

Form ADV Part 2A: Firm Brochure

March 31, 2014

Halcyon Long/Short Management LP

477 Madison Avenue, 8th Floor

New York, New York 10022

Telephone: (212) 303-9400

Fax: (212) 935-1831

<http://www.halcyonllc.com>

Attention: Suzanne McDermott

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

This brochure provides information about the qualifications and business practices of Halcyon Long/Short Management LP. If you have any questions about the contents of this brochure, please contact us at (212) 303-9498. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Material Changes

This is the annual update of our brochure. There have been no material changes since our last filing.

.

Table of Contents

	Page
1. Advisory Business	1
2. Fees and Compensation	2
3. Performance-Based Fees and Side-By-Side Management	3
4. Types of Clients.....	3
5. Method of Analysis, Investment Strategies, and Risk of Loss	4
6. Disciplinary Information.....	7
7. Other Financial Industry Activities and Affiliates	7
8. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading.....	9
9. Brokerage Practices	10
10. Review of Accounts.....	11
11. Client Referrals and Other Compensation	12
12. Custody	13
13. Investment Discretion.....	13
14. Voting Client Securities.....	14
15. Financial Information	15

1. Advisory Business

Formed in July 2013, Halcyon Long/Short Management LP is the parent or affiliate entity of the following investment advisory firms that are relying advisers with respect to its registration: (1) Halcyon Agilis Management LP (referred to as Agilis), a long-short equity investment advisory services firm formed in July 2011; (2) Halcyon Energy Investors LP (referred to as Energy), an investment advisory services firm formed in January 2013 that focuses on investing primarily in liquid equity securities in the energy, power and infrastructure markets primarily in North America; and (3) Halcyon Liquid Strategies LP (referred to as Liquid Strategies), an investment advisory services firm formed in July 2013 focusing on highly liquid strategies. (The registrant and its relying advisers, collectively and to the extent required by context, individually, are referred to as “Halcyon” or “we”). Halcyon is affiliated with Halcyon Asset Management LLC, a leading global asset management firm for private investment funds. Halcyon’s regulatory assets under management as of March 1, 2014 are \$208,933,449. Halcyon and its affiliates (referred to as the Halcyon Group) manage approximately \$12.5 billion in client assets as of March 1, 2014, for a diverse group of advisory client funds whose investors include leading public and private pension funds, endowments, foundations, financial institutions, insurance companies, funds of hedge funds, and high-net-worth individuals. The Halcyon Group’s advisory client funds have investors in the United States, Canada, Latin America, the United Kingdom, Continental Europe, the Middle East, Asia, and Australasia.

Halcyon, for which John M. Bader serves as Chairman and Kevah Konner as Vice Chairman, is headquartered in New York. Scott Craven and Roy Smith are the Portfolio Managers for Agilis, which is owned by them and by Halcyon Agilis GP LLC, a wholly owned subsidiary of Halcyon Long/Short Management LP. James P. McGinnis, Jr. is the Chief Investment Officer for Energy, which is primarily owned by Mr. McGinnis and by Halcyon Long/Short Management LP. Kevah Konner and Todd Solomon are the Portfolio Managers for Liquid Strategies, of which Halcyon Management Holdings LP is the sole limited partner. The sole limited partner of Halcyon Long/Short Management LP is Halcyon Management Holdings LP, and Halcyon Management Holdings GP LLC is the general partner for each of these entities. The Halcyon Group draws on the skills and experience of approximately 110 employees, approximately 50 of whom are investment professionals.

Agilis seeks to produce consistent absolute returns in a liquid long-short equity portfolio which is diversified in terms of industry sectors, growth rates, and valuation multiples through stock-specific, bottom-up research. Agilis aims to produce strong returns over a full market cycle, primarily in large-capitalization and mid-capitalization US equities. Within that investment horizon, Agilis seeks to maximize risk-adjusted performance while minimizing correlation to market indices such as the Standard & Poor’s 500 Index.

Energy concentrates solely on the securities of companies and assets deployed in the global energy, power, and infrastructure sectors, with a particular focus on the liquid equity securities of companies which represent significantly misunderstood investment opportunities. It concentrates on identifying specific sub-sector trends within the energy,

power, and infrastructure industry complex and then identifies those securities that present the most attractive combination of current income and security price performance given the expected outcome of such developments. Energy focuses on investing primarily in liquid equity securities, employing both long and short positions; it may also seek to express valuation objectives through the use of debt securities, credit default swaps, and other instruments. It may invest worldwide, though primarily in North America. Energy seeks to generate attractive risk-adjusted returns over a medium- and longer-term horizon, with disciplined risk management to mitigate volatility and correlation to the overall equity market.

Liquid Strategies seeks to focus on investments where there may be structural market inefficiencies and on situations where its research suggests the risk is less asymmetric than for similar investments. These investments may include long/short strategies; arbitrage opportunities; and other strategies. Across all of our strategies, we are committed to conservative, rigorous, and disciplined processes; to industry best practices; and, at the same time, to adaptability.

We tailor advisory services to the individual needs and specified investment mandates of our advisory client funds and accounts. We adhere to the investment strategy set forth in each client's Private Placement Memorandum or an equivalent document. We are not required to tailor our services to the needs of specific underlying investors of our fund clients. For a managed account client, which may be structured as a single-investor fund (or fund with a only a limited number of investors) sponsored by an institutional investor, we enter into an advisory and/or operating agreement that contains a description of the investment objective and mandate for the account, as well as investment restrictions that are agreed upon with the client. Our clients typically grant us full discretionary authority over their investment programs. However, Agilis also provides non-discretionary advisory services to an operating subsidiary of Halcyon Master Fund L.P. dedicated to replicating the strategies pursued by Agilis, subject to available capital. In addition, Agilis and Energy may provide investment ideas and recommendations to Liquid Strategies. We do not participate in wrap fee programs.

2. Fees and Compensation

Halcyon receives compensation from the collective investment funds it sponsors for which it has discretionary investment authority (referred to as the Halcyon Funds). This compensation is calculated as a percentage of the assets of the Halcyon Funds. Halcyon also receives compensation on performance achieved for the Halcyon Funds. Under the governing documents of the Halcyon Funds, we may negotiate different fees with investors in the Halcyon Funds separately and we may waive the fees for certain of our affiliates, principals, and employees. Neither Halcyon nor our partners or employees receives any transaction-based compensation for the sale of securities or other investment products.

Halcyon deducts one-twelfth of the asset-based fee described above from the Halcyon Funds' account monthly. Because investors in the Halcyon Funds may not make intra-month withdrawals of their capital, investors do not pay a management fee in excess of

what they owe for the entire month. Halcyon generally deducts performance-based compensation from the Halcyon Funds' accounts at the end of each year, or a shorter period coinciding with an earlier withdrawal date with respect to the withdrawn amount.

The Halcyon Funds bear all costs and expenses directly related to portfolio investment or prospective investments, including brokerage commissions, interest on debit balances or borrowings, custodial fees, and legal and consultant fees. The Halcyon Funds also bear all out-of-pocket expenses incurred in obtaining or maintaining systems, research and other information utilized in their investment programs together with out-of-pocket costs of administration including accounting, audit, administrator and legal expenses, costs of any litigation or investigation involving the fund's activities, costs associated with reporting and providing information to existing and prospective investors, and the costs of liability insurance. When Halcyon incurs expenses on behalf of multiple client accounts, we allocate the expenses among the applicable clients in a fair and reasonable manner.

Halcyon is entitled to reimbursement of expenses but does not receive management or performance fees with respect to its non-discretionary advisory services.

Halcyon's fees are negotiable for its managed accounts and generally consist of quarterly asset-based fee and performance-based compensation. An unaffiliated third party deducts such amounts from the managed account assets. The managed account bears investment expenses similar to those borne by the Halcyon Funds and any other expenses set forth in the advisory agreement.

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

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

Halcyon does not receive performance-based or other compensation in connection with its non-discretionary sub-advisory services to single investor funds sponsored by affiliated management companies. There is a potential conflict of interest for Halcyon in that it may favor its fee-paying clients over the non-fee-paying clients. However, this conflict of interest is minimized by the fact that Halcyon is subject to a contractual undertaking to present a pro rata portion of any investment opportunity offered to the relevant Halcyon Fund to the non-discretionary client managed by the same advisory firm.

4. Types of Clients

Each of our advisory clients is a private investment fund or an institutional investor account. Our client funds directly or indirectly have a diverse group of investors, including leading pension funds, endowments, foundations, financial institutions, insurance companies, hedge funds of funds, and high-net-worth individuals throughout the world. Halcyon generally requires investors that are US persons to be "accredited

investors” and “qualified purchasers” or “knowledgeable employees” (as defined in applicable federal securities laws and regulations).

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

Agilis seeks to produce consistent absolute returns in a liquid long-short equity portfolio which is diversified in terms of industry sectors, growth rates, and valuation multiples through stock-specific, bottom-up research. Agilis aims to produce strong returns over a full market cycle, primarily in large-capitalization and mid-capitalization US equities. Within that investment horizon, Agilis seeks to maximize risk-adjusted performance while minimizing correlation to market indices such as the Standard & Poor’s 500 Index. Agilis uses a mix of quantitative and qualitative analysis and in-depth due diligence to identify companies that both (a) appear to be subject to catalysts which will accelerate/decelerate their earnings and cash flow rates in the near to medium term and (b) appear to be attractively valued (in the case of our long positions) or unattractively valued (in the case of short positions) relative to their respective peer groups.

Energy focuses on investing primarily in liquid equity securities, employing both long and short positions, in the energy, power and infrastructure capital sectors; it may also seek to express valuation objectives through the use of debt securities, credit default swaps, and other instruments. It may invest worldwide, though primarily in North America. Energy seeks to generate attractive risk-adjusted returns over a medium- and longer-term horizon, with disciplined risk management to mitigate volatility and correlation to the overall equity market.

Liquid Strategies seeks to focus on investments where there may be structural market inefficiencies and on situations where its research suggests the risk is less asymmetric than for similar investments. These investments may include long/short strategies, arbitrage opportunities, and other strategies.

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

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

- A. Halcyon’s dedication to the rigorous management of risk within and across subsets of its portfolios is designed to identify and address appropriately the sorts of risk inherent in the

types of transactions in which we participate. However, despite our risk management process, investing in any securities or other assets involves a risk of loss that our clients and the investors in our clients must be prepared to bear.

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

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

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

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

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

Small and Medium Capitalization Companies. We may invest a portion of our clients' assets in the securities of companies with small to medium-sized market capitalizations. While Halcyon believes such securities often provide significant potential for appreciation, the securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization

securities, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

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

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

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

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

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

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

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

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

The offering documents for the Halcyon Funds and the summary of risk factors that we provided to our non-discretionary clients and managed account client contain discussions of various risk considerations that are more extensive in scope and depth than the foregoing summary.

6. Disciplinary Information

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

7. Other Financial Industry Activities and Affiliates

Relationships with the Halcyon Funds

Halcyon manages the Halcyon Funds as its discretionary manager and sub-advises certain single investor funds' portfolios sponsored by its affiliated management companies.

Halcyon Agilis Fund GP LLC, which is under common ownership and control with Agilis, acts as the general partner of Halcyon Agilis Master Fund LP and its domestic "feeder" fund. HEI Fund GP LLC, which is under common ownership and control with Energy, acts as the general partner of Halcyon Energy, Power, and Infrastructure Capital Master Fund LP and its domestic feeder fund. None of the compensation, liquidity, or other terms of the Halcyon Funds are negotiated at arm's length. However, Halcyon discloses to prospective investors the terms of all of its general fees and performance-based compensation, as well as the other terms of an investment, in detail in the Private

Placement Memoranda (or equivalent disclosure documents) and/or the limited partnership agreements relating to the Halcyon Funds.

Each Halcyon Fund invests on a parallel basis with the non-discretionary client of the relevant Halcyon entity. The potential to earn performance-based compensation with respect to the Halcyon Funds or other fee-paying clients could provide an incentive to invest assets in an aggressive or speculative manner. Halcyon seeks to minimize this potential conflict by taking a disciplined approach to portfolio risk management. There is a potential conflict of interest regarding the allocation of investment opportunities among our client accounts, which may include an incentive to favor clients with the performance compensation payable to Halcyon. However, Halcyon is contractually required to present a pro rata portion of each opportunity allocated to the Halcyon Funds to the corresponding non-fee paying client. Mindful of the presence of these potential conflicts of interest, Halcyon seeks to act fairly when allocating investment opportunities and valuing client assets.

There is also a potential conflict of interest due to Halcyon's ability to value certain positions (See Section 5.B. Valuations). Halcyon has adopted written policies and procedures that are designed to ensure fair allocations over time and consistent valuation methodologies. In particular, our policy prevents us from taking into account fee or other compensatory differences in allocating an investment opportunity. We also utilize services of an independent administrator to value interests in our fund clients.

The investment activities of one or more advisory clients of the Halcyon Group may result in the imposition of restrictions on the flexibility of other client accounts. For example, if the Halcyon Group obtains material non-public information concerning a company on behalf of an advisory client in connection with a privately negotiated transaction, other advisory clients may be unable to trade in securities of the same company in the public markets. In addition, such accounts may compete with the Halcyon Funds and other Halcyon clients for investment opportunities or otherwise pursue different interests within the same portfolio companies, including investing in securities of the same companies with different seniority, participating in litigation or pursuing activist tactics.

Halcyon does not plan to engage in cross trades among accounts managed by it or by the Halcyon Group. However, to the extent Halcyon determines to engage in any such transaction, it will do so only upon determination that such transaction is in the best interests of each of its participating client accounts and with the consent of the relevant client if consent is required by applicable law, advisory contract or in other appropriate circumstances as determined by Halcyon. See also Section 9: Trade Aggregation and Allocation.

Affiliated Investment Advisers

Halcyon is affiliated with the following management companies, which are Halcyon's related persons: Halcyon Asset Management LLC, Halcyon Loan Management LLC, Halcyon Asset-Backed Advisors LP, and Halcyon Liquid Strategies IC Management LP.

Each of these entities is separately registered with the SEC as an investment adviser, and information concerning each of these entities and its relying advisers (if any) is included in its own Form ADV Part 1 and Part 2. In addition, Halcyon is affiliated with Halcyon Asset Management (UK) LLP, an indirect subsidiary of Halcyon Asset Management LLC, which is authorized and regulated by the Financial Conduct Authority of the United Kingdom. Our investment professionals may participate in managing the portfolios of more than one advisory client and in many instances, on behalf of more than one investment advisory entity. As a result, they do not devote their exclusive attention to any single advisory client or any single advisory entity.

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

- A. Halcyon has adopted a Code of Ethics in accordance with legal requirements. The Code of Ethics is designed to ensure that the interests of Halcyon (including personal securities transactions) partners and other employees (referred to as Employees) and its affiliated management companies' do not conflict with the interests (including transactions) of our clients. The Code of Ethics is based on the principle that Halcyon and its Employees owe a fiduciary duty to our clients and their individual investors. Thus, Halcyon Employees must, among other things, (i) place the interests of our clients and their investors first, (ii) avoid taking inappropriate advantage of their positions within Halcyon, and (iii) conduct their personal securities transactions in full compliance with the Code of Ethics. Policies adopted by Halcyon with which all Employees (and, in certain circumstances, members of their families and other related persons) must comply include, but are not limited to, preapproval of certain personal securities transactions by the Chief Compliance Officer or her designee, annual certification of compliance with the Code of Ethics and requiring brokers to provide Halcyon with duplicate confirmations and periodic statements of personal transactions. Halcyon provides a copy of its Code of Ethics to any client or any investor that requests one.
- B. Employees of Halcyon do not recommend to advisory clients, nor do they buy or sell for clients, securities or other instruments in which they have a material financial interest. Halcyon's related persons may invest personally in Halcyon's client funds. These investments could theoretically pose a conflict of interest with our other advisory clients because Employees may be motivated to allocate time, attention, and/or investment opportunities to the funds in which they invest at the expense of other clients. Halcyon has adopted written policies and procedures governing the allocation of investment opportunities among clients in a fair and equitable manner.
- C. Halcyon has a comprehensive set of procedures in place to ensure that we address potential conflicts that may arise between Employees and clients when investing in the same securities or instruments and to align incentives properly. The Code of Ethics generally provides that, subject to certain limited exceptions that do not pose potential conflicts of interest, no Employee may purchase or direct a purchase of securities in personal accounts. The sale of securities by an Employee is subject to preapproval from the Chief Compliance Officer or her designee, subject to limited exceptions. The Code of Ethics also provides that all Employees must notify Halcyon of all relevant existing

personal accounts and must obtain approval from the Chief Compliance Officer prior to the opening of a new personal account. In the limited circumstances in which personal trading activities are permitted, the Chief Compliance Officer or her designee approves all relevant proposed transactions involving personal accounts prior to execution. The Chief Compliance Officer or her designee also conducts a quarterly review of personal accounts to examine relevant trades executed during the previous quarter and related statements and to determine whether all the accounts are maintained in compliance with the requirements and restrictions described above. To the extent there is any finding relating to personal trading activity that is inconsistent with this policy, Halcyon will investigate and, as with any breach of the firm's policies, a violation is subject to disciplinary action, including dismissal.

9. Brokerage Practices

In selecting broker-dealers and determining the reasonableness of their commissions for our clients' transactions, Halcyon takes into account a number of factors, including the following: ability to secure future opportunities to obtain securities or assets; quality and reliability of brokerage services; commissions or other fees for executing the orders; price; the broker's or dealer's facilities; financial responsibility; the ability of the broker or dealer to effect transactions, particularly with regard to aspects such as timing, order size and execution of orders; and the research and other investment-related services provided by the broker or dealer to Halcyon to enhance its general portfolio management capabilities (notwithstanding the fact that specific clients may not be direct or exclusive beneficiaries of these services). Halcyon may execute trades for advisory clients with broker-dealers with which Halcyon has other business relationships, including prime brokerage, credit relationships and capital introduction or investments by affiliates of the broker-dealers in advisory client entities. We do not take client referrals into account in selecting broker-dealers.

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

Halcyon's Broker Review Committees meet quarterly to ensure that Halcyon's obligation to seek best execution in its trading activities for the benefit of all advisory clients is being met. The Broker Review Committees, the members of which include various executive officers, partners and others, reviews internally generated records and externally prepared reports bearing on the selection of broker-dealers. Such documents include: the approved list of executing brokers; best execution worksheets completed by

traders; commission reports; gift and entertainment log; report of the cancellation and rebooking of trades; report analyzing Halcyon's use of broker-dealers and; a report containing the results of a broker vote by certain Halcyon investment professionals. The research services that broker-dealers might provide include written information and analyses concerning specific investments, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. In many cases, research services that are generated by third parties may be provided by or through the brokerage firm to which commissions are paid. Using client transactions to obtain research and other benefits creates incentives that theoretically could result in conflicts of interest between advisers and their clients. When Halcyon uses client markups or markdowns to obtain research products and services, it receives a benefit because it does not have to produce or pay for the research products and services. The availability of these benefits creates the potential that we might be influenced to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services rather than on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers. To mitigate risks of conflicts of interest, Halcyon does not permit that clients direct us to execute transactions through a specified broker-dealer.

Trade Aggregation and Allocation

Halcyon has adopted policies regarding trade aggregation and allocations of investments. Where appropriate, transactions for our advisory clients (including both discretionary and non-discretionary clients) may be aggregated for execution purposes. This aggregation does not ordinarily adversely affect commissions charged and execution prices on the transactions. In addition, Halcyon's advisory client accounts may be included in the aggregated orders with clients of Halcyon's affiliated advisers. The Halcyon Group generally effectuates aggregated orders for all accounts according to a pre-determined allocation methodology whereby clients receive an average price and are assessed a fixed commission charge.

Investment opportunities will be allocated among both discretionary and non-discretionary client accounts of the applicable adviser on a pro rata basis subject to available capital and acceptance of each investment recommendation by the non-discretionary account's investment manager. Managed accounts will be allocated investment opportunities suitable in light of their respective investment mandates, investment restrictions and guidelines, available capital and other relevant factors.

10. Review of Accounts

- A. Halcyon has adopted policies regarding the review of advisory clients' portfolios. The Risk Management Committees of the relying advisers consist of the Portfolio Managers and certain other senior members of the Halcyon Group. The Risk Management Committees regularly review portfolios of the applicable clients and generally meet to review and recommend policy strategies that are consistent with the advisory clients'

investment objectives and policies. The members of the Risk Management Committees consider macro-level economic and market trends and assess the advisory client portfolios, seeking to manage risk in a manner consistent with each client's operating agreements. These committees review and adjust limits to position size, industry exposure, capital structure, and other risk/reward metrics. The Risk Management Committees also considers the strategy mix and the biggest risks among the holdings, taking into account macro-economic conditions, the regulatory framework, the political climate, and the potential for decline within companies and/or specific industries. Additionally, the Portfolio Managers review advisory clients' portfolios on a regular basis and make day-to-day recommendations on behalf of each portfolio.

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

- B. Reports are prepared for and provided to investors regularly. On a monthly basis, the administrator to the Halcyon Funds provides statements to all investors in the fund, showing gains/losses for the month and year-to-date. Halcyon prepares a monthly report for investors in the Halcyon Funds containing portfolio information and estimated performance results for the month and year to date. At the conclusion of each calendar quarter, Halcyon prepares a report for the Halcyon Funds and investors which generally discusses the fund's portfolio and performance for the quarter and year to date. On an annual basis, independent certified public accountants audit the financial statements of the Halcyon Funds. Halcyon additionally prepares an annual report including, among other things, the balance sheet for the Halcyon Funds, a statement showing the net gains or net losses of the client, the closing capital account (or net asset value of interests) of every investor in the Halcyon Funds (and the manner of the calculation thereof), and the opening capital account (or the net asset value of interests as of the beginning of the year) and ownership percentage of every investor in the Halcyon Funds.

We provide to our sub-advisory and managed account clients such information as may be required or upon which we agree.

11. Client Referrals and Other Compensation

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

12. Custody

Due to Halcyon's access to advisory client funds and securities as general partner or manager of the Halcyon Funds and our affiliate's authority to deduct fees (if applicable) and other expenses from our discretionary and non-discretionary client accounts (except the managed account for an unaffiliated institutional client), we are deemed to have constructive custody of their funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended. Halcyon utilizes the services of unrelated financial institutions or other qualified custodians (as defined in Rule 206(4)-2) to hold all funds and securities of each of its client funds. We also ensure that the qualified custodian maintains these funds in accounts that contain only the relevant fund's assets and securities, under our name as agent or trustee for the Halcyon Funds. We also comply with the requirements of Rule 206(4)-2 with respect to the annual audit of customer accounts (performed in accordance with generally accepted accounting principles by an independent auditor), and the distribution of audited financial statements to investors in the client funds within 120 days of the end of the clients' fiscal year for limited partnerships and offshore companies.

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

13. Investment Discretion

Scope of Authority

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

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

Procedures for Assuming Authority

Before accepting their subscriptions, we provide all investors in the Halcyon Funds with a Private Placement Memorandum (or equivalent disclosure) and/or governing documents for the relevant Halcyon Fund that set forth, in detail, our investment strategy and program and the terms of investment for investors, including the scope of our investment authority. By completing the subscription documents to acquire an interest in a Halcyon Fund, each investor consents to the terms and conditions in the operating agreements that give Halcyon complete authority to manage our clients' investments in accordance with the Private Placement Memorandum and the operating agreements.

Prior to providing investment advice to a managed account, we require the client to appoint us as agent of each portfolio that we manage for our managed account client. This gives us complete discretionary authority to buy and sell any securities and other investments in the amounts and at the prices that we determine.

14. Voting Client Securities

Proxy Voting Policy

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

Halcyon's Operations Manager or his designee notifies relevant Research Analysts of pending corporate actions involving the advisory client portfolios. The Research Analyst assigned to the transaction or security consults with a member of the Investment Committee who is responsible for the ultimate determination regarding the proper vote or consent and with the Chief Compliance Officer. If in reviewing the corporate action, the Chief Compliance Officer (in consultation with the Investment Committee or others) determines that a material conflict may exist between Halcyon's interests and those of its advisory clients, the Chief Compliance Officer will inform the Conflicts Committee of such potential material conflict. The Conflicts Committee will evaluate the potential or actual conflict and, in consultation with the member of the Investment Committee, will determine if a material conflict of interest exists, and if so will determine the appropriate course of action to resolve the conflict in the interests of its advisory clients. If a conflict

cannot be resolved, the affected clients will be informed of the conflict and explicit voting instructions will be solicited

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

Recordkeeping

Halcyon maintains the following records relating to proxy voting: copies of our proxy voting policies and procedures and any amendments; proxy statements received for client securities; records of proxy votes cast on behalf of our clients; records of written requests from clients and investors in the Halcyon Funds for proxy voting information and our written responses to any written or oral requests; and any documents that our Employees prepared that were material to deciding how to vote proxies or that memorialize the basis for a proxy vote. Upon request, any of our clients or any of the investors in our clients can obtain (1) a copy of our proxy voting policies and procedures and (2) information concerning proxy votes on its behalf.

15. Financial Information

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