the portion of such amount attributable to the Tracking Accounts of certain of our affiliates who are not assessed any management fee. This management fee is then allocated to the Offshore Feeder and to all fee-paying shareholders of the Offshore Feeder on a *pro rata* basis.

In addition, HOLGP, L.P., one of our affiliates (“HOLGP”), is entitled to receive an incentive allocation equal to 17% or 20% of the net capital appreciation (excluding contributions and withdrawals) of the Offshore Fund for such performance period, excluding for purposes of such calculation the net capital appreciation of the Tracking Accounts of certain of our affiliates who are not assessed any incentive allocation. **See Item 6 below.** Incentive

allocations are subject to a modified “high water mark” limitation, whereby a memorandum loss recovery account is maintained with respect to each Tracking Account, and each Tracking Account is increased for each fiscal year by 200% of the aggregate net capital depreciation, if any, allocated to such Tracking Account for such fiscal year and decreased by 100% of the aggregate net capital appreciation, if any, allocated to such Tracking Account for such fiscal year. In the event that a Tracking Account’s loss recovery account ends a fiscal year above zero, HOLGP will only be allocated 50% of its incentive allocation with respect to that Tracking Account until such Tracking Account’s loss recovery account has been reduced to zero. For more detail regarding the modified high water mark, please refer to the offering memorandum of the Offshore Feeder.

Each investor in the Offshore Feeder is required to be, among other things, a “qualified purchaser,” as such term is defined in Section 2(a)(51)(A) of the Company Act.

Our advisory fees with respect to the Offshore Fund and each investor in the Offshore Feeder are not negotiable. However, we have entered into, and may enter into in the future, side letters or similar arrangements with certain investors that grant different non-economic terms to such investors than the terms applicable to other investors.

#### Highside Long Portfolio

With respect to Highside Long Portfolio, we are entitled to receive a management fee, payable monthly in advance, equal to one-twelfth of one percent (1.0% per annum) of the capital account balances of Highside Long Portfolio (which give effect to any incentive allocation to Highside Performance only on and after the date of such allocation), excluding for purposes of such calculation the capital account balances held by certain of our affiliates who are not assessed any management fee. This management fee is then allocated to all fee-paying limited partners of Highside Long Portfolio on a *pro rata* basis.

In addition, Highside Performance is entitled to receive an incentive allocation equal to 20% of the amount equal to (i) the net capital appreciation (excluding contributions and withdrawals) of the capital account of each limited partner for the applicable performance period minus (ii) the net capital appreciation (excluding contributions and withdrawals) of the capital account of that limited partner that would have resulted for the applicable period had the net assets in such capital account been invested in the Standard & Poor’s 500 Total Return Index (with dividends reinvested). For more detail regarding the incentive allocation, please refer to the offering memorandum of Highside Long Portfolio. **See Item 6 below.**

Each investor in Highside Long Portfolio is required to be, among other things, a “qualified purchaser,” as such term is defined in Section 2(a)(51)(A) of the Company Act.

Our advisory fees with respect to Highside Long Portfolio and each investor are not negotiable. However, in the future we may enter into side letters or similar arrangements with certain investors that grant different non-economic terms to such investors than the terms applicable to other investors.

#### **PAYMENT OF FEES**

Management fees are payable by investors monthly, in advance, as of the beginning of each calendar month. Management fees are deducted directly from the capital account or Tracking Account of each investor. In the event that a Fund is dissolved, an investor withdraws or redeems, 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 proportionately to the applicable investor(s). Management fees may also be prorated with respect to partial periods.

Incentive allocations are calculated and allocated as of the end of each performance period (and at such other times as set forth in the applicable partnership agreements). Incentive allocations are allocated directly from the capital account or Tracking Account of each applicable investor (and as set forth in the partnership agreements).

#### **OTHER FEES AND EXPENSES**

In addition to management fees and incentive allocations, each Fund generally bears its own expenses, including, without limitation, (i) investment expenses (*i.e.*, expenses related to the investment of the Funds’ assets, including, without limitation, brokerage commissions, custody fees, interest and other borrowing charges, professional and legal expenses relating to particular investments and other expenses reasonably related to the investment decision and monitoring process), (ii) taxes, (iii) insurance premiums, (iv) legal expenses, (v) regulatory expenses, (vi) costs of brokerage and research services (including, without limitation, written (including electronic) or verbal information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services; hardware, software, data bases and other technical and telecommunications services and

equipment used in the investment management process; consulting fees and travel expenses in connection with investigating and monitoring potential and existing investments), (vii) accounting, audit and tax preparation expenses, (viii) other expenses associated with the operation of the Funds and (ix) all extraordinary expenses. Clients are responsible for and pay all brokerage fees. **See Item 12 below.** Notwithstanding the foregoing, if Highside Long Portfolio incurs aggregate paid or accrued expenses associated with tax preparation, the audit of its financial statements and administration fees and other expenses charged by or related to the services of third-party providers of administration services in excess of a rate of 0.25% per annum of the net asset value of Highside Long Portfolio (calculated monthly based on the net asset value on the first day of the month before taking into account any management fee or incentive allocation accrued but not yet allocated) (the “Relevant Amount”), we will bear any expenses in excess of the Relevant Amount.

## **WITHDRAWALS**

### U.S. Funds and the Offshore Fund

Subject to the terms and conditions disclosed in the applicable offering documents, each Class A investor in the U.S. Funds or the Offshore Fund that has held its Class A interests for at least one year minus a day generally is permitted to make complete or partial withdrawals of amounts from its Class A capital account as of the end of each calendar quarter. Each Class B investor in the U.S. Funds or the Offshore Fund generally is permitted to make complete or partial withdrawals of amounts from its Class B capital account as of the end of each calendar quarter. However, any withdrawal of greater than 5% of the net asset value of such investor’s Class B capital account made on dates other than a permitted withdrawal date may be subject to withdrawal fees of up to 6% of the withdrawal amount. With respect to Class B interests, a permitted withdrawal date is the nearest calendar quarter end which is at least three years minus a day from the date such investor acquired its Class B interest or every third anniversary of such initial permitted withdrawal date. Notice of any withdrawal must be given in writing at least 30 days prior to the proposed withdrawal date. Investors in the U.S. Funds and/or the Offshore Fund are also permitted to make withdrawals in certain other circumstances, as described in the applicable offering documents. We will use commercially reasonable efforts to cause at least 95% of any estimated withdrawal amount to be paid within 10 days of the applicable withdrawal date. Any remaining balance will be settled not later than 30 days following the completion of the audit of the fund’s financial statements for the applicable fiscal year.

Incentive allocations with respect to the U.S. Funds and the Offshore Fund generally are calculated and allocated as of the date of withdrawal with respect to any limited partner permitted or required to withdraw as of any time other than the end of a performance period on the basis of a proportion of net capital appreciation (excluding contributions and withdrawals) allocated to such limited partners’ capital account through the withdrawal date.

### Offshore Feeder

Subject to the terms and conditions disclosed in the offering document of the Offshore Feeder, each Class A shareholder that has held its Class A shares for at least one year minus a day generally is permitted to make complete or partial redemption of its Class A shares as of the end of each calendar quarter. Each Class B shareholder generally is permitted to make complete or partial redemptions of its Class B shares as of the end of each calendar quarter. However, any redemption of greater than 5% of the net asset value of such shareholder’s Class B shares made on dates other than a permitted redemption date may be subject to redemption fees of up to 6% of the withdrawal amount. With respect to Class B interests, a permitted redemption date is the nearest calendar quarter end which is at least three years minus a day from the date such shareholder acquired its Class B shares or every third anniversary of such initial permitted redemption date. Notice of any redemption must be given in writing at least 30 days prior to the proposed redemption date. Redemptions will also be permitted in certain other circumstances, as described in the Offshore Feeder’s offering document. We will use commercially reasonable efforts to cause at least 95% of the amount redeemed to be paid within 10 days of the applicable redemption date. Any remaining balance will be settled not later than 30 days following the completion of the audit of the fund’s financial statements for the applicable fiscal year.

Incentive allocations with respect to the Offshore Feeder generally are calculated and allocated as of the date of redemption with respect to any shareholder permitted or required to redeem as of any time other than the end of a performance period on the basis of a proportion of net capital appreciation (excluding contributions and withdrawals) allocated to such shareholder’s capital account through the redemption date.

### Highside Long Portfolio

Subject to the terms and conditions disclosed in the offering document of Highside Long Portfolio, each investor that has held its interest for at least one year minus a day generally is permitted to make complete or partial withdrawals of amounts from its capital account as of the end of each calendar quarter. Notice of any withdrawal must be given in writing at least 30 days prior to the proposed withdrawal date. Investors in Highside Long Portfolio are also permitted to make withdrawals in certain other circumstances, as described in the applicable offering documents. We will use commercially reasonable efforts to cause at least 95% of any estimated withdrawal amount to be paid within 10 days of the applicable withdrawal date. Any remaining balance will be settled not later than 30 days following the completion of the audit of the fund's financial statements for the applicable fiscal year.

Incentive allocations with respect to Highside Long Portfolio generally are calculated and allocated as of the date of withdrawal with respect to any limited partner permitted or required to withdraw as of any time other than the end of a performance period on the basis of a proportion of net capital appreciation (excluding contributions and withdrawals) allocated to such limited partner's capital account through the withdrawal date.

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

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



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

### **PERFORMANCE-BASED FEES**

As noted under **Item 5 above**, our affiliates are entitled to receive performance-based fees or allocations with respect to the Funds. Performance-based fees or 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 many performance-based fees or allocations are calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by us, we face a conflict of interest in valuing those portfolios. Our employees and affiliates are collectively the largest investors in the Funds, which we believe ameliorates this potential conflict. We further address this conflict through full and fair disclosure in applicable offering documents and/or this brochure.

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

### **DESCRIPTION**

We currently provide investment advisory and supervisory services to the Funds, our sole advisory clients.

### **ACCOUNT REQUIREMENTS**

The minimum initial capital contribution required from an investor in the U.S. Funds and the Offshore Feeder is \$1,000,000, although capital contributions of lesser amounts may be accepted in our discretion. The minimum initial contribution required from an investor in Highside Long Portfolio is \$1,000,000.

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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Our research process is based on “bottoms-up” fundamental analysis of both long and short investments. Our investment team analyzes the many issues that can affect an investment’s relative attractiveness, with a particular focus on (i) the overall quality of a business relative to its perceived value and (ii) the overall quality of the people on the management team leading a business. We evaluate information from numerous sources including company or industry-specific information and other information prepared by public and private sources, industry trade publications, various statistical services, publicly-available information furnished by specific companies, information and projections provided by the research departments of brokerage firms and other consultants and interaction with company management teams, employees and other individuals familiar with specific companies or industries. We employ a consistent process of intensive individual company and industry analysis and regular evaluation of the relative merits of investments.

#### U.S. Funds, Offshore Fund and Offshore Feeder

Based upon our assessment of a company’s “fundamentals,” we take long positions in securities that we believe will appreciate substantially in market value and short positions in securities that we believe will decrease substantially in market value. The target range for the U.S. Funds, Offshore Fund and Offshore Feeder is 0% to 60% net (longs minus shorts) and 150% to 250% gross (longs plus shorts). As of December 31, 2012, the portfolio was 126% long, 88% short, 38% net and 214% gross. However, the number of positions both long and short may change significantly and are always driven by our perception of opportunities in the market place. We constantly evaluate the opportunities to invest capital long and short relative to our existing investment portfolio, and attempt to allocate capital to our best investment ideas. Investments are realized when, in our opinion, the expected returns are not attractive or alternative investment options are superior.

We invest the U.S. Funds’, Offshore Fund’s and Offshore Feeder’s assets primarily in publicly-traded equity and equity-related securities. We are also authorized to invest in illiquid securities (including privately placed securities of public and/or private companies), debt securities, swaps and other derivative instruments, pooled vehicles, to purchase and write options. To the extent permitted, we also may invest in futures and related options and new instruments whether now existing or developed in the future.

Highside I and the Offshore Feeder offer sub-classes of interests with investment objectives identical to the other interests, except that the new sub-classes are only allocated returns from investments in companies with socially responsible business practices. As a result, investors owning an interest in these sub-classes do not participate in profits or losses generated by a list of “restricted companies” held within the portfolios of these funds. We have engaged Institutional Shareholder Services to assist us in maintaining the applicable list of “restricted companies.”

#### Highside Long Portfolio

Based upon our assessment of a company’s “fundamentals” (as described above), we take long positions in securities that we believe will appreciate substantially in market value. We expect to take relatively concentrated long positions, and Highside Long Portfolio’s portfolio will typically contain less than 75 long positions in equity and equity related securities. However, the number of positions may change significantly and are always driven by our ability to identify opportunities in the market place. We constantly evaluate the opportunities to invest Highside Long Portfolio’s capital relative to its existing investment portfolio, and attempt to allocate Highside Long Portfolio’s capital to our best investment ideas. Investments are realized when, in our opinion, the expected returns are not attractive or alternative investment options are superior.

We invest Highside Long Portfolio’s assets primarily in publicly traded equities and equity related securities, such as preferred stock, convertible instruments, warrants and rights. In addition, we are also authorized to utilize both over-the-counter and exchange traded instruments (including derivative instruments such as options, swaps and, to the extent permitted, futures on equities and equity indices and other equity derivatives) to achieve investment exposure or to hedge a particular risk associated with one of its long positions.

The investment strategies summarized above are not intended to be comprehensive. For more information regarding the investment strategies of each Fund, please carefully review the offering and governing documents thereof.

## **CERTAIN RISK FACTORS**

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

***Leverage.*** We utilize leverage in investing the Funds' assets including engaging in trading on margin by borrowing funds and pledging securities as collateral. While such use of borrowed funds increases returns if the Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the Fund fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of the Funds than if the Funds were not so leveraged. Any use of short-term margin borrowings will result in certain additional risks to the Funds. For example, the securities pledged to brokers to secure the Funds' margin accounts could be subject to a "margin call," pursuant to which we would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of a Fund's assets accompanied by corresponding margin calls could force the Fund to liquidate assets quickly, and not for fair value, in order to pay off its margin debt. In addition, we engage in certain derivative transactions which implicitly contain leverage and subject the Funds to the same risks discussed above.

***Financial Market Fluctuations.*** General fluctuations in the market prices of securities may affect the value of the investments held by the Funds. Instability in the securities markets may also increase the risks inherent in the Funds' investments.

***Lack of Liquidity in Markets.*** Despite our intent to focus on securities with heavy trading volumes, the markets for some securities may be thinly traded from time to time. This lack of liquidity and market depth could disadvantage the Funds, both in realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Also, securities exchanges and the SEC have authority to suspend trading in a particular security without notice.

***Reliance on Management and Key Personnel.*** Investors have no right or power to take part in the management of the Funds. Accordingly, no investor should purchase interests unless such investor is willing to entrust all aspects of the management of the Funds to the general partner or board of directors, as applicable.

The investment performance of the Funds depends largely on the skill of our key personnel, including, in particular, Mr. Hobson. If key personnel were to leave, we might not be able to find equally desirable replacements and the performance of the Funds could, as a result, be adversely affected.

***Concentration of Investments.*** We expect the Funds typically to be broadly diversified. However, we are not obligated to limit the amount of capital that may be committed to any one investment. As such, the Funds' assets may not be diversified. Any such non-diversification would increase the risk of loss to the Funds if there was a change in the market value of any security in which we had invested a large percentage of the Funds' assets.

***Business and Regulatory Risks of Hedge Funds.*** The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Funds and the ability of the Funds to obtain the leverage they might otherwise obtain or to pursue their trading strategies. The financial services industry generally, and the activities of alternative investment funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Funds', and/or our exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on us, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert our time, attention and resources from portfolio management activities.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") covers a broad range of market participants including banks, non-banks, rating agencies, mortgage brokers, credit unions, insurance

companies, payday lenders, broker-dealers and investment advisers. The Dodd-Frank Act may also affect the Funds in a number of other ways. The Dodd-Frank Act creates the Financial Stability Oversight Council (the “Council”) that is charged with monitoring and mitigating systemic risk. As part of this responsibility, the Council would have the authority to subject banks and other financial firms (like the Funds) to regulation by the Federal Reserve Board, which could limit the amount of risk-taking engaged in by the Funds. In addition, there is a possibility that the Funds may be subject to new or revised legislation or regulations, which may be enforced by entirely new governmental agencies. In addition, the securities markets are subject to comprehensive statutes, regulations and margin requirements. The effect of any future regulatory changes on us or the Funds could be substantial and adverse.

*Short Sales.* We may utilize short sales of investment securities on behalf of certain of the Funds. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, we engage in short sales only where we believe the value of the security will decline between the date of the sale and the date we are required to return the borrowed security. The making of short sales exposes a Fund to the risk of liability for the market value of the security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and we may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and may adopt reporting requirements in the future. In addition, other non-U.S. jurisdictions where the Funds may trade have adopted reporting requirements. If our short positions or our strategy become generally known, it could have a significant effect on our ability to implement our investment strategy. In particular, it would make it more likely that other investors could cause a “short squeeze” in the securities held short by the Funds forcing us to cover their positions at a loss. Such reporting requirements may also limit our ability to access management and other personnel at certain companies where we seek to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as us, the cost of borrowing securities to sell short could increase drastically and the availability of such securities could decrease drastically. Such events could make us unable to execute our investment strategy. The SEC has adopted restrictions on short sales of securities which fall more than 10 percent in a given day (referred to as the “circuit breaker” or “modified uptick rule”). If the SEC were to adopt additional restrictions regarding short sales, they could restrict our ability to engage in short sales in certain circumstances, and we may be unable to execute our investment strategy as a result.

The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases have adopted) bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for us to execute certain investment strategies and may have a material adverse effect on the Funds’ ability to generate returns. In addition, engaging in short selling may increase the risk of the Funds becoming subject to government investigation.

*Equity Risk.* The market price of securities owned by the Funds may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Funds is that the equity securities in a Fund’s portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. 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, 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, the Funds may lose all or substantially all of their investments in any particular instance.

*Investment in Small Companies.* Although we generally focus on larger capitalization stocks, there is no limitation

on the size or operating experience of the companies in which we may invest. Some small companies in which we may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

*Investment in Illiquid Securities.* We do not currently intend to invest in securities that are not readily marketable or that are only thinly traded (“Illiquid Securities”). However, should we believe it would benefit the Funds, we may invest in Illiquid Securities. Should we make any such investments, the total of the Funds’ investments in Illiquid Securities and Pooled Investment Vehicles (defined below) will not exceed 10% of the Funds’ total net assets at the time the investment is made. Illiquid Securities may include privately placed securities that are not registered under the Securities Act and may have little or no trading market. Pursuant to the Funds’ governing documents, the general partner or board of directors, as applicable, will value these investments at fair market value, but in many cases fair market value may be difficult to ascertain and there is a risk of mistaken valuations. In addition, we may not be able to readily dispose of such investments, and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. These limitations on liquidity of the Funds’ investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

*Investment in Non-U.S. Securities.* We invest in non-U.S. securities. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments, or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond our control. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which we may invest have substantially less volume than those in the United States, and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries there are restrictions on investments or investors such that the only practicable way for us to invest in such markets is by entering into swaps or other derivative transactions with our prime brokers or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by us.

*Market Disruption and Geopolitical Risk.* We are subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of the Funds’ investments. Those events as well as other changes in U.S. and non-U.S. economic and political conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of the Funds’ investments. At such times, the Funds’ exposure to a number of other risks described elsewhere in this section can increase.

*Portfolio Turnover.* We have not placed any limit on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time they have been held when, in our opinion, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate, may act to reduce the Funds’ investment gains, or create a loss for investors and may result in taxable costs for investors depending on the tax provisions applicable to such investors.

*Swaps and Counterparty Risks.* We may utilize swaps and other derivative transactions to some degree where we believe it will further the objectives of the Funds. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose investors to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent we invest in repos, swaps, forwards, futures, options and other “synthetic” or derivative instruments, counterparty exposures can develop and we take the risk of non-performance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions, which

generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits.

We may only close out a swap or contract for differences with the consent of the particular counterparty, may only transfer a position with the consent of the particular counterparty, and following transfer of a position, may only close out the transaction with the new counterparty. Also, if the counterparty defaults, the Fund will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the Fund will succeed in enforcing its contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required to enforce its contractual rights may lead the Fund to decide not to pursue their claims against the counterparty. The Funds thus assume the risk that they may be unable to obtain payments owed to them under swap contracts, over-the-counter options and other two-party contracts, or that those payments may be delayed or made only after the Funds have incurred the costs of litigation.

*Fixed-Income Securities.* We invest primarily in equity securities. However, we may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and “higher yielding” (and, therefore, higher risk) debt securities. Such securities may be below “investment grade” and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to meet timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue lower rated debt securities often are highly leveraged and may not have access to more traditional methods of financing. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could affect adversely the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

*Pooled Investment Vehicles and Pass-through Entities.* We may invest or take short positions in pooled investment vehicles and pass-through entities on a limited basis. We may invest in other pooled investment vehicles, including unregistered investment vehicles, investment companies registered under the Company Act, master limited partnerships and real estate investment trusts (“Pooled Investment Vehicles”).

We may invest in certain Pooled Investment Vehicles either directly or through derivatives contracts. To the extent we invest directly in Pooled Investment Vehicles and other “pass-through” entities which are treated as partnerships for federal income taxation purposes, we must rely on such vehicles to deliver to it certain tax information that is necessary to complete our own tax returns. If this information is not delivered to the Funds in a timely fashion, the Funds will be delayed in providing tax information to the investors. To the extent a Fund’s investment in a Pooled Investment Vehicle is via a derivatives instrument, such as a swap agreement, the Fund’s counterparty assumes responsibility for any such tax reporting. If, in our discretion, one of the Funds should not be investors in a Pooled Investment Vehicle for tax or regulatory reasons, an investment in such Pooled Investment Vehicle will be allocated only to the Funds not affected by such tax or regulatory reasons. Generally this would be the case for the Offshore Feeder.

*Options.* We may invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer’s risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer’s loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows us greater flexibility to tailor an option to a Fund’s needs, over-the-counter options generally involve greater credit risk

than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

*Futures and Related Options.* We currently do not expect to buy and sell futures contracts and related options on behalf of the Funds; however, the Funds reserve the right to do so, to the extent permitted by applicable law, at any time. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. The Funds may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income.

The use of futures and options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in the Funds' portfolios which are the subject of the hedge (to the extent the Funds use futures and options for hedging purposes). The successful use of futures and options further depends on our ability to forecast market or interest rate movements correctly. Other risks arise from our potential inability to close out futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit our ability to engage in futures and options transactions.

*Securities Lending.* We may cause a Fund to make secured loans of portfolio securities amounting to not more than 100% of its total assets. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. However, such loans will be made only to broker-dealers that we believe are of relatively high credit standing. Securities loans are made to broker-dealers pursuant to agreements requiring that loans be continuously secured by collateral in cash or U.S. government securities at least equal at all times to the market value of the securities lent. The borrower pays to the lender an amount equal to any dividends or interest received on the securities lent. We may cause a Fund to invest any cash collateral received from the borrower for its own account, in interest-bearing, short-term securities or, if the loan is collateralized by U.S. government securities, the lender receives a fee from the borrower. The Funds will bear the risk of total loss with respect to the investment of collateral. In the case of loans collateralized by cash, the lender typically pays a fee to the borrower. Although voting rights or rights to consent with respect to the loaned securities pass to the borrower, the lender retains the right to call the loans at any time on reasonable notice. However, the Fund will bear the risk of delay in the return of the security, impairing its ability to vote on such matters. We may also call such loans in order to sell the securities involved. We may retain a lending agent on behalf of a Fund that would be compensated based on a percentage of the Fund's return on its securities lending. The Funds also will pay various fees in connection with such loans including shipping fees and reasonable custody fees.

*Other Instruments and Future Developments.* We may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized "synthetic" or derivative investments in the future. In addition, we may take advantage of opportunities with respect to certain other "synthetic" or derivative instruments which are not presently contemplated for use by the Funds or which are currently not available, but which may be developed to the extent such opportunities are both consistent with the Funds' investment objectives and legally permissible for the Funds. Special risks may apply to the Funds' investments in the future.

*Cash and Other Investments.* We may invest all or a portion of the Funds' assets in cash or cash items for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items must be of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed by us to be creditworthy. While these investments generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses.

*Liquidity Risk.* We may invest in assets and derivatives which we may not be able to readily sell or dispose of, including securities whose disposition is restricted by securities laws. Our ability to sell assets or derivatives may be adversely affected by limited trading volume, lack of a market maker, or legal restrictions. Other instruments, and in



particular, caps, floors, collars and certain other derivatives, may also have varying liquidity and/or pricing availability. Short sales are particularly subject to liquidity risk because the purchase of securities or currencies to close out a short position can itself cause the price of the securities or currencies to rise further, thereby exacerbating the loss. It is also possible that an exchange or governmental authority may suspend or restrict trading on an exchange or in particular securities or other instruments traded on the exchange. It may not always be possible to execute a buy or sell order at the desired price or to liquidate an open position, either due to market conditions on exchanges or due to the operation of daily price fluctuation limits (the maximum permitted fluctuation in the price of a futures or options contract during any trading day) or “circuit breakers.”

*Credit Market Illiquidity.* During certain times of financial distress, the credit markets have experienced a significant lack of liquidity. This lack of liquidity creates a number of risks. There can be no assurance that the market will, in the future, become more liquid and it may well continue to be volatile for the foreseeable future. It is also possible that illiquidity in the market could cause prices to decline further, which may have the result of forcing the Funds, to the extent leveraged, or other leveraged investment vehicles to sell assets to satisfy requirements under its borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of a Fund’s portfolio of investments, investments may need to be liquidated quickly, and may not be liquidated at what we perceive to be a fair value. Upheavals in the credit markets may cause margin borrowing costs and securities borrowing costs to increase or to make such arrangements unavailable. Such increases in borrowing costs may impact the Funds’ ability to utilize leverage and generate returns.

*Risks of Derivative Instruments.* We may engage in a variety of derivative transactions. All derivative instruments, including options, forward contracts and swap contracts involve risks different from, and, in certain cases, greater than the risks presented by more traditional investments. The following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing in the Funds.

Market Risk: This is the general risk attendant to all investments that the value of a particular investment will change in a way detrimental to our interests.

Management Risk: Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument, but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to the Funds’ portfolio.

Counterparty Credit Risk: This is the risk that a loss may be sustained by the Funds as a result of the failure of the other party to a derivative (usually referred to as a “counterparty”) to comply with the terms of the derivative contract. The credit risk for exchange-traded derivatives generally is less than for over-the-counter derivatives, since the clearing house, which is the issuer or counterparty to each exchange-traded derivative, provides additional protections in the event of non-performance by the counterparty. In certain circumstances, we may allow a prime broker or over-the-counter derivative counterparty to retain possession of collateral. To the extent we allow a prime broker or any over-the-counter derivative counterparty to retain possession of any collateral, the Funds may be treated as an unsecured creditor of such counterparty in the event of the counterparty’s insolvency. These risks may be particularly acute in an environment where financial services firms are exposed to systemic risks such as those evidenced by a financial institution’s insolvency and subsequent market disruptions. Therefore, we consider the creditworthiness of each counterparty to an over-the-counter derivative in evaluating potential credit risk.

Documentation Risk: Many derivative instruments also have documentation risk. Because the contract for each over-the-counter derivative transaction is individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (e.g., the definition of default) differently when a Fund seeks to enforce its contractual rights. If that occurs, the cost and unpredictability of the legal proceedings required for the Fund to enforce their contractual rights may lead the Fund to decide not to pursue its claims against the counterparty. Also, payment amounts calculated in connection with standard industry conventions for resolving contractual issues (e.g., ISDA Protocols and auction processes) may be different than would be realized if a counterparty were required to comply with the literal terms of the derivatives contract (e.g., physical delivery). In addition, the literal terms of an over-the-counter contract may be applied in ways that are at odds with the investment thesis behind the decision to enter into the contract.

Liquidity Risk: Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative

transaction is particularly large or if the relevant market is illiquid (as is the case with many over-the-counter derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price. Less liquid derivatives may also fall more in price than other securities during market falls.

**Leverage Risk:** Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate or index may result in a loss substantially greater than the amount invested in the derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

**Other Risks:** Many derivatives, in particular over-the-counter derivatives, are complex and often valued subjectively, which increases the risk of mispricing or improper valuation, and there can be no assurance that the pricing models employed by us will produce valuations that are reflective of levels at which such over-the-counter derivatives may actually be closed out or sold. This valuation risk may be more pronounced in cases where we enter into over-the-counter derivatives with specialized terms. Improper valuations may result in increased cash payment requirements to counterparties, under collateralization, errors in the calculation of a Fund's net asset value and/or a loss of value to the Fund. Furthermore, derivatives do not perfectly track the value of the assets, rates or indices they are designed to track. The risk may be more pronounced when outstanding notional amounts in the market exceed the amounts of the referenced assets. Derivatives are also subject to currency and other risks.

***Counterparty Risk.*** We may only close out "over-the-counter" transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. Also, if the counterparty defaults, the Fund will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the Fund will succeed in enforcing contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for the Fund to enforce its contractual rights may lead the Fund to decide not to pursue its claims against the counterparty. The Fund thus assumes the risk that it may be unable to obtain payments owed to it under contracts relating to over-the-counter transactions or that those payments may be delayed or made only after the Fund has incurred the costs of litigation.

Certain markets in which we may effect transactions are "over-the-counter" or "interdealer" markets, and may also include unregulated private markets. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. The Funds may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods. We are not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. Our ability to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT PROGRAM. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND THE APPLICABLE OFFERING MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.**

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

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

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

### **RELYING ADVISERS**

Certain of our affiliates, including Highside Performance, HOLGP, Highside Management, LLC and HNY, Inc. (each, a “Relying Adviser” and, collectively, “Relying Advisers”), may be deemed to be “investment advisers,” as such term is defined under the Advisers Act. While we and the Relying Advisers have been organized as separate legal entities, we collectively conduct a single advisory business. Accordingly, each Relying Adviser relies on our investment adviser registration instead of separately registering as an investment adviser with the SEC under the Advisers Act. To rely on our registration, (i) each Relying Adviser, its employees and persons acting on its behalf are “persons associated with” and “supervised persons” (as each term is defined in the Advisers Act) of Highside Capital Management, L.P., (ii) any and all investment advisory services provided by a Relying Adviser, its employees and persons acting on its behalf are subject to our supervision and control, (iii) all investment advisory functions of a Relying Adviser are subject to the Advisers Act and the rules and regulations thereunder, and (iv) the activities and books and records of each Relying Adviser are subject to inspection and examination by the SEC. Each Relying Adviser is subject to our compliance policies and procedures and, except as the context otherwise requires, any reference in this brochure to “we,” “us,” “our” includes Highside Capital Management, L.P. and the Relying Advisers. We have disclosed in the Miscellaneous Section of Schedule D of Part 1A of our Form ADV that we and each of the Relying Advisers are together filing a single Form ADV in reliance upon guidance expressed in a recent SEC no-action letter.

### **COMMODITY POOL OPERATOR, COMMODITY TRADING ADVISER, FUTURES COMMISSION MERCHANT REGISTRATION**

Neither we nor any of our affiliates, including, but not limited to, Highside Performance, Highside Management, LLC and HOLGP, currently is registered with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator pursuant to an exemption provided by CFTC Rule 4.13(a)(3).

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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by our employees. Among other things, we impose restrictions on all employees and principals relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. Our code of ethics requires all employees with personal accounts to instruct their brokers to send copies of account statements to MyComplianceOffice (“MCO”), a web-based compliance service provider controlled by TerraNua U.S. Corp. that we have retained to assist us with our internal compliance program. Our procedures and code of ethics also require pre-authorization and monthly reporting of all personal securities transactions. Using MCO, employees must request pre-authorization of all trades in personal accounts. MCO coordinates the review of these proposed trades with our Chief Compliance Officer and senior traders and subsequently matches all trades with such approvals. After obtaining pre-approval of a trade, an employee is required to execute such trade through its own broker and send copies of transactions and statements to us. MCO further applies other tests prescribed by our policies and procedures and prepares written reports that are submitted regularly to our Chief Compliance Officer. Employees also are required to provide an annual written report using MCO listing all brokerage accounts and all securities held. We also maintain certain policies and procedures designed to prevent portfolio managers or employees from misusing material non-public information or trading the same security ahead of our clients. We will furnish a copy of our code of ethics to clients and investors upon request.

### **PERSONAL TRADING**

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

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Several of our principals and employees also invest in the Funds as limited partners or shareholders, as applicable, 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 incentive allocation with respect to accounts held by these persons.

We also may seek to rebalance the portfolios of the Funds on a monthly or quarterly basis to reflect contributions and redemptions that are disproportionate among the Funds (“rebalancing transactions”). In rebalancing transactions, we may sell securities from one or more Funds and purchase the securities for one or more other Funds in a simultaneous transaction so that each Fund maintains the same *pro rata* ownership of each securities position. A Fund could be a purchaser or a seller in a “rebalancing” transaction. We generally do not receive compensation in connection with such rebalancing transactions.

## Item 12: Brokerage Practices

### **SELECTING BROKERAGE FIRMS**

In general, we have authority to determine the brokers and other counterparties to be used for client transactions and to negotiate commission rates and other monies paid by clients. We select broker-dealers on the basis of obtaining the best overall terms available (*i.e.*, best price and execution of transactions), which we evaluate based on a variety of factors, including among other things: the financial stability and reputation of the particular broker/dealer, the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected and the brokerage and research services provided by such broker/dealer. 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 subleased office space from UBS Securities LLC. The sublease does not obligate us, the Funds or any of our affiliates to engage UBS Securities LLC for brokerage or any other services.

### **BEST EXECUTION**

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

### **SOFT DOLLAR PRACTICES**

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

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

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 did not participate in any soft dollar arrangements. Notwithstanding the foregoing, we may participate in soft dollar arrangements of general availability through brokers that provide us with research and related services as described above in the future.

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 generally do not consider whether we or our related persons receive client

or investor referrals from such brokers.

**DIRECTED BROKERAGE**

We do not recommend, request or require clients to direct us to execute transactions through a specified broker-dealer. We also do not permit a client to direct brokerage for order execution purposes.

**ALLOCATION OF INVESTMENT OPPORTUNITIES**

We generally allocate orders on a pro-rata basis (within tolerances) based on the relative equity of each Fund at the beginning of each month.

Profits and losses from “new issues,” as such term is defined in Financial Industry Regulatory Authority (“FINRA”) Rule 5130 and 5131, are allocated only to clients and investors who are eligible to participate in such new issues, as contemplated by applicable FINRA Rules.

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

#### **PERIODIC REVIEWS**

We and our administrator conduct reviews of all client accounts on at least a monthly basis. With respect to accounting matters, we have engaged a nationally-recognized, independent public accounting firm to conduct an annual audit of the Funds.

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

#### **ADDITIONAL REVIEWS**

While we generally conduct reviews of client accounts on at least a monthly basis, we may conduct additional or more frequent reviews in the event of certain material events, including withdrawals or contributions of capital, or redemptions or purchases of shares, by an investor in Funds.

Upon request, we will review a client account and provide estimated performance on a weekly basis.

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

Our administrator provides monthly reports to investors in the Funds that include (i) a statement of changes in capital and general return information, and (ii) a summary of holdings by sector, long/short market value, liquidity, value at risk, geographic representation and market capitalization. On a quarterly basis, our administrator provides profit and loss attribution by sector and quarterly letters sent by us. In addition, we provide annual audited financial statements to investors in the Funds within 120 days of the end of each fiscal year. All such statements and reports are written.



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

Other than with respect to soft dollars, as described in **Item 12 above**, we currently do not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to our clients.

### **Item 15: Custody**

We have, or may be deemed to have, custody of the Funds' cash and securities. In accordance with Rule 206(4)-2 under the Advisers Act, the Funds' cash and securities are held with one or more qualified custodians. JPMorgan Chase Bank, N.A., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., National Financial Services LLC, Morgan Stanley & Co. LLC and UBS Securities LLC currently serve as custodians to 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 a nationally-recognized, independent public accounting firm to conduct an annual audit of the Funds, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided annually to investors. We provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors in the Funds.

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

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

### **LIMITED POWER OF ATTORNEY**

Each investor in the U.S. Funds, the Offshore Fund and Highside Long Portfolio grants us or our affiliate a limited power of attorney to enable us to execute the applicable partnership agreement on its behalf under certain circumstances.

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

We have the authority to vote proxies on behalf of the Funds. Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies and procedures. In accordance with such rule, we have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Funds, as determined in our discretion, taking into account various factors. Controversial proposals or situations involving a potential conflict of interest will be reviewed on a case-by-case basis with the Chief Compliance Officer. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation. Investors may obtain copies of our proxy voting policy upon request. Information regarding how we have voted past proxies is available upon request 45 days after the end of each calendar quarter.

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

We do not have any financial impairment that will preclude us from meeting contractual commitments to clients. A balance sheet is not required to be provided as we do not both (i) serve as custodian for client funds or securities and (ii) require prepayment of fees of more than \$1,200 per client, six months or more in advance.