

Cobalt Capital Management, Inc.

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This “**Brochure**” provides information about the qualifications and business practices of Cobalt Capital Management, Inc. If you have any questions about the contents of this Brochure, please contact our chief compliance officer (“**CCO**”), Thomas Laug at 212-808-3756 or by email at tlaug@cobaltcapital.com.

Additional information about Cobalt Capital Management, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Registration of an investment adviser does not imply that Cobalt Capital Management, Inc. or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Item 2: Material Changes

Because this is our first brochure prepared using the SEC's revised Form ADV Part 2A, we have no material changes in prior filings to report.

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Item 4: Advisory Business

Cobalt Capital Management, Inc. ("**Cobalt**", the "**Adviser**", "**we**", "**us**", "**our**" or the "**Firm**") is an investment adviser with its principal place of business in New York, New York. We commenced operations as an investment adviser in December 1994. We provide investment management services to onshore and offshore hedge funds (the "**Funds**") based on specific investment objectives and strategies. In addition to managing the Funds, we have an investment management relationship on a discretionary basis with an institutional managed account client (the "**Managed Account**," and together with the Funds where applicable, the "**Client Accounts**"). The limited partners of the Funds and our institutional account client are hereafter referred to where appropriate as our "**Investors**."

Cobalt is owned by Wayne Cooperman (the "**Principal**"). The general partner for certain of the Funds is Cobalt Management, LLC (the "**General Partner**"). Cobalt MFC, LLC is a sub-adviser to certain of our Funds (the "**Sub-Adviser**"). Cobalt, the General Partner and the Sub-Adviser are controlled by Wayne Cooperman.

We are registering with the SEC as an investment adviser. The General Partner and the Sub-Adviser operate in the course of the our investment management business as though they are registered investment advisers and are deemed "Relying Advisers" for the purposes of the SEC's January 18, 2012 no-action position regarding the registration requirements of certain investment advisers that are related to SEC-registered investment advisers issued by the SEC staff to the American Bar Association.

As of January 31, 2012, the Firm had approximately US\$3,745,100,000 in regulatory assets under management, all of which are managed on a discretionary basis.

Item 5: Fees and Compensation

We generally charge each Fund a quarterly management fee at an annual rate ranging from 1.0% to 1.5% of the net assets of the respective Fund. Management fees are charged each quarter in arrears based on the value of the net assets of the fund as of the last business day of such quarter. In the event that we are not acting as investment manager under our investment management agreement for the entire quarter, the fee payable by the Fund for such quarter will be prorated to reflect that portion of the quarter in which we provided services under the agreement. We may, in our sole discretion, waive or reduce the fee paid to us by investors that are our employees or affiliates.

Fees are deducted from a Fund's account by instructing the Fund's custodian. We pay all ordinary office expenses which include rent, supplies, secretarial expenses, charges for furniture and fixtures, and compensation of security analysts and administrative personnel. The Funds will pay for investment expenses such as commissions, research expenses, interest on margin accounts, custodial fees, and other reasonable expenses related to the purchase, sale or transmittal of Fund assets, as well as legal, accounting or other professional fees.

Neither Cobalt nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products. Investors have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

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

The Firm generally receives an annual incentive allocation ranging between 18.0% and 20.0%, subject to a high water mark, with respect to each Fund that is calculated based all net profits and net losses (including realized and unrealized gains and losses) of the relevant Fund (the “**Performance Fee**”). The Performance Fee is charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

Performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. We have implemented procedures designed to ensure that all Client Accounts are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among our Client Accounts.

No other hourly, flat or asset-based fees are charged to the Funds.

Item 7: Types of Clients

Our clients are the Funds and the Managed Account. Investors in the Funds consist primarily of institutional investors, high net worth individuals, and endowments. The minimum initial investment for the Funds is US\$1,000,000 subject to exception at the discretion of the General Partner. Investors who are U.S. persons must be “accredited investors” under Regulation D of the Securities Act of 1933, as amended, be able to enter into a performance fee arrangement under the Advisers Act and, for certain Funds, be “qualified purchasers” under Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. We require our Fund investors to make representations concerning their financial sophistication and ability to bear the risk of their entire investment in a Fund.

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

Methods of Analysis & Investment Strategy

Our investment objective is to seek above-average long-term capital appreciation with below average levels of risk. Our strategy is accomplished through investments in equity securities using both long and short positions. Our Funds invest primarily in publicly-traded common stocks, but may at any time include long or short positions in publicly-traded or privately negotiated (or restricted), domestic or foreign common stocks, preferred stocks, stock warrants and rights, corporate debt, bonds, notes or other debentures or debt participations, bank debt, convertible securities, pooled investment vehicles, managed accounts, swaps, commodities, commodity contracts, commodity futures, financial futures and related options and other securities or financial instruments including those of investment companies. A Fund typically will not invest more than 10% of the net asset value of the Fund (measured at the time of investment) in the securities of a single issuer (other than government securities or money market funds or similar cash equivalent instruments). A Fund's investments may include investment in unseasoned as well as mature companies. In addition, our Funds may buy, sell or write options of any or all types (including options on market indices) as well as engage in short sales of securities and buy securities on margin.

In seeking to achieve our objective, we employ a research-driven, fundamentally-oriented value strategy. Through a combination of intensive research, financial analysis and the

conducting of company and management visits, we attempt to uncover both undervalued and overvalued securities. In valuing securities, we generally analyze many factors such as the company's long term growth potential, the company's ability to generate cash for its owners, the quality and motivation of its management, the overall investment climate and the valuations accorded other companies in similar businesses.

We believe that the first step in analyzing any company is to thoroughly understand the businesses it operates and the way it makes money. As a part of this step, we consider dynamic factors affecting the company including the company's competitive position, the social and economic trends which affect the demand for the company's products or services, and any legislative or regulatory forces facing the industry in which it operates. During this process, we also evaluate management and its ability to alter the company's cash generating ability. We place a great deal of importance on face-to-face meetings with senior management of companies in which we invest. In particular, management's track record and credibility as well as its incentives to grow shareholder value are assessed. In order to undertake this fundamental analysis, we will usually perform many or all of the following: visit the company and meet with several members of senior management; visit the company's stores where appropriate; speak to industry analysts; read relevant trade journals; speak to customers, competitors, and suppliers; analyze cost trends for all major inputs and outputs; and examine all comparable companies.

The second step we typically take is to conduct a rigorous financial analysis of the company, particularly emphasizing the company's balance sheet, cash flow statement and quality of earnings. We also carefully examine a company's accounting methods and assumptions to determine how accurately the reported financial numbers represent the true economics of the business. Often, many signs of pending financial problems can be detected early through rigid financial analysis.

The final step in our analysis typically is to value the company based on the present value of its estimated future cash flows. We then compare this value to the quoted market price of the security. Securities priced well below their estimated fair value are prime candidates for purchase and those priced well above are candidates to be sold or sold short.

Risk of Loss Factors

The following are the material risks involved in our investment strategy. This list does not purport to be a complete enumeration or explanation of the risks involved in such strategy. Prospective investors are urged to consult their professional advisers and to review the legal documents for each particular Fund before deciding to make an investment in a Fund.

Small Cap Stocks

We invest a portion of a Fund's assets in the stocks of companies with small to medium-sized market capitalizations. While we believe these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

Short Sales

Short selling, or the sale of securities not owned by a Fund, necessarily involves certain additional risks. Such transactions expose our Funds to the risk of loss in an amount greater

than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by our Fund in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein our Fund might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Trading in Futures Contracts

Trading in futures contracts and options thereon are highly specialized activities which while they may increase the total return in a Fund's investments, may entail greater than ordinary investment risks.

Non-U.S. Securities

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

High Risk Investments

Our Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, our Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Fund of its entire investment in such companies.

High Yield Securities

Our Funds may invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for

higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Item 9: Disciplinary Information

We have not been the subject of any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. In addition, no persons involved in the management of the Firm have been the subject of any such action.

Item 10: Other Financial Industry Activities and Affiliations

This Item is not applicable.

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

Participation or Interest in Client Transactions

We and our affiliates and employees have a financial interest in the Funds through our Performance Fee and/or through a direct investment interest in the Funds. As such, we could be considered to have recommended to our investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

Code of Ethics & Personal Trading

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics and an Employee Investment Policy that establishes various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which an employee has investment discretion. Our Code of Ethics and our Employee Investment Policy are available for review to our Investors and prospective clients or investors upon request.

In general, employees (and members of their immediate households) are permitted to invest in equities, options or futures but must obtain written pre-approval from the CCO. The spirit of the Code of Ethics and the Employee Investment Policy is to discourage frequent trading in employee personal accounts. In addition, employees may not acquire securities for their own account in an initial public offering without written pre-approval from the CCO. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

All of our employees must direct their brokers to send duplicate brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

Our policy applies to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving government securities, open-end mutual funds or other instruments which afford the investor no discretion over individual securities transactions.

Insider Trading Policies and Procedures

We maintain insider trading policies and procedures that are designed to prevent the misuse of material, non-public information. Our insider trading policy is contained in our written Supervisory Procedures and Compliance Manual (“**Compliance Manual**”). Among other things, such policies and procedures include restricting trading in securities in which employees may possess non-public information and monitoring and reviewing trading for the account of the Firm and our employees. On a periodic basis, our employees are required to certify to their compliance with our Compliance Manual, including our insider trading policies.

Privacy Policy

We are committed to maintaining the confidentiality, integrity and security of our Investor’s and prospective investor’s personal information. It is our policy to collect only information necessary or relevant to our management business and use only legitimate means to collect such information. We do not disclose any non-public personal information about our investors or former investors to anyone except for servicing and processing transactions and as required by law. We restrict access to non-public personal information about investors to those employees with a legitimate business need for the information. We maintain security practices including physical, electronic, and procedural safeguards in order to guard our Investor’s and prospective investor’s non-public personal information.

Upon request, we will provide Investors and prospective clients and investors with a copy of our privacy policy.

Item 12: Brokerage Practices

As an adviser and a fiduciary to our Funds, we require that our Funds’ interests must always be placed first and foremost, and our trading policies and procedures prohibit unfair trading practices and seek to disclose and to avoid any actual or potential conflicts of interest or to resolve such conflicts in the Fund’s favor. We have adopted the following policies and procedures to meet the Firm’s fiduciary responsibilities and to ensure that our trading practices are fair to all Client Accounts and that no Client Account is advantaged or disadvantaged over any other.

Aggregation

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Our policy is to aggregate client transactions where possible and when advantageous to clients. In these instances, clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

Allocation

The majority of our orders for listed securities are communicated to the executing broker through Eze Castle, our order management system (“**OMS**”), and each order is designated for automatic allocation using the OMS’s “Leveling” program. The Leveling program automatically allocates trades throughout each month to ultimately “balance” the trades in accordance with the beginning pro-rata balances of each Client Account. Practically, each Client Account balance (or assets under management) is entered into the OMS at the

beginning of each month, and the OMS Leveling allocates trades accordingly, gradually adjusting the allocated shares until equitable balances are achieved.

Notwithstanding the foregoing, an aggregated order may be allocated on a basis different from the general pro rata allocation generated by the OMS Leveling. Reasons for allocating on a basis different from pro rata may include: a Client Account's investment guidelines and restrictions, available cash and expected capital inflows and outflows, liquidity requirements, tax or legal reasons, existing positions in the same or similar securities, leverage, to avoid odd-lots or in cases when a pro rata allocation would result in a de minimis allocation to one or more Client Accounts, or other reasons which our portfolio manager deems in the best interest of the Client Accounts.

Best Execution

As an investment advisory firm, we have a fiduciary duty to seek best execution for client transactions. As a matter of policy and practice, we seek to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

Principal Trading

We do not buy securities from our Client Accounts or sell securities that we own to the Client Accounts.

Soft Dollars

Goldman Sachs & Co. is our "soft dollar" broker and, except for services that would be a Fund expense, all expenses paid from this account fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. Our soft dollar usage is fully disclosed in our relevant offering documents.

Item 13: Review of Accounts

Review of Accounts

The Funds managed by the Firm are reviewed on a continual basis by Wayne Cooperman to assure conformity with investment objectives and guidelines.

Reporting

Each Investor in a Fund receives written reports of the performance of the Fund on a quarterly basis and audited year-end financial statements within 120 days of the Fund's fiscal year end.

Item 14: Client Referrals and Other Compensation

We are not compensated by any party other than our Client Accounts. We receive no economic benefit from entities other than the Client Accounts for providing investment advice or other advisory services to our Clients Accounts, directly or indirectly.

Item 15: Custody

This Item is not applicable.

Item 16: Investment Discretion

We possess discretionary portfolio management authority over the Client Accounts with respect to asset allocations and direct investments pursuant to the advisory agreements and as described in the relevant offering documents in place. Prior to assuming full discretion in managing a client's assets, we enter into an investment management agreement or other agreement that sets forth the scope of our discretion.

We have the authority to determine, among other things, (i) the securities to be purchased and sold for our Client Accounts (subject to restrictions on our activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for any Client Account.

Item 17: Voting Client Securities

To the extent we are delegated proxy voting authority on behalf of our Funds, we adhere to proxy voting policies and procedures that are designed to ensure that, in cases where we vote proxies with respect to client securities, such proxies are voted in the best interest of the Fund. Investors in our Funds may not direct voting of proxies.

Upon request, we will provide our Investors and prospective clients and investors with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

Item 18: Financial Information

As a registered investment adviser, we are required in this Item to provide certain financial information or disclosures about our financial condition. We have no financial commitments that would impair our ability to meet our contractual obligations and fiduciary commitments to our Client Accounts, and have not been the subject of a bankruptcy petition.