

FORM ADV PART 2A: FIRM BROCHURE



HOUND PARTNERS, L.L.C.

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This brochure provides information about the qualifications and business practices of Hound Partners, L.L.C., an investment adviser registered with the United States Securities and Exchange Commission (the "SEC"). If you have any questions regarding the contents of this brochure, please contact our Chief Compliance Officer, Courtney Lewis, at 212-884-5922 or cl@houndpartners.com.

The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Hound Partners, L.L.C. can also be found on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Hound Partners, LLC does not deem any changes to its current Form ADV Part 2A material as compared to our prior annual update on March 30, 2016. However, in addition to other slight revisions, please note the following non-material changes:

- Item 4: We updated our assets under management to approximately \$4.4 billion as of December 31, 2016.
- Item 12: We updated each Fund's prime brokers.
- Item 13: We updated the regular written communications sent to Fund investors.

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Item 4 – Advisory Business

Hound Partners, LLC (“Hound”, “we” or the “Adviser”) is an investment management firm founded in October 2004 by Jonathan Auerbach.

Mr. Auerbach is the equity owner, managing member and portfolio manager of Hound and also serves as a research analyst.

Hound’s advisory services are focused on managing long and short portfolios primarily in equity and equity-related instruments. For a further description of the Adviser’s investment objectives, strategies and associated risks please see Item 8, Method of Analysis, Investment Strategies and Risk of Loss.

Private Funds

Hound serves as the investment manager to nine private funds (each a “Fund” and collectively, the “Funds”), which are managed according to specific investment objectives and strategies as discussed in each Fund’s Confidential Private Offering Memorandum or Confidential Explanatory Memorandum (each an “Offering Document”). Three of the private funds employ a long/short strategy (“Long/Short Funds”) and together form a single master feeder structure. Six of the private funds, which are formed as two master feeder structures, employ a long only strategy (“Long Only Funds”).

Hound’s private funds are as follows:

Long / Short Funds

Hound Partners Offshore Fund, LP

Master Fund
Launched Aug 1, 2005
Offshore 3(c)(7)
Cayman Islands
Dec 31 Year End

Hound Partners, LP

Feeder Fund
Launched Oct 1, 2004
Domestic 3(c)(7)
Delaware
Dec 31 Year End

Hound Partners Offshore Fund, Ltd.

Feeder Fund
Launched Aug 1, 2005
Offshore 3(c)(7)
Cayman Islands
Dec 31 Year End

Long Only Funds

Hound Partners Long Master, LP

Master Fund
Launched Jan 1, 2014
Offshore 3(c)(7)
Cayman Islands
Dec 31 Year End

Hound Partners Long Fund, LP

Feeder Fund
Launched Jan 1, 2014
Domestic 3(c)(7)
Delaware
Dec 31 Year End

Hound Partners Long Fund, Ltd

Feeder Fund
Launched Jan 1, 2014
Offshore 3(c)(7)
Cayman Islands
Dec 31 Year End

Hound Partners
Concentrated Master, LP

Master Fund
Launched Jan 1, 2014
Offshore 3(c)(7)
Cayman Islands
Dec 31 Year End

Hound Partners
Concentrated Fund, LP

Feeder Fund
Launched Jan 1, 2014
Domestic 3(c)(7)
Delaware
Dec 31 Year End

Hound Partners
Concentrated Fund, Ltd.

Feeder Fund
Launched Jan 1, 2014
Offshore 3(c)(7)
Cayman Islands
Dec 31 Year End

Separately Managed Account

Hound is the investment adviser to one separately managed account (“SMA”) that is managed according to an investment advisory agreement. The SMA is traded pari-passu with the Long/Short Funds and has similar terms.

The Funds and the SMA together are Hound’s advisory clients (“Clients”).

Hound does not tailor its advisory services to the individual needs of the underlying investors and does not accept investor imposed investment restrictions.

As of December 31, 2016, Hound managed approximately \$4,425,365,000 of Client assets on a discretionary basis which is all attributable to the Funds and SMA. Hound’s Regulatory AUM in our Form ADV Part 1A Item 5.F differs from the Adviser’s total AUM noted in this Item because, among other small calculation differences, the Regulatory AUM does not deduct short equity positions from the long equity positions in valuing the Clients’ assets. Hound does not manage assets on a non-discretionary basis.

Hound and an affiliate of Hound, Hound Performance, LLC (the “General Partner”) that is general partner to certain Funds, have filed a Claim of Exemption (the “Exemption”) from registration as a Commodity Pool Operator with the United States Commodity Futures Trading Commission. The Exemption requires that at all times advisory clients either (1) have no more than 5% of assets used to establish commodity interest positions or (2) the notional value of commodity interest positions does not exceed 100% of each advisory clients’ liquidation value.

Item 5 – Fees and Compensation

The Long/Short Funds pay Hound a quarterly management fee (a “Fixed Fee”) in advance in an amount equal to 0.375% (i.e., 1.5% per annum) of the net assets. If Hound does not act as investment manager for the entire quarter, we will prorate the Fixed Fee to reflect the portion of the quarter during which Hound was acting as investment manager. In addition, Hound or the General Partner can earn an annual performance based fee (the “Incentive Fee”) of 20% of net profits (including net unrealized gains or losses) as of the end of a fiscal year unless there are net losses from the prior year, in which instance the Client may pay a reduced Incentive Fee.

The Long Only Funds pay Hound a monthly Fixed Fee in advance in an amount equal to 0.0833% (i.e., 1.0% per annum) of the net assets. In the extremely rare instance that Hound does not act as investment manager for the entire month, we will prorate the Fixed Fee to reflect the portion of the month during which Hound was acting as investment manager. In addition, Hound or the General Partner can earn an Incentive Fee equal to 20% of the net profits (including net unrealized gains or losses) that exceed the S&P 500 Total Return Index’s rate of return as of the end of a fiscal year unless there are net losses from the prior year, in which instance the Client may pay a reduced Incentive Fee.

Hound may waive or reduce the Fixed Fee and/or Incentive Fee for investors that are members, principals, or employees or affiliates of Hound or relatives of such persons and for certain large or strategic investors.

Hound is responsible for and pays all office overhead expenses, which for a fiscal year include overhead expenses of an ordinarily recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, employee insurance, payroll taxes and compensation of analysts and certain other personnel. All other expenses involving the management and operation of Client accounts are borne by Clients. Other Client expenses include, without limitation, accounting, administration, middle-back office and trading expenses (including all expenses of the trading desk, such as technology, trader health insurance and other benefits, rent and other overhead expenses) (all of which may be provided by an entity affiliated with Tiger Management LLC or, in the case of trading and trade-related functions, by personnel of the General Partner or Hound, in which case compensation of such personnel will be borne by the Clients), the fees paid to Hound and the administrator, organizational expenses, expenses of regulatory compliance, filings and reporting (including but not limited to Form PF, Section 13 and 16 filings) to the extent they are in connection with, relate to or derive from a Client or its investment activities, legal, audit and other professional research expenses (including consultants’ fees, research service fees, investigative service fees and research related foreign travel expenses) and investment expenses such as commissions, interest on margin accounts, custodial fees, bank service fees and other reasonable expenses related to the purchase, sale or transmittal of Client assets.

Hound’s allocation of expenses between it and any Client and among Clients represents a conflict of interest for Hound. As such, Hound has adopted an expense allocation policy that is designed to address this conflict. To the extent expenses relate to a specific Client account, the expense will be borne entirely by the specific Client. In the case of expenses which relate to more than one Client account, each Client will bear their pro rata share of the expense, typically based upon each Client’s net assets. The Funds shall also bear their pro rata share of the Master Fund’s expenses.

Investors are encouraged to refer to each Fund's offering documents for a more detailed discussion of the various fees and expenses associated with each Fund. The General Partner has the ability to deduct fees and expenses directly from the Funds' assets and Hound bills the SMA for all fees and expenses.

Clients will also incur brokerage and other transaction costs. See Item 12, Brokerage Practices for a detailed discussion of Hound's brokerage practices.

Item 6 – Performance-Based Fees and Side-By-Side Management

As discussed in Item 5, Fees and Compensation, Hound is eligible to earn a performance-based fee.

The Long/Short Funds and SMA managed by Hound have the same long/short strategy and are generally managed pari-passu and charged the same performance based fees. The Long Only Funds have a long biased strategy and charge a lower fixed fee percentage than the Long/Short Funds (1% versus 1.5% annual rate). In addition the Long Only Funds must outperform a “hurdle” rate of return before a performance fee is earned. We believe the fee differences are warranted due to the differences in strategies and risk profiles.

However, the existence of performance-based compensation may create an incentive for Hound to enter into transactions on behalf of Clients that are particularly risky or speculative. The Adviser has implemented policies and procedures which it believes are reasonably designed to ensure all investments are consistent with each Client’s investment objectives and that all Clients are treated fairly.

Hound is involved with the valuation of securities held by the Clients, which in turn may affect the calculation of the management fee and the performance based fee it receives. This creates an incentive for Hound to increase the value of the assets during the valuation process. Hound believes it addresses this conflict by (1) using an independent third-party administrator to independently price the portfolio in accordance with the Funds’ valuation policies as outlined in the respective governing documents of the Funds and (2) ensuring that the Funds are audited at least annually.

Item 7 – Types of Clients

As noted in Item 4, Advisory Business, Hound provides investment advisory services to the Funds and a SMA.

The minimum investment in the Funds is \$1,000,000, subject to waiver at the discretion of the Funds' General Partner or board of directors, as applicable.

Interests in the Funds are offered on a private placement basis, and in reliance on Section 3(c)7 of The Investment Company Act of 1940 ("Company Act") to persons who generally are "accredited investors" as defined under The Securities Act of 1933 and "qualified purchasers" as defined under the Company Act, and who are subject to certain other conditions, which are fully set forth in its offering documents.

The Funds may from time to time enter into agreements with one or more prospective investors whereby the Funds grant favorable rights not afforded to other investors in consideration for the prospective investor agreeing to invest certain amounts in the Funds or other consideration deemed material by the General Partner or the Funds' board of directors, as applicable. The Fund and the General Partner may generally enter into such agreements without the consent of or notice to the existing investors. No other investor shall be entitled to participate in any such special arrangement without the approval of the General Partner or the Funds' board of directors, as applicable, and they shall typically have no obligation to offer any special arrangement to any other investor.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Method of Analysis and Investment Strategy

Hound's investment process and philosophy is value oriented and powered by very deep fundamental research. We believe that exceptional investment ideas are scarce and concentrate the portfolio in a small number of our best ideas. Our investment process involves original, primary research where we believe we have a deep understanding of critical variables that differ from market expectations. We feel that tolerating volatile investments increases opportunity.

Hound will usually establish a new position when the investment process generates a compelling idea. Hound often starts with a small position and adds to it as Hound's conviction increases or as additional information comes to its attention, whether through the passage of time or additional research. Hound will exit a position when 1) the position has been proven right and it is time to redeploy the capital, 2) the position was wrong, 3) Hound finds better ideas, 4) the position becomes too large a portion of the portfolio, or 5) it is distracting to Hound's portfolio management process. While Hound has the flexibility to invest in the entire capital structure for each of its Clients, the vast majority of its investments will be in equities.

The Long/Short Funds:

The investment objective of the Long/Short Funds is to seek to achieve substantial capital appreciation, with low correlation to major equity indices. Hound typically seeks to create a core portfolio of around 20 to 30 longs and 25 to 30 shorts.

The Long Only Funds:

The investment objective of the Long Only Funds is to seek to achieve capital appreciation that is superior to the S&P 500 Total Return Index over time. However, the Long Only Funds will not be managed to resemble the S&P 500 or track its performance. While the Long Only Funds may engage in short selling from time to time, it is anticipated that the Long Only Funds will typically be long only and, in any event, will always have a significant (if not exclusive) long bias.

Hound Partners Long Master, LP's core portfolio generally consists of roughly 20 to 30 long positions, which will typically mirror the long positions held by the Long/Short Funds. Hound Partners Concentrated Master, LP's portfolio generally consists of roughly 8 to 15 long positions, which will typically significantly overlap with the long positions held by the Long/Short Funds. The Long Only Funds generally exclude smaller sized companies with market capitalizations of less than \$2 billion, or companies that trade similarly.

Investment Risk

Investing in Funds managed by Hound involves risk of loss that investors, including the SMA, should be prepared to bear. An investor should not make an investment unless it is prepared to lose all or a substantial portion of its investment.

Short Sales

Short selling involves certain additional risks. Such transactions expose Clients to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and in the case of equities, without effective limit. There is the risk that the securities borrowed by Hound in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the same security are receiving similar requests, a "short squeeze" can occur, wherein Hound might be compelled, at a most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Market Risk

A significant portion of Clients' profitability depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that Hound will be able to accurately predict these price movements.

Concentrated Portfolio/Lack of Diversification

The portfolios of certain Clients will consist of a small number of investments which may result in each investment's size being significant to the overall portfolio. As a result, large positions can subject the portfolio to significant losses compared to a more diversified portfolio if the value of an investment which represents a significant percentage of the portfolio were to decline in value.

Small to Medium Cap Stocks

At any given time, the Clients may have significant investments in smaller-to-medium sized companies with market capitalizations of less than \$1 billion. These securities often involve greater risks than the securities of larger, better-known companies.

Illiquid Investments

Certain investments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and Hound's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for Hound to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

Leverage

The use of leverage exposes Clients to additional levels of risk, including (i) greater losses from investments than would have been the case had Clients not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds Clients' cost of borrowing such funds. In the event of a sudden, significant drop in value of Clients' assets, Hound might not be able to liquidate assets quickly enough to repay borrowings, further magnifying losses.

In an unsettled credit environment, Hound may find it difficult or impossible to obtain leverage. In such event, Hound could find it difficult to fully implement its strategy. In addition, any leverage obtained may be terminated (or the collateral requirements changed) on short notice by the lender, which could result in Hound being forced to unwind positions quickly and at prices below what Hound deems to be fair value for such positions.

Non-U.S. Securities

Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Currency Risks and Related Expenses

Hound will typically invest in securities or other instruments denominated in the U.S. dollar. If Hound makes investments denominated in other currencies, Hound may try to hedge the foreign currency exposure back to the U.S. dollar by investing in the currencies and options thereon, forward currency exchange contracts, or any combination thereof, but we cannot assure that such hedges will always be implemented or, if implemented, will be effective. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Options

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, or other instrument for a specific price at a certain time or during a certain period. Purchasing options

involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Custodial and Prime Brokerage Risk

There are risks involved in dealing with the custodians who settle Hound trades. Each Client maintains accounts with one or more prime brokers who act as custodian of Client assets. Although Hound monitors and believes that they are appropriate custodians, there is no guarantee that the custodians will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a custodian, there is no certainty that, in the event of a failure of a custodian that has custody of Client assets, Clients would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both. Clients will rank as an unsecured creditor to each of its custodians in relation to assets that the custodians lend or otherwise use and, in the event of the insolvency of a custodian, Clients might not be able to recover equivalent assets in full. In addition, if applicable law permits, cash that the custodians hold or receive on Clients' behalf may be inaccessible by Clients, may not be segregated from the custodians' own cash and may be used by the custodians in the course of their investment business. In such event, Clients will rank as one of the custodians' general creditors.

Counterparty Risk

When Clients invest in swaps, "synthetic" or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, the Clients take on the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. 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 directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Special Situations and Distressed Securities

Hound may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the investment may be sold at a loss. Because there is

substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which Clients may invest, there is a potential risk of loss by Clients of their entire investment in such companies.

Emerging Markets

Investing in emerging market debt or equity involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) the risk of nationalization or expropriation of assets or confiscatory taxation; (ii) social, economic and political uncertainty including war; (iii) dependence on exports and the corresponding importance of international trade; (iv) price fluctuations, less liquidity and smaller capitalization of securities markets; (v) currency exchange rate fluctuations; (vi) rates of inflation (including hyperinflation); (vii) controls on foreign investment and limitations on repatriation of invested capital and on the Funds' ability to exchange local currencies for U.S. dollars; (viii) governmental involvement in and control over the economies; (ix) governmental decisions to discontinue support of economic reform programs generally and to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the securities markets; (xii) longer settlement periods for securities transactions; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; (xiv) certain considerations regarding the maintenance of portfolio securities and cash with non-U.S. sub-custodians and securities depositories.

Corporate Debt Obligations

Corporate debt obligations, including commercial paper are subject to certain risks including the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk).

High Yield Securities

Investing in "high yield" bonds and preferred securities which have lower credit ratings are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions.

Futures Contracts

Investments in futures contracts and options can be both for hedging purposes and to increase the total return on the portfolio. Trading in futures contracts and options is a highly specialized activity which, while it may increase the total return on the portfolio, may entail greater than ordinary investment risks.

Commodities

Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that Hound will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of Hound's portfolio and the value of its investments. In addition, the value of Hound's portfolio may fluctuate as the general level of interest rates fluctuates.

Cybersecurity Risk

Hound's information and technology systems and those of key service providers and its Clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Hound has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for Hound to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of Hound or its Client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

Risk Management Failures

Although Hound attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by Hound, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of Clients may be incomplete or altogether ineffective. Similarly, Hound may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Clients.

Systems and Operational Risk

Hound relies on certain financial, accounting, data processing and other operational systems and services that it and/or third party service providers employ, including those of prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, Hound and its Clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked,

evaluated or accounted for or related to other similar disruptions in the Clients' operations. Any such errors and/or disruptions may lead to financial losses, the disruption of the Client trading activities, liability under applicable law, regulatory intervention or reputational damage.

Please refer to each Fund's respective offering documents for additional detail regarding Hound's investment strategies and risks. SMA investors should consult with the SMA sponsor.

Item 9 – Disciplinary Information

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 investment adviser or the integrity of its management. Hound has no applicable disciplinary information to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Tiger Management, LLC (referred to as "Tiger Investor") has made strategic seed investments in the Funds which are advised by Hound and, in exchange for such seed investment, the Tiger Investor has received certain rights typically associated with such an investment, including a right to share in specific profits of the General Partner and Hound, and non-compete rights. Neither the Tiger Investor nor any of its affiliates has discretion or control over the management of Hound or Hound's Clients.

Hound shares traders with another private fund adviser. Hound has established policies and procedures with respect to the sharing of traders that it believes are reasonably designed to protect the interests of Hound's Clients and manage the conflicts of interest resulting from a trader executing transactions on behalf of clients of more than one investment adviser.

Although Hound has a dedicated lockable office space, we do share certain facilities (e.g. kitchen, conference rooms etc.) with other private fund advisers. Hound has established policies and procedures with respect to sharing these facilities designed to protect the interests of Hound's clients.

Mr. Auerbach and certain employees of Hound have made personal investments in a third-party service provider that recruits industry experts for consultation with persons performing research in the investment management industry and others (the "Consulting Firm"). Hound currently uses the Consulting Firm to assist it with research on behalf of Clients and this expense (like other research expenses) is borne by Clients. While Hound believes the quality and pricing of the Consulting Firm is as good or better than its competitors, a conflict of interest arises since the payment by Clients of fees to the Consulting Firm may increase the profitability of the Consulting Firm and, therefore, increase the return on the investment in the Consulting Firm experienced by Mr. Auerbach and the aforementioned employees.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Hound has adopted a comprehensive Code of Ethics (the “Code”) designed to promote the highest ethical standards among employees and to recognize our fiduciary responsibility to Clients. The Code establishes standards of business conduct for all employees and is designed to detect and prevent prohibited acts and mitigate potential conflicts of interest between Hound, its employees and its Clients. Hound provides training at least annually to all employees regarding the Code.

In rare instances, an employee or principal of Hound may hold a security that is also held by one or more of Hound’s Clients. Therefore, Hound or its employees may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by Hound on behalf of its Clients with respect to that same security. Such practices present a conflict when, because of the information Hound has, Hound or its employees are in a position to trade in a manner that could adversely affect Clients. In addition to impacting objectivity, these practices may also harm Clients by adversely affecting the price at which the Clients’ trades are executed.

In an effort to minimize such conflicts, Hound has adopted, as part of its Code, a Personal Trading Policy, which does not allow personal trading of certain securities without pre-approval from the Chief Compliance Officer. Hound monitors the personal trading of employees, and discourages personal trading of public equities. Subject to limited exceptions at the Chief Compliance Officer’s discretion, the Code prohibits employees from trading in these securities during specific periods of time when they are held by, or being considered for purchase or sale by, the Clients. When contemplating any exception to the Code, the Chief Compliance Officer is required to place the interests of Hound’s Clients before that of Hound’s employees and principal.

The Code also establishes guidelines for employees to identify instances when they might be exposed to material non-public information and compliance procedures when they believe they are in possession of material non-public information. The Code strictly prohibits Hound and its employees from engaging in market manipulation, the spreading of rumors and any sort of collusion with other market participants.

Other features of Hound’s Code, as supplemented by its Compliance Manual, include:

- annual certification by employees that they have read, understand and agree to abide by Hound’s Code of Ethics and insider trading policies and procedures;
- a gift and entertainment policy which generally prohibits the giving and receipt of gifts greater than a *de minimis* value without pre-approval from the Chief Compliance Officer; and
- quarterly submission of securities transaction reports and annual securities holdings reports for each personal account of the employee and their spouse, minor children, and any other person or entity over which the employee exercises control or investment discretion.

Hound requires all employees to promptly report any violations of the Code to Hound's Chief Compliance Officer. Hound may provide a copy of the Code to any investor or qualified prospective investor upon request by contacting us at the email address or telephone number listed on the cover page of this document.

Hound's employees may, and currently do, invest in the Funds. Such investments pose a risk that Hound or its employees who are in a position to control the allocation of investment opportunities to the Clients' accounts will favor the Funds in which they invest, particularly in the case of limited opportunities (such as initial public offerings and private placements) or other investments that are otherwise subject to limited capacity. Hound generally allocates limited opportunities to all Clients pro rata in an effort to ensure fair allocation among accounts. Employees also have access to information that is not available to other investors in the Funds.

Item 12 – Brokerage Practices

Broker Selection

For each of its Client's accounts, Hound retains full discretion to determine the broker or dealer to be used for securities transactions and has a fiduciary duty to seek best execution. Best execution is generally understood to mean the execution of transactions at prices and commissions that provide the most favorable cost or net proceeds under the circumstances. In selecting brokers or dealers to execute transactions, Hound is not obligated to solicit competitive bids and is not obligated to seek the lowest available brokerage commissions, mark-ups or other compensation (collectively, "Commissions").

In certain cases, Hound may be paying more than "execution only" Commissions because the Clients may be paying for research, brokerage or other services provided by the broker or other third-party providers, the cost of which are included in the Commissions. This practice is referred to as using "soft dollars." In these cases, Hound will receive a benefit since Hound otherwise would have to produce or pay for the research or other services directly. Hound may have a conflict of interest in that it may have an incentive to select brokers or dealers because Hound receives research, products or services rather than receiving the most favorable execution. Hound believes it has procedures in place to control the risk associated with this conflict of interest.

In selecting brokers and negotiating commission rates, Hound will take into account the financial stability and reputation of brokerage firms, their execution quality and the research, brokerage or other services provided by such brokers. Hound may place transactions with a broker or dealer that (i) provides Hound with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to Funds or other products advised by Hound (or an affiliate), if otherwise consistent with seeking best execution, provided Hound is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

The Long/Short Funds' Prime Brokers are Morgan Stanley, Goldman Sachs, Fidelity, Deutsche Bank, Merrill Lynch Professional Clearing Corp. and JP Morgan, and the Long Only Funds' Prime Brokers are Morgan Stanley, Merrill Lynch Professional Clearing Corp. and Goldman Sachs. Hound reserves the right, in its sole discretion, to change these arrangements without further notice to Clients.

Section 28(e) Safe Harbor

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use soft dollars to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section

28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental to those services (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Although rare, Hound may pay for services that are not 28(e) eligible using soft-dollars. However, Hound has disclosed to all Clients that such non-28(e) eligible soft dollar benefits are only used to pay for services that would otherwise be allowable Client expenses as further described in Item 5, Fees and Compensation.

Although Hound will make a good faith determination that the amount of Commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and, thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation of “mixed use” products and services, which have both 28(e) eligible and non-28(e) eligible components, creates a potential conflict of interest between Hound and its Clients. A specific Client may pay for certain products and services that are not exclusively for the benefit of that Client and instead may be primarily or exclusively for the benefit of another Client or Hound and its employees. Hound believes it has procedures in place to control the risks associated with this conflict of interest, such as performing regular reviews of its brokers to determine that commissions paid are reasonable in light of the value of the brokerage services received and that the amount of trading is reasonable within Hound’s investment strategy.

Hound uses both proprietary research from various brokers, which is unsolicited and not separately priced, as well as third-party research products which are paid for with soft dollars obtained from Commissions paid to certain brokers. During the last fiscal year, soft dollar payments made on behalf of Hound included, without limitation, the following: real time stock quotes, market data, security specific research, valuation services, conference expenses and independent equity research.

Trade Aggregation and Allocation

When appropriate, Hound may, but is not required to, aggregate Client orders to achieve more efficient execution or to provide for equitable treatment among Clients. On occasion, Hound may not aggregate Client orders as particular circumstances may exist that preclude aggregation in order to comply with both Hound’s fiduciary duty and duty to seek best execution. Hound has established policies and procedures that it believes are reasonably designed to ensure all Clients are treated fairly and no Client is favored over another Client.

Trade Errors

While Hound's goal is to execute trades seamlessly in the best interests of Clients, errors can occur for a variety of reasons, and the required corrective measures may differ depending upon the nature of the error. When an error is made on behalf of a Client, Hound will use its best efforts to break or otherwise correct the trade as soon as practicable after discovery to ensure that Clients do not incur a loss.

It is Hound's policy that a trade error that results in a gain to a Client will remain in the Client's account. Trade errors that result in a loss to a Client will be assessed to the Client's account except in the case of gross negligence or willful misconduct by a member or employee of Hound.

Cross Trades

From time to time, Hound may seek to execute transactions between Client accounts (including rebalancing trades between Client accounts) that have similar portfolios. Hound will only effect these transactions when in the best interests of Clients and at a price and under circumstances determined by reference to independent market indicators that Hound believes constitute "best execution" for the accounts.

Item 13 – Review of Accounts

Hound's Managing Member, Mr. Auerbach, monitors and reviews Client accounts on a continual basis with a focus on ensuring adherence to their investment objectives.

The Funds and the SMA have engaged an independent third-party administrator (the "Administrator") who records cash and security positions on a daily basis. On a daily basis the Administrator reconciles the records of the Funds and the SMA with their prime brokers. Detailed reconciliation reports are provided on a daily basis to Hound's Operations Team noting any discrepancies if applicable. Hound will attempt to clear reconciling items as quickly as possible. The Administrator also prepares a month end accounting package for each Client which reflects Client specific holdings, profit and loss including realized and unrealized gains/losses, capital activity, investment related income and expenses and expense items. Hound's Operations Team also completes month end accounting packages based on data provided by the administrator for final review and sign off by Hound's Chief Financial Officer and Chief Operating Officer.

Fund investors and the SMA receive the following regular written communications from Hound unless otherwise indicated:

- Monthly performance estimate generally on the 2nd business day of each month.
- Final monthly performance attribution and exposures generally on the 5th business day of each month.
- Monthly account statement from the Administrator generally on the 6th business day.
- Semi-annual investor letters generally in January and July of each year.
- Annual audited financial statements within 120 days of year-end, except the SMA.
- Annual Schedule K-1s for taxable investors.

Item 14 – Advisory Client Referrals and Other Compensation

Hound does not compensate any person for referring Funds.

As discussed in Item 12 – Brokerage Practices, Hound may execute transactions with a broker or dealer that (i) provides Hound with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to Funds advised by Hound, if otherwise consistent with seeking best execution and provided Hound is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

Neither Hound nor its officers or employees accept compensation for the sale of securities or other investment products.

Item 15 – Custody

While the disclosure requirements under this item are not applicable to Hound, it should be noted that the General Partner has the ability to access and control the assets of the Funds. Hound satisfies its regulatory obligation by ensuring that each Fund is subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

Hound is not deemed to have custody of the SMA.

Item 16 – Investment Discretion

Hound has full trading authority over all Client accounts. Each of the Funds has entered into either a Limited Partnership Agreement or Investment Management Agreement acknowledging Hound's investment discretion. Investment discretion authority is granted to Hound contractually by an investor when the investor completes and signs a Fund's official subscription package or through the investment management agreement in the case of the SMA.

Mr. Auerbach has full discretion over the Clients' accounts and makes all investment decisions, subject to certain limited exceptions. Hound's Head Trader may participate in initial public offerings, secondary offerings and other opportunities of limited availability on behalf of the Clients up to a certain limit as defined by Mr. Auerbach, provided that the Head Trader provide written notification of his intent to participate to Mr. Auerbach.

Item 17 – Voting Client Securities

Hound has adopted Proxy Voting Policies and Procedures, which it believes are reasonably designed to ensure that proxies are voted in the best interest of its Clients and in accordance with its fiduciary duties and Rule 206(4)-6 under the Advisers Act. Hound's policies contain procedures designed to address potential conflicts of interest that may arise between Hound and its Clients. In addition, Hound has engaged a third party to facilitate its proxy voting and, in most circumstances, independently advise how a particular proxy should be voted.

Hound has sole and exclusive authority and responsibility to vote all proxies on behalf of its Clients. As such, Clients may not direct how Hound should vote on a particular proxy.

Hound will provide a copy of the Proxy Voting Policies and Procedures and proxy voting record to any investor or qualified prospective investor upon request by contacting us at the email address or telephone number listed on the cover page of this document.

Item 18 – Financial Information

Hound is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.