

## **Form ADV Part 2A – Firm Brochure**



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This brochure provides information about the qualifications and business practices of Sanborn Kilcollin Partners, LLC. If you have any questions about the contents of this brochure, please contact Sanborn Kilcollin Partners, LLC at (312) 499-0900 and at [info@sankil.com](mailto:info@sankil.com). 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 the Adviser is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Sanborn Kilcollin Partners, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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Sanborn Kilcollin Partners, LLC's advisory business is discretionary investment management. Discretionary investment management involves a relationship where a Portfolio Manager is hired by an investor to manage money according to a set of parameters. The investor's money is managed without having to discuss every transaction that takes place and the investor is provided with account reports on a regular basis. Sanborn Kilcollin Partners, LLC ("Adviser") provides investment management services to The Elkhorn Fund, LLC and The Elkhorn Fund, Ltd. (each, a "Fund," and together the "Funds"), pooled investment vehicles that are offered exclusively to qualified investors (see Item 7 below) on a private placement basis. The Adviser also serves as the managing member or Investment Adviser of each Fund. In the case of The Elkhorn Fund, Ltd, the Adviser provides services through The Elkhorn Fund, LLC, in which The Elkhorn Fund, Ltd is invested. The Adviser also serves as the Investment Adviser to an additional pooled investment vehicle (the "Separately Managed Account"), but the Adviser has no general management control over this pooled investment vehicle.

Sanborn Kilcollin Partners, LLC is owned by Robert Sanborn and T. Eric Kilcollin and was incorporated on June 22, 2001.

**Partners**

Robert Sanborn is a co-founder of Sanborn Kilcollin Partners and is responsible for all the investment decisions of the Adviser. Mr. Sanborn has over 28 years experience in portfolio management and investment analysis and has been a strong and consistent proponent of value investing. Mr. Sanborn was the portfolio manager of The Oakmark Fund, the flagship mutual fund of Harris Associates, L.P., from Oakmark's launch in August 1991 through March 2000. During this period, The Oakmark Fund's assets grew from \$100,000 to over \$9 billion. In 1998, Lipper, Inc. ranked Oakmark in the top 10% of value mutual funds, and *Barron's* named Mr. Sanborn the 1997 Fund Manager of the Year. Mr. Sanborn was a long-time member of Harris Associates' Board of Directors and Stock Selection Committee. Before joining Harris in 1988, he was a security analyst and equity portfolio manager for the Ohio State Teachers Retirement System, from 1983 to 1988. Mr. Sanborn holds a BA from Dartmouth College (1980) and an MBA from the University of Chicago (1983).

T. Eric Kilcollin is a co-founder of Sanborn Kilcollin Partners and is responsible for the business and operational aspects of the Elkhorn Fund. Mr. Kilcollin has extensive business management experience as well as expertise in business development, investment management operations, and the evaluation and management of financial risk. He was President and Chief Executive Officer of the Chicago Mercantile Exchange (CME) from 1996 to 1999. While at the CME, Mr. Kilcollin was instrumental in the development of over 100 new financial products, as well as the development of what is now the worldwide standard methodology for financial clearinghouses to evaluate and manage portfolio risk. He was also instrumental in many innovations in trading, including the first global electronic trading system (GLOBEX). From 1994 to 1996 Mr. Kilcollin served as Chief Executive Officer of The Investments Group and a member of the Executive Committee of Wells Fargo Nikko Investment Advisers (now Barclays Global Investors), a registered investment adviser with over \$200 billion under management at that time. From 1981 to 1994, Mr. Kilcollin was the Chief Economist and then the Chief Operating Officer for the Chicago Mercantile Exchange. He started his career as an economist at the Board of Governors of the Federal Reserve System in Washington, DC. Mr. Kilcollin holds a Ph.D. in Economics from the University of Chicago (1980) where he also received an MA in Economics

(1975). He holds a BA in Economics from Georgetown University (1971).

### **Types of Advisory Services Offered and the Objective of the Adviser**

The objective of the Adviser is to seek capital appreciation by actively managing long and short positions, generally in U.S. equity securities for its clients, the Elkhorn Fund, LLC, the Elkhorn Fund, Ltd and one separately managed account. However, no assurance can be given that the Adviser will be able to achieve its investment objective or that it will not sustain losses.

The Adviser provides investment vehicles that qualified purchasers can invest in and the Adviser does not participate in any wrap fee programs. The qualified purchaser then makes the decision about whether or not to invest. The Adviser offers the opportunity to invest in the same portfolio to all clients. The Adviser's portfolio does not vary for individual clients. All investors in the Elkhorn Fund, LLC, the Elkhorn Fund, Ltd and the separately managed account, invest in the same securities with the approximately the same weightings for each individual security. The Adviser does not allow client restrictions on investing in certain securities or types of securities beyond the restrictions placed on the Adviser in the Offering Memorandum.

### **Assets Under Management**

As of 2/28/2011 Sanborn Kilcollin Partners, LLC managed \$209,400,000 in client assets on a discretionary basis.

## **Fees and Compensation**

### **Form ADV Part 2A, Item 5**

For the Elkhorn Fund, LLC and the Elkhorn Fund, Ltd fees are deducted directly from client assets on a monthly basis. For the separately managed account, fees are billed on a quarterly basis. Investors may not pay their fees in advance.

Clients pay direct operational costs and expenses consisting primarily of (i) Management Fees; (ii) costs and expenses incurred in connection with the investment and reinvestment of the Fund's assets, including brokerage commissions, dealer mark-ups, mark-downs and spreads, and related clearing and settlement charges; (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation costs and expenses; (iv) expenses associated with short sales and borrowing; (v) insurance costs and expenses to defray the Fund's insurable liabilities; (vi) custody costs and expenses; (vii) governmental licensing, filing and exemption fees; (viii) indemnification obligations and (ix) any extraordinary expenses.

The Adviser is responsible for all salaries, bonuses and employee benefit expenses of its principals and employees who are involved in the management and conduct of the business and affairs of the Fund (as well as related overhead, including office space and equipment, utilities, telephone and telecopier costs, and other similar items).

Item 12 of the brochure, Brokerage Practices, discusses brokerage further.

## Performance-Based Fees and Side-By-Side Management

### Form ADV Part 2A, Item 6

Investors in the Elkhorn Fund, LLC, the Elkhorn Fund, Ltd., and the separately managed account pay a performance-based allocation (typically 20%) of net new profits to the Adviser, which is payable as of the end of each calendar year.

The performance fee (Incentive allocation, whichever you prefer) charged by SKP is equal to 20% of the “**Net New Profit**”, as defined in the Offering Memorandum. The New Net Profit is any amount by which the NAV of an investor’s capital account exceeds the “**High Water Mark**” for such Account, which is the NAV of the account immediately after the assessment of the most recent Incentive Allocation (deducting the amount of any withdrawals or distributions since such assessment) or, if the account has never been assessed an Incentive Allocation, the amount of the capital contribution that established such account (deducting the amount of any withdrawals or distributions since it was established).

## Types of Clients

### Form ADV Part 2A, Item 7

The Adviser currently provides investment management services exclusively to the Funds and the Separately managed account. Investment in the Funds is available to investors (individuals or entities) that meet the Funds’ investment eligibility criteria as described below:

The Elkhorn Fund, LLC is offered by the Adviser only to investors who are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Company Act”).

The Elkhorn Fund, LTD is offered by the Adviser only to non-U.S. investors and to U.S. investors who are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Company Act”).

The Adviser typically imposes a minimum investment in the Funds of \$1,000,000; however, the Adviser may from time to time in its sole discretion admit investors who invest less than \$1,000,000.

**Objective**

The objective of the Adviser is to seek capital appreciation by actively managing long and short positions, generally in U.S. equity securities. The Adviser manages the Funds and separately managed account (together, "Funds" in this section) on a pari passu basis. However, no assurance can be given that the Funds will achieve its investment objective or that it will not sustain losses.

**Investment Philosophy**

In evaluating potential investments, The Adviser seeks to determine, through "bottom up" analysis, a company's intrinsic value. The Adviser focuses on: (a) the company's core economics; (b) company management's ability and incentives to increase and realize underlying value per share; and (c) what a rational buyer would pay for the entire enterprise. The Adviser uses a long-term time frame in analyzing investments, which distinguishes the Fund from many other investment vehicles and, in the Adviser's view, provides a distinct advantage for the Fund's investors. The Adviser uses a variety of investment research methods, but, in general, the Adviser puts little weight on conventional Wall Street research.

The Adviser purchases or sells short a security for the Fund where it believes the current market price is at a substantial discount or premium, respectively, to underlying long-term value. The long-term time frame applies on the short side as well as on the long side. While the Adviser watches for the catalysts commonly associated with short selling, their existence is not a necessary element of the Adviser's strategy.

Within a carefully risk-controlled structure, the Adviser emphasizes a portfolio of concentrated positions. Concentration permits focus on the Adviser's best ideas. At the same time, the Adviser employs two key risk control measures. The first is the Adviser's value investment philosophy, which it believes provides a margin of safety for each investment and the entire portfolio. The second is a set of investment guidelines that limit the concentration of the portfolio. Generally, each long position in the Fund has a maximum position size of 8% of Fund NAV at cost and 12% at market. Each short position has a maximum position size of 2% of Fund NAV at cost and 4% at market.

The Fund's net exposure depends on the relative abundance of investment opportunities on the long and shorts sides. The Adviser expects relatively more long opportunities than short opportunities, so it anticipates that the Fund will have a long bias over time. The Adviser will generally maintain 50-100% of the Fund's NAV gross long and 20-60% of the Fund's NAV gross short. This results in a gross exposure of between 70-160% and a net market exposure of between 80% long and 10% short. There may be periods when a significant portion of the Fund NAV is invested in cash equivalents.

In addition to equity securities, the Fund may hold fixed income securities and securities options positions. The Adviser invests primarily in U.S. securities, but it also expects that attractive investment opportunities, long and short, will occur in non-U.S. securities over time. Accordingly, the Adviser has an additional investment guideline for the Fund that up to 25% of Fund's NAV may be invested outside the U.S.

The Adviser generally will not invest more than 100% of the Fund's NAV in long positions, nor more than 60% of the Fund's NAV in short positions

While the guidelines are not absolute ceilings that the Fund must at all times meet, if a guideline has been exceeded the Adviser generally intends to take prompt action to bring the Fund within such guideline.

## **Risk**

Material investment risks include:

- General Investment Risk, *i.e.*, the risk of deterioration in the financial markets in general;
- Strategy Risk, *i.e.*, the risk of failure of the Manager's investment strategy;
- Institutional Risk, *i.e.*, the risk that the Fund could incur losses due to: (i) the failure of counterparties to perform their contractual commitments to the Fund; (ii) the financial difficulty of brokerage firms, banks or other financial institutions that hold assets of the Fund;
- Fund Structure Risk, *e.g.*, the dependents of the Fund on the manager and the Fund's indemnification of the manager;
- Operational Risk, *i.e.*, the risks arising from the day-to-day management of a pooled investment vehicle like the Fund; and
- Tax Risk, *i.e.*, the special considerations and risks arising from the operation of an investment vehicle treated as a partnership for U.S. federal tax purposes.

## **Long Positions**

The success of the long positions established for the Fund by the Adviser will depend in large part on the Adviser's ability to accurately assess the fundamental value of those positions. An accurate assessment of fundamental value depends on a complex analysis of a number of financial and legal factors. No assurance can be given that the Adviser will be in a position to assess the nature and magnitude of all material factors having a bearing on the value of the Fund's long positions, or that the Adviser will accurately assess the impact of all factors of which it is aware.

## **Short Selling**

The Fund expects to sell securities short, which involves the sale of borrowed securities. In order to sell a security short, the Fund must borrow the security from a securities lender and deliver it to the buyer. The Fund is then obligated to return the security to the lender at its request (although the Fund remains free to return the security to the lender at any time prior to the lender's request). The Fund ordinarily fulfills its obligation to return a security previously sold short by acquiring it in the open market.

A short sale by the Fund ordinarily involves a judgment on the Adviser's part that, subsequent to the sale, the price of the security will fall over time, resulting in profits equal to the difference between the net

proceeds of the sale and the cost of acquiring the security (or a security exchangeable for or convertible into such security) at a later date to fulfill the obligation to return the security to the lender.

The principal risk in selling a particular security short is that, contrary to the Adviser's expectation, the price of the security will rise, resulting in a loss equal to the difference between the cost of acquiring the security (for return to the lender) and the net proceeds of the short sale. (This risk of loss is theoretically unlimited; since there is theoretically no limit on the price to which the security sold short may rise.)

An additional risk is that the Fund may be forced to unwind a short sale at a disadvantageous time for any number of reasons. For example, a lender may call back a stock at a time the market for such stock is illiquid or additional stock is not available to borrow. In addition, some traders may attempt to profit by making large purchases of a security that has been sold short. These traders hope that, by driving up the price of the security through their purchases, they will induce short sellers to seek to minimize their losses by buying the security in the open market for return to their lenders, thereby driving the price of the security even higher.

In certain cases, the Adviser may find it difficult if not impossible to establish a desired short position because of a limited supply of the security available for borrowing. In these cases, the Adviser may be compelled to forego a potentially profitable investment opportunity.

#### **Investment Techniques**

In implementing the Fund's investment strategy, the Adviser may utilize techniques such as investing and trading in options, forward contracts, swaps and other derivative instruments. Although employing these techniques expands the Fund's opportunities for gain, it may also substantially increase the risks of volatility and loss.

#### **Disciplinary Information**

##### **Form ADV Part 2A, Item 9**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser's management. Neither Sanborn Kilcollin Partners, LLC nor any of its principals, have any disciplinary information to report.



<b>Other Financial Industry Activities and Affiliations</b>
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<b>Form ADV Part 2A, Item 10</b>
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Neither Sanborn Kilcollin Partners, LLC nor any of its management persons are registered, or have an application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading Adviser or as an associated person of the foregoing entities.

Sanborn Kilcollin Partners, LLC and its employees do not have any relationship or arrangement with the below entities that is material to Sanborn Kilcollin Partner's business as an Adviser:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading Adviser
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.

Sanborn Kilcollin Partners, LLC does not recommend or select other investment advisers for its clients. Neither Sanborn Kilcollin Partners, LLC nor any of its related persons has any financial affiliations or activities to report.

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

### **Form ADV Part 2A, Item 11**

The Adviser has adopted a Code of Ethics (the “**Code**”) for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Adviser and its personnel owe a duty of loyalty, fairness and good faith towards their clients and have an obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code covers a range of topics that includes: general ethical principles, reporting personal securities trading, reporting ethical violations, distribution of the Code, review and enforcement processes and supervisory procedures. The Adviser will provide a copy of the Code to any client or prospective client upon request.

#### **Related Persons**

The Adviser and its related persons may invest and trade in securities and other financial instruments for the accounts of clients other than the Fund that an investor is invested in, even if such securities and other financial instruments are the same as or similar to those in which the Fund invests and trades, and even if such trades compete with, occur ahead of or are opposite those of the Fund that an investor is invested in. The Adviser will not, however, knowingly trade for the accounts of clients other than the Fund that an investor is invested in a manner that is detrimental to that Fund. The Adviser has implemented a policy that its related persons may trade in the same instruments traded by its Funds (if such instruments are “reportable securities” as defined in SEC Rule 204A-1 under the Advisers Act) in their personal accounts only with the prior consent of the Adviser’s chief compliance officer.

## **Brokerage Practices**

### **Form ADV Part 2A, Item 12**

#### **Soft Dollars**

The Adviser may receive certain “soft dollar” benefits from brokers that execute trades on behalf of its clients. “Soft dollar” benefits may include the broker’s agreement to pay certain expenses of the Adviser, such as research services.

The Adviser’s receipt of such benefits may give it an incentive to select a broker that it would not otherwise use, but the Adviser intends to use only those brokers that provide its clients with high-quality services and competitive commission rates. In addition, any benefits that the Adviser receives will be limited to those services described in the “safe harbor” provided for under Section 28(e) of the Securities Exchange Act of 1934.

The Adviser does not cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits.

The soft dollar benefits that the Adviser receives go to benefit all of our client’s accounts. All of the Adviser’s clients pay for soft dollar benefits through the commissions on trades and all of the clients of the Adviser benefit from these soft dollar benefits.

The Adviser uses primarily the prime brokers’ portfolio management and trade execution services, which may be considered a soft dollar benefit.

### **Trade Aggregation**

The Adviser has full discretionary authority over the trading and investing activities of the Funds and the other accounts it manages, subject only to the restrictions (if any) described in the Confidential Private Placement Memorandum relating to the Funds and the Adviser's agreement with the separately managed account for which it is the Investment Adviser. The Adviser may, but is not required to, bunch orders for multiple accounts. In that event, each client shall receive the same average price and pay the same average commission per share. In the event that the Adviser must allocate a partial fill, of a limited security, or a bunched order was not possible, the Adviser will base its allocation pro-rata on the original allocations made prior to trading, or based on an alternative fair methodology.

The Adviser has full discretion to select brokers and dealers that execute the securities transactions on behalf of its clients, and the Adviser negotiates the brokerage commission rate paid by its clients.

The rates paid by the Adviser's clients may not be the lowest rates the clients could have obtained, but the Adviser believes they will be competitive with rates paid by similar customers. The Adviser selects the brokers based on various factors. The main factors are generally the broker's quality of execution, commission rates, market knowledge and financial condition. The Adviser may also consider factors that benefit the Adviser, such as the broker's referral of prospective investors in the Funds to the Adviser.

In addition, subject to the manager's obligation to pursue "best execution" for its clients, the Adviser may take investor referrals into consideration when selecting securities brokers to execute transactions for its clients.

### **Brokerage for Client Referrals/Directed Brokerage**

The Adviser does not direct client transactions to a particular broker-dealer in return for client referrals. The Adviser does not engage in any directed commission relationships or permit clients to direct brokerage.

### **Review of Accounts**

#### **Form ADV Part 2A, Item 13**

The Chief Compliance Officer of the Adviser reviews account transactions and client accounts on an ongoing basis. The Adviser provides each investor in the Funds with periodic reports no less frequently than annually that include financial statements, information concerning valuations, profits, gains and losses. In addition, the Adviser provides each investor in the Elkhorn Fund, LLC with tax-related information on an annual basis. The administrator for the Funds, State Street, also sends out monthly investor statements to clients with information about their account.

## **Client Referrals and Other Compensation**

### **Form ADV Part 2A, Item 14**

Neither the Adviser nor its employees have any arrangements to receive any type of economic benefit from someone who is not a client in connection with giving advice to clients.

The Adviser has a marketing relationship with one third party Agent who helps with marketing the Funds. This Agent is entitled to receive compensation from the Adviser with respect to any person that invests in a Fund or retains the Adviser to provide Managed Account Services that was referred to the Adviser by the Agent.

## **Custody**

### **Form ADV Part 2A, Item 15**

The Fund's prime brokers, BNP Paribas and Goldman Sachs, have custody of the Fund's assets. The administrator for the Funds, State Street, sends out monthly investor statements to clients with information about their account. The Adviser urges its clients to compare the values on the Adviser's reports with those on the administrator's statements and the annual audited financial statements.

## **Investment Discretion**

### **Form ADV Part 2A, Item 16**

The Adviser has full discretionary authority over the trading and investing activities of the Funds and the other accounts it manages, subject only to the restrictions (if any) described in the Confidential Private Placement Memorandum relating to the Funds and the Adviser's agreement with the separately managed account for which it is the Investment Adviser. The Adviser may, but is not required to, bunch orders for multiple accounts. In that event, each client shall receive the same average price and pay the same average commission per share. In the event that the Adviser must allocate a partial fill, of a limited security, or a bunched order was not possible, the Adviser will base its allocation pro-rata on the original allocations made prior to trading, or based on an alternative fair methodology.

The Adviser has full discretion to select brokers and dealers that execute the securities transactions on behalf of its clients, and the Adviser negotiates the brokerage commission rate paid by its clients.

## Voting Client Securities

### Form ADV Part 2A, Item 17

The Adviser acknowledges and agrees that it has a fiduciary obligation to its clients to ensure that any proxies for which it has voting authority are voted solely in the best interests and for the exclusive benefit of its clients. The policies detailed below are intended to guide the Adviser and its personnel in ensuring that proxies are voted in such manner without limiting the Adviser or its personnel in specific situations to vote in a pre-determined manner. These policies are designed to assist the Adviser in identifying and resolving any conflicts of interest it may have in voting client proxies. Clients may obtain a copy of the Adviser's proxy voting policies and procedures upon request.

#### **Voting Principles, Policies and Procedures**

The Adviser will abide by the following principles, policies and procedures in voting client proxies:

1. The Adviser will at all times ensure that client proxies are voted with attention to the best interests and for the sole benefit of its clients.
2. The Adviser will use its reasonable efforts to ensure that each decision regarding how to vote a client proxy is based on reasonably complete information with respect to the issue to which the proxy relates such that the Adviser can make an informed decision.
3. The Adviser will determine a client's best interest based on the maximization of investor value, which is defined as an increase in long-term value through capital appreciation and dividends.
4. The Adviser will ensure that each and every proxy is voted unless the responsible Manager personnel affirmatively determine to abstain from voting such proxy because such abstention is in the best interest of its clients.
5. If the Adviser determines that there is an actual conflict of interest between the client and the Adviser with respect to a specific proxy issue, the Adviser will disregard its own interest and will vote solely in the interest of its clients.
6. The Adviser will maintain a client proxy file to retain records relating to the proxies voted by the Adviser on behalf of its clients. This file will contain, at a minimum, the proxy materials distributed by the issuer of the security to which the proxy relates and a record of how the Adviser voted that proxy. If the Adviser conducts additional research into the proxy issue, it will maintain copies of such research in the file as well.
7. Upon written request from a client, the Adviser will disclose to that client how its proxies were voted.

<b>Financial Information</b>
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<b>Form ADV Part 2A, Item 18</b>
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The Adviser does not solicit prepayment of fees from clients and has not been subject to a bankruptcy petition at any point. The Adviser does not have any financial condition that is reasonably likely to impair our ability to meet our commitments to our clients.