

# Brownlie & Braden, LLC

## Part 2A of Form ADV

### Firm Brochure

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This brochure provides information about the qualifications and business practices of Brownlie & Braden, LLC. If you have any questions about the contents of this brochure, please contact us at 214-219-4650. 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.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible clients/investors by means of delivery of offering or account documents that contain a description of the material terms relating to such investment or services.

Additional information about Brownlie & Braden, LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

The date of the last annual update to our firm brochure was March 30, 2011. The material changes that have been made to our firm brochure since the date of our last annual update are set forth below:

- In June 2011, Antonio J. DiGesualdo joined Cotton Creek Capital Management, LLC (“CCCM”) as a Managing Director. Mr. DiGesualdo joined the two current Managing Directors of CCCM, Smith A. Brownlie III and James E. Braden, in managing the private equity operations of CCCM.
- In March 2011, CCCM organized Cotton Creek Terrace SBS, Ltd., a Texas limited partnership (“CCTSBS”), for the purpose of investing a significant portion of its assets in Terrace Energy, LLC, a Delaware limited liability company (“Terrace Energy”). Terrace Energy, in turn, proposes to use a substantial portion of the proceeds raised in the offering of Series A Units to acquire, explore, exploit and develop certain oil and natural gas assets.

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

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## **Advisory Business**

Brownlie & Braden, LLC (the “Firm”) was founded in 1997 and is entirely owned by Smith A. Brownlie III and James E. Braden. The Firm’s practice is focused on financial issues that are important to individuals and families with significant assets. During its history, the Firm has increasingly widened the scope of its services in response to client needs, to include not only comprehensive financial advisory services, but many non-financial services as well. Today the Firm’s professionals concentrate principally on providing services to clients in the following areas of specialization:

### **Types of Advisory Services**

#### *Gift and Estate Tax Planning*

The Firm provides gift and estate planning services to high net worth individuals and families covering all areas of planning for the preservation and disposition of family wealth. The Firm’s approach utilizes legal, income tax and estate planning techniques. The Firm works alongside the client’s other planning professionals.

The Firm assists clients in the implementation of a strategic estate liquidity plan for the client and the surviving family members.

The Firm also provides business succession planning for clients that own closely-held companies that may involve multiple generations of family members, other key management personnel and employees or a third party disposition.

The Firm assists clients with their philanthropic and charitable planning by counseling clients on the merits of a wide variety of planning vehicles, such as private family foundations, public charitable organizations, community foundations, charitable supporting organizations, charitable remainder and lead trusts and other planned giving strategies.

The Firm offers other non-advisory services which include life insurance due diligence, risk management, turnaround/interim company management, participation in company management activities including board of directors positions, and family wealth education.

#### *Investment Advisory Services*

The Firm provides investment supervisory services that assist clients in coordinating their entire investment portfolios. Services include assisting the client in understanding the investment objectives for each family entity and, where applicable, developing specific statements of investment policy for each entity, interviewing third-party investment managers to be considered, compiling data and screening such third-party investment managers, manager selection and fee negotiation, asset allocation for various family entities, private equity due diligence, and ongoing

performance monitoring, with changes made as necessary. In addition, the Firm reviews existing or proposed investments in closely held companies, investment funds, private placement offerings, publicly traded securities as well as other types of investments.

#### *Referrals of Investment Managers*

The Firm may recommend to clients the investment advisory services of unaffiliated investment managers. These investment managers are SEC-registered investment advisers that are independent of the Firm and are investigated by the Firm. The investment managers are selected based on, among other things, the investment objectives and risk tolerance of the client as well as the past performance of the manager. Currently, the Firm has one referral arrangement with an unaffiliated investment manager to whom clients may be referred and such arrangement is described in the Client Referrals and Other Compensation section below.

#### *Private Investment Partnerships*

Cotton Creek Capital Management, LLC, a Texas limited liability company (“CCCM”), currently serves as general partner to the following private pooled investment vehicles: Cotton Creek Capital Partners, Ltd., a Texas limited partnership (“CCCP”), Cotton Creek Marcellus Partners, Ltd., a Texas limited partnership (“CCMP”), Cotton Creek Marcellus Partners II, Ltd., a Texas limited partnership (“CCMP II”), and Cotton Creek Terrace SBS, Ltd., a Texas limited partnership (“CCTSBS” and together with CCCP, CCMP and CCMP II, the “CCC Funds”). A majority interest in CCCM is owned by principals and affiliates of the Firm, and principals and affiliates of the Firm also are limited partners in one or more of the CCC Funds. Instead of separately registering as an investment adviser with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), CCCM relies on the investment adviser registration of the Firm. The Firm does not act as general partner of any private pooled investment vehicle.

CCCP was launched in June 2007 as a private equity fund and invests in a broad range of privately held operating companies, financial companies and service-oriented companies through acquisitions, build-ups, recapitalizations, restructures or significant minority stakes. CCMP and CCMP II are investment partnerships formed to invest in certain oil and natural gas related assets and properties located in the Marcellus Shale region of the Eastern United States. CCMP was launched in March 2009 and CCMP II was launched in May 2010. CCTSBS was established to invest a significant portion of its capital in Series A Units of Terrace Energy, LLC (“Terrace Energy”). Terrace Energy, in turn, proposes to use a substantial portion of the proceeds raised in the offering of its Series A Units to acquire, explore, exploit and develop certain oil and natural gas assets. CCTSBS conducted its initial closing in October 2011. The rights and obligations of partners in each of the CCC Funds are more fully described in the offering and governing documents for each of the CCC Funds. The description of each of the CCC Funds above is qualified in its entirety by the more complete information set forth in the offering documents for each CCC Fund. CCCM, the Firm and/or affiliates thereof may form and/or provide advisory services to other pooled investment vehicles in the future.

The Managing Directors of CCCM are Messrs. Brownlie, Braden and DiGesualdo.

The Firm may offer investment advice to one or more of its advisory clients regarding the advisability of a potential investment in one or more of the CCC Funds (or other private investment funds formed in the future by CCCM). Because the Firm (due to its affiliation with CCCM) and certain of its principals and affiliates have a financial interest in the CCC Funds and CCCM, the Firm has a financial incentive to recommend that its clients invest in the CCC Funds and faces a conflict of interest relating thereto. To address this conflict, the Firm provides full and fair disclosure to its clients.

### **Assets Under Management**

As of December 31, 2011, the Firm had approximately \$506,459,000 in regulatory assets under management. The Firm managed approximately \$204,841,000 of such assets on a discretionary basis and approximately \$301,618,000 of such assets on a non-discretionary basis.

### **Fees and Compensation**

The Firm generally charges an hourly rate of \$200-500 per professional. Clients typically are asked to pay an initial retainer fee that is based on the number of hours incurred prior to the execution of the investment advisory contract. Ongoing fees are billed quarterly in arrears based on the hourly rates of the professionals providing services during the quarter. The Firm may also enter into fixed fee compensation arrangements. Other than with respect to the CCC Funds, fees are negotiable based upon various factors deemed relevant, including size of the account and length of time with the Firm.

Pursuant to the partnership agreement of CCCP, CCCP pays CCCM an annual management fee of 2% of capital commitments during a commitment period of up to five (5) years (dropping to 1.5% of contributed capital thereafter), billed quarterly in advance, and allocates a carried interest to Cotton Creek SLP, L.P., an affiliate of CCCM and the Firm (“CCSLP”), of up to 20% on profits to investors after a return of capital and a preferred return of eight percent (8%), subject to certain clawbacks and other adjustments. Management fees are deducted directly from the capital account of each investor.

Pursuant to the partnership agreements of CCMP and CCMP II, each fund pays to CCCM a management fee, billed quarterly in advance, equal to one half of one percent (2% annually) of the aggregate cash contributions of the limited partners and each fund allocates to Cotton Creek Marcellus SLP, L.P., an affiliate of CCCM and the Firm (“CCMSLP”), a performance allocation of up to 20% on profits after a return of capital to certain investors. Management fees are deducted directly from the capital account of each investor.

Pursuant to the partnership agreement of CCTSBS, CCTSBS pays to CCCM an annual management fee of 2%, billed one half of one percent quarterly in advance, of the aggregate capital commitment of each limited partner. In addition and subject to the terms and limitations set forth in the partnership agreement, CCTSBS allocates to Cotton Creek Terrace SLP, L.P., an affiliate of CCCM and the Firm (“CCTSLP”), a performance allocation of up to 20% on profits after a return of capital to certain investors, subject to a clawback and other adjustments. Management fees are deducted directly from the capital account of each investor.

With respect to the CCC Funds, fees generally are not negotiable. Nevertheless, the CCC Funds and CCCM may from time to time enter into side letter agreements or other similar arrangements with one or more investors that alter, change or modify certain terms of the partnership agreement(s) with respect to such investors (including a reduction or waiver of fees).

The compensation structures of the CCC Funds outlined above present actual or potential conflicts of interest because CCCM has an increased financial incentive when soliciting clients to be prospective investors in, or providing services to, the CCC Funds. As a result of the common ownership of CCCM, the Firm faces similar potential conflicts of interest when advising CCCM.

As stated above, the Firm may recommend that clients invest in or otherwise purchase interests in one or more of the CCC Funds or other private investment vehicles that the Firm, CCCM or its affiliated persons may sponsor or manage from time to time, for which the Firm or an affiliate receives a separate management fee. All clients should understand that all such fees paid to the Firm for investment advisory services are separate from the fees and expenses charged to clients by the private investment partnerships or third-party managers to which client assets may be allocated. A complete explanation of these expenses incurred in connection with or charged by such investment vehicles or third-party investment managers will be fully disclosed to clients, as applicable.

In addition to the Firm's investment management fees, clients bear investment transaction costs and custodial fees. To the extent that client accounts are invested in mutual funds including money market funds, these funds pay a separate layer of management, trading, and administrative expenses.

The Firm may receive compensation in the form of commissions for the sale of insurance products to clients. This presents a potential conflict of interest and gives the Firm an incentive to recommend insurance products based on compensation received, rather than a client's needs. A complete explanation of expenses incurred and compensation received in connection with such sales will be fully disclosed to clients, as applicable.

## **Termination**

Each client contract generally is open-ended with no specific termination date. Either a client or the Firm may terminate an investment advisory contract at any time by written notice of cancellation via U.S. Mail or other certifiable delivery carrier. Any unearned advisory fees that were prepaid will be refunded.

## **Withdrawals**

No partner generally is permitted to withdraw from any CCC Fund without the prior written consent of CCCM, which may be withheld in its sole discretion.

## **Performance Based Fees and Side-by-Side Management**

As noted above, certain affiliates of the Firm and CCCM generally are entitled to receive performance-based fees and/or allocations (carried interest distributions) with respect to each of the CCC Funds. Pursuant to the partnership agreement, CCCP allocates a carried interest to CCSLP, of up to 20% on profits to investors after a return of capital and a preferred return of eight percent (8%), subject to certain clawbacks and other adjustments. Pursuant to the applicable partnership agreements, CCMP and CCMP II each allocate to CCMSLP a performance allocation of up to 20% on profits after a return of capital to certain investors. Pursuant to the partnership agreement of CCTSBS, CCTSLP generally is entitled to receive a carried interest distribution (after a return of capital to applicable investors) equal to 20% of the net proceeds attributable to the disposition of Series A Units (or other income received with respect to Terrace Energy). Performance-based fees and allocations could motivate the Firm or its affiliates to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. The Firm addresses this conflict through full and fair disclosure in the applicable offering documents and/or this brochure.

The compensation structures of the CCC Funds outlined above present actual or potential conflicts of interest because CCCM has an increased financial incentive when soliciting prospective investors in, or providing services to, the CCC Funds. As a result of the common ownership of CCCM, the Firm faces similar conflicts of interest when advising CCCM.

The Firm may offer investment advice to one or more of its advisory clients regarding the advisability of a potential investment in one or more of the CCC Funds (or other private investment funds formed in the future by CCCM). Because the Firm (due to its affiliation with CCCM) and certain of its principals and affiliates have a financial interest in the CCC Funds, the Firm has a financial incentive to recommend that its clients invest in the CCC Funds and faces conflicts of interest relating thereto. To address this conflict, the Firm provides full and fair disclosure to its clients.

## **Types of Clients**

The Firm primarily provides customized investment management services to individuals and associated trusts, estates, or charitable organizations, and other corporations or business entities. The Firm also provides advice to CCCM and various family limited partnerships and business trusts.

In general, each prospective investor in the CCC Funds generally is required to represent that it is, among other things, an “accredited investor,” as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended, and a “qualified client,” as such term is defined in Rule 205-3 under the Advisers Act.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Investment Advisory Services**

As previously noted, the Firm generally provides investment supervisory services that assist clients in coordinating their entire investment portfolio. Services include assisting the client in understanding the investment objectives for each family entity and where applicable, developing specific statements of investment policy for each entity, interviewing the third-party investment managers to be considered, compiling data and screening such third-party investment managers, manager selection and fee negotiation, asset allocation for various family entities, private equity due diligence, and, ongoing performance monitoring, with changes made as necessary. In addition, the Firm reviews existing or proposed investments in closely held companies, investment funds, private placement offerings, publicly traded securities as well as other types of investments.

Depending on the nature of its engagement with each client, the Firm may be responsible for making asset allocation recommendations, evaluating and recommending third party investment managers and other investment opportunities, assisting the client in arranging or effecting the execution of the transaction or investment management agreement, and reviewing clients' portfolios on an ongoing basis. All investment recommendations and portfolio supervisory services are provided in accordance with clients' investment objectives and the Firm's fiduciary obligations.

Subject to the arrangements with each client, the Firm actively involves clients in its due diligence process with respect to third-party investment managers.

Initial Due Diligence – The Firm generally conducts the following analyses (among others) prior to recommending a new investment manager (including managers to private funds) to manage client assets:

- Telephone interviews or in-person meetings with portfolio management personnel;
- Telephone interviews or in-person meetings with operational personnel;
- Analysis of the manager's risk management capabilities;
- As applicable, review of the advisory contract or the private placement memorandum, operating agreement, and subscription agreement;
- Review of the due diligence questionnaire (or similar informational document);
- Review of marketing materials;
- Internet and periodical searches regarding the manager and its key employees;
- Review of regulatory filings, including Parts 1 and 2 of Form ADV;
- Review of any financial statements;
- Review of manager's compliance policies and procedures; and
- If applicable, review of the most recent SEC deficiency letter sent to the manager, as well as the manager's response.

The Firm maintains summary research/due diligence files on each investment opportunity or third party investment manager that is recommended for clients. The Firm endeavors to disclose to clients, in writing, of any material conflicts of interest pertaining to its investment recommendations, such as when affiliates or employees of the Firm may receive additional compensation or economic benefit as a result of such recommendation.



Partners, Financial Analysts and other professionals at the Firm monitor relevant domestic and international events to determine any effect on client portfolios as well as hold both formal and informal meetings to discuss investment ideas, economic developments, current events, investment strategies and other issues related to portfolio holdings.

For each client portfolio under the Firm's oversight, the assigned Partners and Financial Analysts periodically review each client portfolio specifically looking for irregularities, unusual positions and overall allocations in accordance with account objectives. Any issues are resolved by the Firm and documented in the client's file. The Firm generally seeks to meet with each ongoing client at least quarterly to discuss the status of their investments.

Ongoing Due Diligence – The Firm generally conducts the following ongoing analyses (among others) of approved investment managers:

- Quarterly telephone interviews or in-person meetings with portfolio management personnel;
- Quarterly analyses of the manager's investment strategy relative to market conditions;
- Quarterly analyses of the manager's performance;
- Annual telephone interviews or in-person meetings with operational personnel;
- Annual analyses of the manager's risk management capabilities;
- Annual reviews of the due diligence questionnaire (or similar informational document);
- Annual reviews of marketing materials;
- Annual reviews of regulatory filings, including Parts 1 and 2 of Form ADV;
- Annual reviews of any financial statements;
- Annual reviews of manager's compliance policies and procedures; and
- Annual requests for any new SEC deficiency letter sent to the manager, as well as the manager's response.

The Firm has considered numerous risks associated with the management of client accounts including but not limited to:

- Client portfolios managed in ways that deviate from client mandates, potentially exposing client assets to a higher risk of loss;
- Firm fails to maintain documentation to substantiate their investment recommendations;
- Firm provides unsuitable investment advice; and
- Firm fails to disclose its conflict of interest when recommending insurance products or private investment vehicles that result in additional compensation to the Firm or affiliated persons.

Investing in securities is inherently risky. An investment in individual securities or in a portfolio of securities could lose money. The investments selected by the Firm should be deemed speculative investments and are not intended as a complete investment program. These types of investments are designed for sophisticated investors who fully understand and are capable of bearing the risk of loss of their entire investment. The Firm cannot guarantee that any client will

achieve their investment objectives or that any client will receive a return of its investment. Past performance of the Firm and its clients is not indicative of future results.

### **CCC Funds Methods of Analysis**

The Firm employs a rigorous due diligence process in connection with each prospective private fund investment, utilizing a team comprised of selected consultants, internal staff, outside legal and accounting professionals and appropriate management affiliates (collectively, the “Due Diligence Team” or “Team”). The Firm’s due diligence and decision making processes focus on an assessment of the potential investment vehicle, its management and its associated industry. All investment decisions on behalf of the private funds are supervised by the Firm. The Firm may also, from time to time, submit potential investments to the advisory board for review. The advisory board consists of a group of individuals designated by the general partner, a majority of which will be representatives of independent limited partners. The Firm’s review of each investment generally includes an assessment of whether the potential investment is consistent with the applicable private fund’s investment philosophy. Further, the Firm assesses whether the projected financial returns of a proposed investment are acceptable given the attendant degree of risk, and whether exit alternatives have been considered.

The Firm, while entrusting the day to day operations of each portfolio company to its management team, has significant input in creating financial and operational plans and monitors performance through periodic reviews. Structured corporate governance and representation on the board of each portfolio company often is assigned to one or more of the Firm’s managers that have extensive senior management experience as chief executive officer, chief operating officer and chief financial officer. This experience, coupled with a keen understanding of management dynamics, provides the Firm with the ability to assist portfolio companies in the successful formation, development and execution of ongoing operational improvements. The private fund managers also plan to assist portfolio companies in preparing the necessary tools for ongoing operation performance measurements and review as well as to assist in preparing and reviewing materials required for raising further debt or equity capital, if required.

The Firm has existing professional relationships with third party resources that may be deployed to assist a portfolio company with specific issues including specialized legal, operational, risk management, accounting or environmental matters. These professional relationships include, but are not limited to interim and turnaround management resources and management affiliate relationships.

### **CCC Funds Investment Strategy**

Private fund investment strategies generally focus on investments in those companies in which the Firm can apply its extensive operational, financial and executive management experience. The Firm targets proprietary deal flow but also considers and invests in opportunities from other sources. The Firm, with extensive experience in the Texas and Southwest business environment, has confidence in its ability to source investments from the middle market in this region on an opportunistic basis through its contacts and relationships, and through the Firm’s advisory client base.

Investments by the funds generally are not highly advertised, marketed or competitively bid. In many cases, the sellers and the Firm may have a prior business relationship and sellers may retain an economic interest in the investment.

The Firm believes that the middle market generally is underserved by the private equity industry. The Firm defines their niche in the middle market as companies with revenues between \$10 million and \$200 million, and enterprise values less than \$75 million. The majority of private equity activity tends to be focused on either start up ventures or large companies requiring investments from larger funds. As a result, the Firm believes that this segment of the middle market offers investment opportunities at more attractive entry values.

With the exception of the Firm's private single-investment vehicles, the Firm's strategy is to be the lead investor in a diversified portfolio of quality investments. In general, the Firm invests approximately \$5 million to \$20 million dollars in each portfolio company, though smaller investments may be made for strategic purposes. The intent is to identify private companies with growth potential that through improved management, process enhancements and financial structuring, become strategic acquisition opportunities for industry companies or private equity funds. The expectation is that portfolio companies generally will be exited through private transactions.

The Firm possesses specific management skill sets, including executive and operational management, sales management, financial management and controls, acquisitions and divestures, and structuring and planning for organic growth. These talents are applied to the issues that may be faced by a portfolio company as it plans for growth, financing, process improvements, business planning and corporate governance. Members of the Firm who possess the specific skills required in a given situation are available to assist a portfolio company, thereby leveraging company management. As a result of years of experience, the Firm has developed relationships with private equity investors, investment banks, commercial banks, senior debt lenders and subordinated debt lenders to support both equity and debt financing for the Fund's various portfolio investments, thereby facilitating sources of capital required to grow both internally or through external transactions.

### **CCC Funds Risk of Loss**

The Firm anticipates that as noted above, its combined contacts, management skills and manager experience, as well as the projected diversity of private fund investments as to size and type, all are factors that should mitigate risk and provide attractive returns to CCC Fund investors. However, an investment in the CCC Funds involves a high degree of risk, and is suitable only for investors of substantial means. There are risks and conflicts of interest that must always be considered when contemplating investments in privately offered investments such as the CCC Funds. Set forth below is a short summary of certain of the material risks that may be associated with an investment in the CCC Funds. The following summary is qualified in its entirety by reference to the applicable offering documents.

### ***General Private Equity Investment Risks***

***Financial and Business Risk of Portfolio Companies.*** Investments in portfolio companies made by the CCC Funds involve a significant degree of financial and/or business risk. The CCC Funds may invest in companies that are believed to be operating below their potential. These companies face unique risks not associated with larger, more established companies. Portfolio companies may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors. The profitability and survival of portfolio companies may depend on their ability to access sufficient sources of debt at attractive rates, which may or may not be available at any particular time. Portfolio companies also may face intense competition, changing business or economic conditions or other developments that may adversely impact their performance. Business risks may be more significant in lower middle-market companies or those embarking on a build-up or operating turnaround strategy. Some portfolio companies may operate at a loss or have significant variations in operating results, may be engaged in a rapidly changing business or business environment with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, finance expansion or maintain their competitive position, may be in an early stage of development or may otherwise have a weak financial position. If for any of these or other reasons a portfolio company is unable to generate cash flow to meet its operating expenses and working capital requirements, make principal or interest payments on its indebtedness, or make other required payments on its commitments, the portfolio company's business, financial condition and prospects could be materially adversely affected and the value of the related investment could be significantly reduced or even eliminated.

***Reliance on Management of Portfolio Companies.*** Although CCCM will monitor the performance of portfolio companies and generally expects to be actively involved in the management thereof, it nevertheless relies substantially upon the management teams of such portfolio companies to operate such companies on a day-to-day basis. Consequently, the value of the CCC Fund's portfolio investments will be affected significantly by the efforts and decisions of operating management teams. Because of their size and historical needs, many lower middle-market companies must rely heavily on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect future performance. However, lower middle-market companies may not always be led by incumbent management teams/founders who possess a broad range of experience or professional managerial skills. Further, key executives/founders may be approaching the ends of their active business careers, requiring (upon retirement) the planned transition to professional management or a next generation of senior managers. In situations where incumbent managers or founders are supplemented with or replaced by professional management teams, operating cultures or key relationships with customers, suppliers, personnel or others might be adversely affected.

***No Assurance of Profit or Distributions.*** The marketability and value of each CCC Fund's investments will generally depend upon factors beyond the control of the CCC Fund, CCCM and the Firm. There can be no assurance that investments will be profitable or realized or that any distributions will be made to limited partners with respect thereto. Distributions will ultimately depend upon the success of the investments made by the CCC Fund. Distributions also will be subject to the terms and provisions of the partnership agreement, including, without limitation, the establishment of reserves to pay CCC Fund expenses and other liabilities of the

CCC Fund. The expenses of the CCC Fund or any portfolio company may exceed its income, and limited partners could lose the entire amount of their invested capital.

***Identification of Investment Opportunities.*** The success of each of the CCC Funds will depend primarily upon the identification and availability of suitable investment opportunities. The business of identifying and structuring private equity investments is highly competitive and involves a high degree of uncertainty and risk. The availability of investment opportunities will be subject to market conditions and certain other factors that will be outside the control of CCCM and the Firm. Limited partners may never be fully invested if CCCM does not identify enough sufficiently attractive investments. There can be no assurance that CCCM will be able to identify sufficient attractive investment opportunities to meet the CCC Fund's investment objectives or that investors will be able to participate in any such investment opportunities. Subject to the availability of attractive investment opportunities and financing, the CCC Funds will attempt to make portfolio investments. However, even if no portfolio investments are acquired, the CCC Fund will still have obligations for certain expenses, including management fees, audits, tax returns, annual meetings and other operating items, and investors will be required to contribute capital to pay for such expenses.

***Illiquidity of Investments in Portfolio Companies.*** Investments in portfolio companies typically will be illiquid and will not provide current income. Investments are expected to be restricted, at any given time, as to their transferability under U.S. securities laws. Further, in some cases the CCC Fund may be prohibited by contract from selling investments for a period of time or otherwise be restricted from disposing of such investments. In some cases, a substantial length of time may be required in order to liquidate an investment. Consequently, there is a significant risk that the CCC Fund will be unable to sell or otherwise dispose of investments at attractive prices or will otherwise be unable to complete any exit strategy with respect to investments. These risks can be further exacerbated by changes in the financial condition or business prospects of a portfolio company, changes in national or international economic or market conditions and changes in laws, regulations, fiscal policies or political conditions of the United States and other jurisdictions in which the portfolio companies are located or in which they may conduct their respective businesses. If the CCC Fund is unable to sell or otherwise dispose of an investment by the end of the CCC Fund's term, investors may receive an in-kind distribution of their respective *pro rata* share of that investment, which may be illiquid.

***Long-Term Nature of Investments in Portfolio Companies.*** Investments are not expected to be liquidated or realized for a significant period of time after such investment is initially made. Factors such as overall economic and market conditions, the performance of the applicable company, the competitive environment and the availability of potential acquirers may shorten or lengthen the CCC Fund's holding period with respect to an investment. Accordingly, it is not likely that any significant return from the disposition of an investment will occur for a number of years after such investment is made.

***Equity Investments.*** Certain of the CCC Funds invest in equity or equity-related investments (including investments in publicly-traded companies) which, by their nature, involve business, financial, market and/or legal risks. Holders of equity or equity-related investments

generally own a residual interest in the applicable issuer and are junior to any obligations owed to the senior or subordinated creditors of such issuer.

***Portfolio Concentration.*** The CCC Fund's portfolio may be comprised of a small number of investments, and, as a consequence, the aggregate return of the CCC Fund may be affected by the performance of a single portfolio investment. Furthermore, to the extent that the capital raised is less than the targeted amount, the CCC Fund may invest in fewer portfolio companies and thus be less diversified. While this portfolio concentration may enhance total returns to limited partners, if any large position has a material loss, then returns to investors may be lower than if the CCC Fund had invested in a more diversified portfolio.

***Distressed Investments.*** Certain of the CCC Funds may make investments in restructurings involving companies that are experiencing or are expected to experience financial difficulties or in non-performing or other troubled assets which involve a high degree of risk. These financial difficulties may never be overcome and may cause the company to become subject to bankruptcy proceedings. Investments in companies operating in distressed or workout modes or under Chapter 11 of the U.S. Bankruptcy Code are, in certain circumstances, subject to additional potential liabilities which may exceed the value of the original investment.

#### ***General Energy Related Risks***

***Fluctuation of Oil and Natural Gas Prices.*** The success of CCMP, CCMP II and CCTSBS will be highly dependent upon the prices realized from the sale, exploration, development and optimization of oil and/or natural gas and a material decrease in such prices could have a material adverse effect on such funds. Oil and natural gas prices can fluctuate widely on a month-to-month basis in response to a variety of factors that are beyond the control of the CCC Funds, CCCM or the Firm. Factors that contribute to price fluctuation include, without limitation: political conditions in major oil and natural gas producing regions; worldwide economic conditions; weather conditions; the supply and price of domestic and foreign natural gas or oil; the level of consumer demand; the price and availability of alternative fuels; the proximity to, and capacity of, transportation facilities; the effect of worldwide energy conservation measures; technological advances affecting energy consumption; and the nature and extent of governmental regulation and taxation. Oil and natural gas prices have fluctuated greatly from time to time over the past several years and should be expected to remain volatile in the future. There can be no assurance that the price of oil and natural gas will increase in the future.

***Operating Risks.*** Even if oil and natural gas is found in what is believed to be commercial quantities, reservoir risks, which may be heightened in new discoveries, may lead to increased costs and decreased production, which, in turn, will lead to decreased cash flow to CCMP, CCMP II and/or CCTSBS. These risks include the inability to sustain deliverability at commercially productive levels as a result of decreased reservoir pressures, large amounts of water, or other factors that might be encountered. As a result of these types of risks, most lenders will not lend funds secured by reserves from newly discovered reservoirs, which could have a negative impact on CCMP, CCMP II and/or CCTSBS and/or any operators developing oil and natural gas related assets. Operational risks include hazards such as fires, explosions, craterings, blowouts, uncontrollable flows of oil, natural gas or well fluids, pollution, releases of toxic gas and

encountering formations with abnormal pressures. Weather related risks include earthquakes, hurricanes and other adverse weather and environmental conditions.

***Risks Associated with Exploratory Drilling.*** Certain of the CCC Funds and/or any operators developing the assets owned by such fund may engage in a substantial amount of exploratory drilling. The risks inherent in exploratory drilling are substantially greater than the risks inherent in acquiring producing properties or in developmental drilling of producing fields. There can be no assurance that the CCC Funds and/or any operators will locate oil and natural gas on the assets owned thereby or that such oil and natural gas, if located, can be produced at an acceptable cost or in marketable quantities.

***Regulatory and Environmental Risks.*** Oil and natural gas operations are subject to various federal, state and local governmental laws and regulations which may be changed from time to time in response to economic or political conditions. From time to time, regulatory agencies have imposed price controls and limitations on production in order to conserve supplies of oil and natural gas. In addition, the production, handling, storage, transportation and disposal of oil and natural gas, byproducts thereof and other substances and materials produced or used in connection with oil and natural gas operations are subject to regulation under federal, state and local laws and regulations.

#### ***Additional Risks***

***Leverage.*** Subject to the terms and conditions set forth in the applicable governing documents, the CCC Funds may be permitted to borrow funds and employ leverage. The use of borrowing and leverage involves a high degree of risk. Because the use of leverage and borrowing allows a CCC Fund to control assets worth more than its investment in such assets, the amount that the CCC Fund may lose in the event of adverse valuation changes will be high in relation to the amount invested in such assets, which will negatively impact the performance of the CCC Fund.

***Limited Liquidity.*** Limited partners generally will not be permitted to voluntarily withdraw from the CCC Funds. In addition, limited partners generally may not transfer their limited partner interests, in whole or in part, without, among other things, the prior written consent of CCCM, which may be granted or withheld in its discretion. There currently exists no public market for limited partner interests, and none is expected to develop. Accordingly, limited partners should not expect that they will be able to transfer, sell or otherwise dispose of all or any portion of their limited partner interests during the term of the CCC Fund, nor can they be certain that they will be able to transfer, sell or otherwise dispose of all or any portion of their limited partner interests on a basis which reflects the value of the investments.

***Conflicts of Interest.*** Various actual and potential conflicts of interest exist among the CCC Fund, CCCM, the Firm and their respective affiliates, principals and other clients, including actual and potential conflicts of interest related to fees, portfolio composition and valuation, expense allocation, selection of counterparties, treatment of other limited partners, limitation of liability, indemnification, allocation of opportunities and transactions and outside business activities. During the CCC Fund's term, many different types of conflicts of interest may arise and

this brochure does not purport to identify or predict all such conflicts. Limited partners ultimately will be heavily dependent upon the good faith of CCCM, the Firm and each of their respective affiliates.

**THE FOREGOING RISKS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FIRM'S INVESTMENT ADVISORY SERVICES. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND/OR THE APPLICABLE OFFERING MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.**

## **Disciplinary Information**

Not applicable.

## **Other Financial Industry Activities and Affiliations**

CCCM, an affiliate of the Firm, acts as general partner to each of the CCC Funds and, in such capacity, may be deemed to be an "investment adviser" (as such term is defined in the Advisers Act). While the Firm and CCCM have been organized as separate legal entities, the Firm and CCCM collectively conduct a single advisory business. Accordingly, CCCM relies on the Firm's investment adviser registration instead of separately registering as an investment adviser with the SEC under the Advisers Act. To rely on the Firm's registration, the Firm has entered into an investment management supervisory agreement with CCCM, pursuant to which, among other things, (i) CCCM, its employees and persons acting on its behalf are "persons associated with" (as defined in the Advisers Act) of the Firm, (ii) the investment advisory services of CCCM, its employees and persons acting on its behalf are subject to the Firm's supervision and control with respect to any investment advisory functions thereof, (iii) all investment advisory functions of CCCM are subject to the Advisers Act and the rules and regulations thereunder, and (iv) the activities and books and records of CCCM are subject to inspection and examination of the SEC. In addition, CCCM is subject to the Firm's compliance policies and procedures.

The Firm is entitled to receive investment advisory fees from CCCM. Certain clients of the Firm have been and may be solicited to invest in one or more of the CCC Funds. In addition, certain principals and affiliates of the Firm have invested and serve as partners in one or more of the CCC Funds and as members of CCCM. As a result of the Firm's relationship with, and financial interest in, CCCM and the CCC Funds, the Firm has a financial incentive to recommend investments in the CCC Funds to its advisory clients. The Firm attempts to manage these conflicts in accordance with fiduciary requirements and applicable law (which may include disclosure and consent).

The Firm's principal associates may also be licensed insurance agents and appointed with various insurance companies. The Firm may receive commissions resulting from any insurance recommendations that are implemented through these companies.

As discussed in **Advisory Business - Referrals of Investment Managers and Client Referrals and Other Compensation** sections of this brochure, the Firm may recommend the advisory services of unaffiliated investment managers.



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

## **Relationship with CCCM and the CCC Funds**

The Firm serves as investment adviser to CCCM and may offer advice to its clients or other qualified investors concerning a potential investment in one or more of the CCC Funds. Because the Firm and certain of its principals and affiliates have a financial interest in CCCM and the CCC Funds, the Firm has a financial incentive to recommend that its clients and qualified investors invest in the CCC Funds. Each of the CCC Funds furnish prospective investors with governing documents, offering documents, and other information concerning such CCC Funds for their consideration when making a decision whether or not to invest in any such funds. In addition, prospective investors are given the opportunity to ask questions of CCCM and its management and representatives prior to investing in the CCC Funds.

## **Allocation of Investment Opportunities and Co-Investment Opportunities**

In assisting its clients with their respective investment strategies, the Firm may identify private equity investment opportunities. In certain instances, principals or affiliates of the Firm also may co-invest in one or more of these investments alongside the applicable client(s) and may engage in private equity efforts from time to time on behalf of such privately-held companies. Co-investment opportunities provided to existing limited partners may be provided directly or through a side-by-side vehicle. The Firm may identify some investments that it believes are appropriate or suitable for one client, but not suitable for other clients. In each case, the Firm works to ensure that investment opportunities are allocated by the Firm among its applicable clients in a fair and equitable manner. A potential conflict of interest may arise in the context of co-investments by principals or affiliates because of the financial interest held by such principal or affiliates and the possible difference in investment objectives relating to such position. A potential conflict of interest also may exist because the Firm has a financial incentive to allocate resources to the management of CCCM and the CCC Funds. The Firm has adopted the Allocation of Limited/Co-Investment Opportunity Policy to allow for a fair and impartial process for the allocation of co-investment opportunities where there might be capacity constraints.

## **Related Partnerships**

Firm principals may maintain ownership in certain portfolio companies held by CCC Funds, both indirectly through their investment in the CCC Funds and directly through family partnerships or small private investment partnerships (“Related Partnerships”) other than the CCC Funds. Private equity related investment will be made through the CCC Funds unless its investment committee determines that a potential investment is not suitable or consistent with its strategy.

## **Code of Ethics and Personal Trading**

The Firm, its affiliates, principals and employees are permitted to trade for their own accounts, and from time to time may buy or sell securities that the Firm trades or recommends for its clients. To avoid any potential conflicts of interest resulting from the personal trading of the Firm’s

principals and employees, and to avoid the misuse of material non-public information, the Firm has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest, as required under Rule 204A-1 of the Advisers Act.

The Firm's Code of Ethics requires, among other things, that its principals and employees:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Firm above one's own personal interests;
- Adhere to the fundamental standard that he or she should not take inappropriate advantage of his or her position;
- Avoid and/or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analyses, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on the employee and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve his or her professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

The Firm's Code of Ethics also requires principals and employees to: (1) pre-clear certain personal securities transactions; (2) report personal securities transactions on at least a quarterly basis; and (3) provide the Firm with a detailed summary of personal securities holdings (both initially upon commencement of employment and annually thereafter), in each case subject to certain exceptions described in the Code of Ethics.

A copy of the Firm's Code of Ethics will be provided to any client or prospective client upon request.

## **Brokerage Practices**

Except with respect to CCCM and the CCC Funds, the Firm and its affiliates generally do not have discretion to select investments or brokers for client accounts, but may suggest brokers to their clients based on the individual needs and objectives of the client. Subject to the investment guidelines set forth in the relevant offering memoranda, CCCM has the power and authority to carry out the investment mandates of the CCC Funds, including the purchase and sale of fund investments, the selection of brokers, and the negotiation of brokerage compensation. However, although CCCM has the authority to do so, it does not currently select broker-dealers to effect transactions for the CCC Funds.

In suggesting brokers for any transaction or series of transactions, the Firm and its affiliates may consider a number of factors, including reputation, financial strength and stability, efficiency of execution, ability to execute difficult or complex transactions, on-line access to computerized data regarding clients' accounts, and other matters involved in the receipt of brokerage services generally. The Firm does not enter into any soft dollar or other similar arrangements with broker-dealers. In recommending broker-dealers, the Firm does not consider client referrals from a broker-dealer or third party.

At this time, the Firm has no directed brokerage arrangements. In the event that a directed brokerage arrangement is considered in the future, such arrangement would require approval by the Firm and it will amend this brochure accordingly.

Due to the nature of the Firm's advisory business, the Firm does not aggregate transactions.

The Firm's allocation of investment opportunities among the Firm's client and investor base is influenced by factors such as time horizon, risk tolerance, liquidity needs, growth objectives and current income/cash flow needs. The Firm anticipates that it will identify some investments that it believes are appropriate for one client, but not for other clients. In each case, the Firm works to ensure that investment opportunities are allocated by the Firm among its applicable clients in a fair and equitable manner.

## **Review of Accounts**

The Firm and/or its affiliates generally conduct reviews of client accounts on at least a quarterly basis. The level of review is determined by client need and/or the Firm's discretion. The review is triggered upon the receipt of interested third party copies of client statements/performance reports from third party managers or other financial institutions.

All of the Firm's supervised persons may perform reviews. The reviews are conducted to determine the accuracy, completeness, suitability and satisfaction of the client's stated objectives. Firm personnel involved in the review process include, but are not limited to the CEO, President, CCO and Sr. Analysts.

Statements, confirmations, and performance reports are furnished from various financial service institutions/firms with which the client transacts business. These firms may include, and are not limited to, brokerages, investment companies, trust companies, other registered investment advisers, banks and credit unions. The Firm may assist clients in interpreting and/or reviewing statements/reports, etc. How often reports are sent to the client depends on the various financial institutions/firms generating the reports. Typically, reports are sent monthly, quarterly, annually or, in the instance of confirmation reports, as transactions occur.

In addition, the Firm may prepare and furnish to clients, upon request, reports summarizing the client's portfolio holdings at various financial institutions, showing the client's overall asset allocation. Such reports may be furnished monthly, quarterly, or annually depending on the client's preference.

With respect to accounting matters, CCCM has engaged an independent accounting firm to conduct annual audits of the CCC Funds. Each CCC Fund provides to its limited partners annual audited financial statements and required income tax information. In addition, each CCC Fund generally provides quarterly or semi-annual performance reports to limited partners.

## **Client Referrals and Other Compensation**

The Firm and its associates, in the capacity as an investment adviser, may receive fees from other registered investment advisers for referrals of clients to such advisers. The Firm discloses to the client any fees or other compensation that it receives relating to the referral, in advance in writing as required by regulatory authorities and relevant professional codes of ethics.

As described above, the Firm has one referral arrangement with an unaffiliated investment manager to whom clients may be referred. Under the referral arrangement, the unaffiliated investment manager pays the Firm a percentage of the fees that it actually receives from the client. The referral fee is net of any discounts, refunds or rebates provided to a client when and if they occur. Currently, the Firm has one client to whom this arrangement applies.

The Firm currently does not compensate any unaffiliated person for client referrals.

## **Custody**

Due to the Firm's affiliation with CCCM, the Firm may be deemed to have custody of the CCC Funds' cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. Accordingly, the CCC Funds' cash and securities are maintained at one or more qualified custodians selected by CCCM. Limited partners of the CCC Funds do not receive statements from the custodian. To comply with Rule 206(4)-2 of the Advisers Act, an independent public accountant conducts annual audits of each of the CCC Funds and audited financial statements (prepared in accordance with generally accepted accounting principals) are distributed to each limited partner within 120 days of the end of each fiscal year.

In the relatively few instances where the Firm may be "deemed" to have custody over smaller private investment partnership assets (other than the CCC Funds) due to a control person serving in a trustee or general partner capacity, those private investment partnerships will be subject to an annual surprise asset verification examination conducted by an accounting firm registered with and subject to regular inspection by the PCAOB. In addition, account statements will be sent to the investors in such funds by the qualified custodian(s) and investors are encouraged to carefully review those statements. Investors should compare any account statements they receive from the custodians with any statements that they receive from the Firm and/or its affiliates.

Except as otherwise described above, the Firm does not have actual or constructive custody of the funds and securities of its clients.

## **Investment Discretion**

The Firm and its affiliates generally do not have discretion or any authority to select investments or brokers for client accounts, but may suggest investments and/or brokers to clients based on the individual needs and objectives of such clients. Notwithstanding the foregoing, the Firm and its

affiliates may provide advisory services to certain clients on a discretionary or limited discretionary basis from time to time.

CCCM generally has discretionary power and authority over the types of investments to be bought or sold, as well as the amount to be bought or sold, on behalf of each of the CCC Funds, subject to any limitations set forth in the applicable offering and governing documents. In addition, CCCM generally has authority to determine the broker-dealer or other counterparty to be used for CCC Fund transactions and the negotiation of commission rates and other consideration to be paid by the CCC Funds.

Each limited partner in a CCC Fund generally grants a limited power of attorney to CCCM to enable it to execute the applicable partnership agreement and perform certain other activities in connection with the administration of the CCC Fund on the investor's behalf.

## **Voting Client Securities**

The Firm generally does not have the authority to vote proxies and other securities on behalf of its clients. Instead, the obligation to vote client proxies generally rests with the client, or the clients' other financial advisers. The Firm is not deemed to have proxy-voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

While CCCM technically has proxy voting authority on behalf of the CCC Funds, it generally does not expect to be called upon to vote proxies with respect to securities owned by the CCC Funds. Nevertheless, in the event that CCCM is called upon to vote proxies, it will vote such proxies in accordance with the proxy voting policies and procedures set forth in the Firm's compliance manual.

Should the Firm inadvertently receive proxy information for a security held in a client's account, the Firm makes a good faith effort to forward such information to the client in a timely manner, but does not take any further action with respect to the voting of such proxy.

When the Firm or an affiliate assumes responsibility for proxy voting for private fund clients, the Firm or an affiliate votes each proxy in accordance with its fiduciary duty. The Chief Compliance Officer coordinates the Firm's proxy voting process. The Firm's Proxy Voting Policy outlines proxy voting procedures designed to ensure that proxies are properly identified and voted, and that any conflicts of interest are addressed appropriately. Clients and investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

## **Financial Information**

The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. The Firm has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.