

Form ADV Part 2A: Firm Brochure

Preservation Capital Management LP

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Firm Contact

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This brochure provides information about the qualifications and business practices of Preservation Capital Management LP (Preservation Capital). Preservation Capital is registered as an Investment Adviser with the United States Securities and Exchange Commission (SEC). Registration with the SEC alone does not imply a certain level of skill or training. For information on the background and qualifications of Preservation Capital's Portfolio Manager, please reference the Brochure Supplement. If you have any questions about the contents of this brochure, please contact us at (214) 740-7325. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about Preservation Capital Management LP is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

We have added a discussion the risk that Mr. Gary Horton, our President and sole portfolio manager, would be unable to fulfill his duties due to death or incapacity to Item 6. We have further updated our Brokerage Practices, Custody, and Voting Client Securities sections to note that we do not engage in soft dollar transactions or vote client securities, respectively.

Table of Contents

Advisory Business.....	3
Fees and Compensation.....	4
Performance-Based Fees and Side-by-Side Management.....	5
Types of Clients.....	5
Methods of Analysis, Investment Strategies, and Risk of Loss	5
Disciplinary Information.....	6
Other Financial Industry Activities and Affiliations	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	6
Brokerage Practices	6
Review of Accounts	7
Client Referrals and Other Compensation.....	8
Custody	8
Investment Discretion.....	8
Voting Client Securities.....	8
Financial Information.....	9

Advisory Business

Preservation Capital Management LP was registered in 2009 as a registered investment adviser (RIA). The firm is majority owned by Gary L. Horton.

Our services are designed to provide a risk-averse approach to long-term capital management that is tailored to each client's unique financial circumstances. Before we begin to plan a portfolio, through conversations with our client, we develop an understanding of their investment goals and risk tolerance as well as any pertinent financial circumstances and constraints.

In conjunction with each client, we determine an appropriate investment strategy. Once the strategy is mutually agreed upon, the investment process commences. Specific investments are selected in keeping with the investment strategy, taking into account any investment restrictions that may be imposed upon the portfolio by the client. In short, portfolios are designed to meet the specific objectives of each particular client.

In general, the focus of our investment approach is on high quality municipal bonds.

Each portfolio at Preservation Capital is individually managed. Portfolios are under constant supervision and investment reviews are performed regularly to ensure compliance with investment objectives.

As of March 6, 2017, Preservation Capital had \$90,753,860 in client assets under management. Currently, 100% of our assets are managed on a discretionary basis.

Fees and Compensation

Preservation Capital Management LP is customarily compensated on the basis of fees calculated as a percentage of assets under management.

Our standard fee schedule is outlined in the table that follows, however the fees charged to a particular account may be subject to negotiation and could vary from this schedule.

Percentage Fee	Account Size
0.40%	On Amounts between \$2,500,000 and \$5,000,000
0.30%	On Amounts between \$5,000,000 and \$10,000,000
0.25%	On Amounts between \$10,000,000 and \$25,000,000
0.20%	On Amounts over \$25,000,000

Preservation Capital's fees are assessed and payable quarterly in advance, based upon the net asset value of the account determined at the close of business on the last day of the preceding quarter and billed in February, May, August and November. Marketable securities shall be valued at their market prices on such valuation date and the market value of any other assets in the account shall be jointly determined in good faith by both the client and Preservation Capital. Clients authorize their custodian to charge their account and pay Preservation Capital accordingly. In the event that a client chooses to cancel their advisory agreement with us before the end of a billing period, any prepaid fees will be prorated through the end of the period and refunded to the client. Prorated fees are subject to a 30-day notification provision.

Custodial fees, transaction costs, and other expenses associated with the management of a client portfolio shall be paid by the client. Preservation Capital does not receive any fee or commission from the sale of investment products that we recommend to our clients, nor do we participate in wrap fee programs.

Performance-Based Fees and Side-by-Side Management

Preservation Capital's fees are based upon the value of portfolio assets at the end of each calendar quarter. We do not receive any fees or other compensation based upon the investment performance of accounts.

Types of Clients

Preservation Capital Management LP provides investment management services to high net worth individuals and corporations.

In order to ensure the highest level of personalized service, our minimum account size is typically \$2.5 million in investable assets. We do work with clients with accounts of lesser value on a case by case basis, at our sole discretion.

Methods of Analysis, Investment Strategies, and Risk of Loss

Preservation Capital's portfolio manager possesses extensive experience in traditional portfolio management. The portfolio manager employs fundamental security analysis to assist him in formulating investment strategies. Preservation Capital's research process incorporates internally generated efforts with services and information received from outside vendors.

In general, fundamental analysis focuses on the individual attributes of a specific issuer. Our portfolio manager studies debt ratios, revenue sources and any other variables that the portfolio manager anticipates may impact the issuer's ability to meet its obligations.

Preservation Capital's bond management approach is designed to preserve capital as well as generate a high quality stream of current income for our clients.

In sum, our overall investment approach is geared toward generating strong long-term investment returns without assuming undue portfolio risk. We believe that investment portfolios should be custom managed to meet the specific investment goals, risk tolerances, and other constraints that are unique to each client. Our approach is conservative in nature, however risk is inherent in any investment program and, as a result, the investment returns in client portfolios will fluctuate and accounts may lose value.

All of our client portfolios are currently managed by our President, Gary Horton. In the event of Mr. Horton's death or incapacitation, we will not be able to continue to provide investment advisory services. In such a situation, Preservation Capital shall promptly terminate all existing client investment management contracts and relinquish all authority to make trading decisions with respect to all client accounts. Any paid but unearned advisory fees shall be promptly returned to the client.

Disciplinary Information

Neither our firm nor members of our management have ever been the subject of any legal or disciplinary event that would be material to a client's or a prospective client's evaluation of Preservation Capital's business or the integrity of its management.

Other Financial Industry Activities and Affiliations

We do not engage in activities or have any affiliations required to be disclosed under this item.

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

Preservation Capital has adopted a Code of Ethics which applies to all of its supervised persons. A copy of our Code of Ethics is available to any client or prospective client upon request.

Our compliance program contains policies and procedures that ensure that all personal securities trading by Preservation Capital's employees is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. We require pre-clearance on certain trades including, but not limited to, purchasing an IPO or new private placement. We also require periodic reporting of employees' personal securities transactions and holdings. We require prompt internal reporting of any Code violations.

Preservation Capital and our professionals may come into contact with material, non-public information in connection with their advisory and portfolio management activities. As part of our compliance program, we have established procedures to prevent the abuse of material, non-public information.

This broad restriction on trading can have an adverse effect on client accounts. That is, we may not be able to acquire a particular security for the benefit of a client because the entire organization may be deemed to be in receipt of material, non-public information. Similarly, we may not be able to dispose of a security for a client, even in a declining market, until the information becomes publicly available or no longer material and the security is no longer restricted from trading on a firm-wide basis.

Brokerage Practices

Preservation Capital Management LP selects brokers for our direct securities transactions based on a number of factors, including the following:

- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);

- The operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution;
- The financial strength, integrity and stability of the broker;
- The broker's risk in positioning a block of securities; and
- The competitiveness of commission rates in comparison with other brokers satisfying the our other selection criteria.

Research and Other Soft Dollar Benefits

Preservation Capital does not engage in any soft dollar transactions.

Bundled Trades and Directed Brokerage

In general, the selection of the broker or dealer to use for securities transactions is determined by Preservation Capital.

Preservation Capital strives to treat all clients in a fair and equitable manner in all dealings, including trade-related activities. In situations where securities are purchased or sold for more than one client portfolio, the trades for those portfolios may be aggregated and executed through one or more broker or dealer firms. In transacting an aggregated trade of this type, the following policies and procedures are in place with respect to aggregation.

- Client transactions may be aggregated if the portfolio manager believes that the best execution standard may be met for each client portfolio participating in the transaction. Client portfolios participating in an aggregated transaction receive the average price of the transaction and share transaction costs on a pro rata basis, subject to any minimum transaction costs that may apply.
- It is understood that not all clients owning or intending to own a particular security will be a part of an aggregated transaction. Orders may be entered at different times on the same day, or on other days, based upon the portfolio manager's discretion. Due to this fact, it is likely that client accounts which are not part of an aggregated transaction will pay or receive a different per share amount, which could be better or worse than that paid/received through the aggregated transaction.

Preservation Capital is not affiliated with any broker-dealer.

Review of Accounts

Accounts are under ongoing supervision by the portfolio manager, Gary Horton. Specific review may be initiated based on factors such as (1) changes in fundamentals of an individual

investment, (2) portfolio diversification/risk management or (3) changes in the portfolio guidelines or client circumstances.

Detailed reports, including performance, market values and security detail are provided at least quarterly or as mutually agreed between Preservation Capital and the client.

Client Referrals and Other Compensation

We do not compensate others for client referrals.

Custody

Preservation Capital may currently be deemed to have custody of certain client accounts due to the breadth of authority granted in Powers of Attorney held by the impacted clients' custodian. However, we are working with the client custodian to limit that authority so that Preservation Capital is only permitted to trade securities within the client accounts and receive payment for its own advisory fees from the client accounts. We have provided written instruction to the impacted clients' custodian to the effect that the authority granted under the Power of Attorney is to be so limited.

In general, clients receive account statements from the custodian of their assets (a bank, broker-dealer or other qualified custodian) on a monthly basis. Certain custodians will send statements quarterly if there is little or no activity in an account.

Clients receive statements from us on a quarterly basis, or as otherwise agreed upon between us and the client. We encourage our clients to compare the account statements received from the custodian with those received from us to ensure that all account transactions are accurate.

Investment Discretion

Preservation Capital accepts discretionary authority to manage securities accounts on behalf of its clients. Our clients are permitted to impose reasonable limitations on this authority.

Our discretionary investment management contract grants the firm full discretionary power in placing orders for the purchase or sale of securities on behalf of a client. Members of our firm may not exercise any discretionary power without first obtaining this written authority from the client.

Voting Client Securities

Preservation Capital does not accept voting authority from its clients.

Financial Information

Registered investment advisers are required to provide you with certain financial information or disclosures about their financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and have not been the subject of a bankruptcy proceeding.