

## **Item 1 – COVER PAGE**



### **CUMBERLAND HILL CAPITAL MANAGEMENT LLC**

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March 13, 2013

This brochure provides information about the qualifications and business practices of Cumberland Hill Capital Management LLC. If you have any questions about the contents of this brochure please contact us at 214-855-5335. 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 Cumberland Hill Capital Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - MATERIAL CHANGES**

Since our last filing on March 30, 2012, we have updated our Assets Under Management and added information on our new Fund, which can be found under Item 4, "Advisory Business". In addition, Rodney Madden no longer affiliated with a broker-dealer.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide you with a new Brochure, as necessary, based on changes or new information. Currently, our Brochure may be requested at any time, without charge, by contacting Rodney T. Madden at (214) 855-5335.

Additional information about Cumberland Hill Capital Management LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Cumberland Hill Capital Management LLC is 142227. The SEC's web site also provides information about any persons affiliated with Cumberland Hill Capital Management LLC who are registered, or are required to be registered, as investment adviser representatives of Cumberland Hill Capital Management LLC.

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## **Item 4 - ADVISORY BUSINESS**

Cumberland Hill Capital Management LLC, ("CHCM" or the "Firm"), was established in September 2006 to provide investment supervisory services on both a discretionary and non- discretionary basis to private funds consisting of limited partnerships and limited liability corporations. The firm is registered with the United States Securities and Exchange Commission (SEC).

Rodney T. Madden is the sole managing member and Chief Compliance Officer for the Firm. Principal offices of the Firm are located at 1901 N. Akard, Dallas, Texas. The Firm does not have any other locations. The Firm does not have a website on the World Wide Web. All books and records are maintained at this location in accordance with applicable rules and regulations. The Firm is registered in the state of Texas as a Limited Liability Company (LLC). Fiscal year end for the Firm is December.

### **ADVISORY SERVICES OFFERED**

CHCM will identify and select sub-advisors for a portion of the Partnership's capital investments and will select other underlying investments. In addition, CHCM may advise the partnership(s) in the purchase of securities when a value opportunity arises. The combined investment strategies are intended to provide the partnerships with exposure to a diverse portfolio of debt and equity securities and other types of investments.

The Firm does not provide financial planning services or participate in a wrap fee program.

### **ASSETS UNDER MANAGEMENT**

The method of calculation to determine assets under management by CHCM is an accounting of all subscription amounts to date. Any material change in the amount of assets under management shall be reported and updated as required on CHCM's Form ADV and the applicable schedules and brochure documents in a timely manner.

Assets under management shall be determined at the close of the offering. The assets under management total \$12,365,500; and consist of the Ironwood Recovery Fund LLC totaling \$2,074,000 at the close and the Ironwood Recovery Fund 2011 LLC totaling \$10,291,500 at the close. The Ironwood Recovery Fund 2012 LLC is open and totals \$5,124,650.

## **Item 5 - FEES AND COMPENSATION**

Fees and compensation to CHCM are outlined in each respective Private Placement Memorandum as well as in the Advisory Contracts between the client and the Firm. CHCM typically receives a quarterly asset management fee calculated at the annual rate of 2% of Net Asset Value as of the first day of each calendar quarter. This Management Fee will be paid out of the revenues of each Company. To the extent that a Company does not have revenues sufficient to pay the Management Fee, and the Company pays the Management Fee, such payment might be an additional use of proceeds and would reduce the amount available for investment.

In addition, CHCM may receive an annual performance based fee as of the last day of each year, equal to 20% of the net increase in the capital account for that respective year. However, the performance fee shall be paid only if the following conditions have been met; the Capital Account has a net cumulative increase

since inception and exceeds any prior amount on which the Performance Allocation was paid, after adjusting for Capital Contributions, Distributions, redemptions and withdrawals. All unearned pre-paid fees shall be refunded to the underlying investor or its account

In addition, the client(s) shall pay, or shall reimburse the Applicant, in addition to the Management Fee, for all other costs and expenses arising in connection with the services rendered under the Investment Advisory Agreement, including, without limitation, the following expenses:

- (a) for Organizational Expenses, including offering costs, in the non-accountable amount of 1% of gross Capital Contributions to that Company, with a minimum reimbursement of \$50,000 from each Company and a maximum reimbursement of \$100,000 from each Company. To the extent such reimbursement exceeds actual costs incurred; it may constitute additional compensation to the Manager. The Organizational Expenses will be allocated between the Companies in proportion to the subscriptions accepted in each Company, subject to the minimum contribution from each Company, and will be allocated among the Investor Members in each Company in proportion to Units held

- (b) fees, costs and expenses incurred by CHCM in connection with the purchase or sale of securities by the Partnership (including finder and brokerage fees and commissions, placement fees, transfer taxes, costs relating to the registration or qualification for sale of securities, and fees, costs and expenses of legal counsel, accountants and other professionals and consultants);

We may pay commissions of up to 6% of the Capital Contributions for Units placed through registered securities broker/dealers pursuant to placement agreements. We will not pay commissions for Units placed through the Manager. We may waive payment of a sales commission or due diligence/marketing fee by investors who invest through a registered investment advisor or who are affiliated with the Manager or are an associated person [including immediate family members] of a selling broker/dealer or investment advisor. We anticipate that most of the Units will be placed through the Manager without the payment of commissions or discounts. All commissions or placement fees, if any, paid to a securities broker/dealer shall be allocated 100% to the Capital Account of the Member who subscribed through such securities broker/dealer.

- (c) due diligence expenses (a due diligence/marketing fee of up to 2% to registered securities broker/dealers for subscriptions received through such broker/dealer and may pay actual due diligence expenses incurred, up to 2% of subscriptions received, to investment advisers and others such as attorneys or accountants who assist a prospective investor in evaluating this investment. Any due diligence/marketing fee paid to a securities broker/dealer shall be allocated 100% to the Capital Account of the Member who subscribed through such securities broker/dealer.)
- (d) fees, costs and expenses incurred in connection with any proposed purchase or sale of securities by the Partnership, whether or not consummated (including fees, costs and expenses of legal counsel, accountants and other professionals and consultants);
- (e) any legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against CHCM in connection with the affairs of the Partnership or services provided under this Agreement;
- (f) the costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by the Investment Adviser in connection with services rendered to the Partnership; and

- (g) all costs and expenses directly related to investment positions held for the Partnership(s) Account(s), including custody charges, audit charges, interest and commitment fees on loans and debit balances. Any expenses incurred by CHCM that are reimbursable as set forth under the Investment Advisory Agreement shall be reimbursed in full promptly upon provision of a statement for such expenses by CHCM to the Partnership(s).

Management fees paid to Applicant are negotiable at the discretion of CHCM. CHCM shall deduct fees directly from client accounts on a quarterly basis. Fees are billed in advance. In the instance of termination of an agreement between the client and CHCM, all fees billed in advance shall be refunded to clients on a prorated basis.

## **Item 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Manager is entitled to receive a Performance Allocation equal to 20% of distributions after Investor Members have received distributions equal to their Capital Contributions plus the Priority Return. All expenses and losses will be allocated to the Investor Members. Investor Members will be allocated profits in the amount of such expenses and losses, excluding due diligence/marketing fees and selling commissions and management fees, before any profits are allocated to the Manager.

## **Item 7 - TYPES OF CLIENTS**

CHCM provides investment supervisory services on both a discretionary and non- discretionary basis to private funds consisting of limited partnerships and limited liability corporations (“clients”). Investors in the Funds may include, but are not limited to, “accredited investor” or a “qualified purchaser” within the meaning set forth under the federal securities laws.

## **REQUIREMENTS FOR OPENING AN ACCOUNT**

Applicant requires the submission of limited partnership or limited liability corporation documents for review and approval prior to accepting an account. All necessary partnership filings must be provided included but not limited to proposed prospectuses, private placement memoranda, or other offering related documents. Legal and tax opinions may be required prior to acceptance of any client.

## **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Applicant advises clients regarding the selection of and management of investments in a portfolio of investment sub-advised managed accounts, and clients who engage in the offering of partnerships that facilitate the purchase through debt servicers of charged off consumer debt.

Clients should be aware that investing in securities involves a risk of loss. Investments are subject to fluctuations in the market and can be affected by economic factors such as rates of inflation, interest rates and changes in the economy. There is no guaranty of performance when investing in the securities markets. Past performance of a particular security may not be indicative of future performance. You should be aware of these risks and should review your portfolio with your advisor should be have questions regarding any securities position and the risks associated to your investment in that position.

While management of a client's portfolio may involve consideration of tax implications related to the purchase and sale of securities, CHCM does not offer tax advice and recommends that client's utilize the services of a CPA or tax attorney for tax advice.

## **Risks for CHCM's Clients**

An investment in the Partnership involves a degree of risk and is suitable only for persons of substantial financial means who have no need for liquidity in their investment and who can afford the entire loss of their investment in the Partnership.

***Investment Suitability.*** The Partnership may incur losses and therefore the Partners may lose part or all of their investment in the Partnership. Partners should be prepared to hold the Partnership Interests for an indefinite length of time. The Partnership is not likely to pay Distributions. Therefore, an investment in the Partnership should not be made by persons who seek current income from this investment. Only those prospective investors who can afford to lose all or part of their investment, who do not have a need for current income from the Partnership and who can afford to hold their Partnership Interests for an indefinite length of time should consider investing in the Partnership.

***Investment in Third Parties.*** The Partnership will be a passive investor in most Underlying Investments. For example, the Partnership may acquire an interest as a limited partner in a partnership, rather than the entire partnership. The manager of each entity will control the investment policies and management of that entity. The Partnership is not likely to have the right to require that any manager take any specific action regarding an Underlying Investment.

***Interest in Underlying Investments.*** The Partnership is not likely to have the right to manage or control any Underlying Investment. Therefore, if an Underlying Investment is not successful, the Partnership will share in the loss but will not have any ability to manage the Underlying Investment or minimize the loss. The Partnership will have limited access to information about the Underlying Investments. Therefore, the Partnership will have to rely on the managers of each investment for accurate and complete information about the performance of each Underlying Investment.

***Investment Net of Expenses.*** The Partnership incurred Organizational Expenses which will be borne by the Partners. The amount ultimately available for investments in Underlying Investments will be net of Organizational and Operating Expenses and commissions. Therefore, Partners in the Partnership are likely to bear an overall higher ratio of expenses to net investment than might have been the case if a Partner had made a direct investment in an Underlying Investment.

***Layers of Management Fees.*** The managers of the Underlying Investments will receive management fees, and may receive performance allocations. In addition, the Managing Partner will receive a management fee and a performance allocation. Therefore, any net profit to the Partners will be reduced by the two levels of fees, although the Managing Partner may negotiate a fee structure with the managers of the Underlying Investments that will reduce the aggregate level of fees borne by the Partners.

***Investment Risk.*** The profitability of the Partnership's investments in Underlying Investments depends to a great extent upon correctly assessing the future price movements of securities, commodities and other investment vehicles. There can be no assurance that the Partnership or any Underlying Investment

manager will be able to accurately predict these price movements. Past performance is no guarantee of future results.

***Illiquid Investments.*** The investments by the Partnership in Underlying Investments may be illiquid. Illiquidity may result from the absence of an established market and also from restrictions on sale of the investments contained in a partnership or similar agreement. The Partnership may not be able to sell such investments at prices that reflect the Managing Partner's assessment of their value or the amounts paid for such investments. If the Partnership experiences unanticipated redemptions, the Partnership may be forced to sell investments in the Underlying Investments at times or for prices that are unfavorable to the Partnership.

***Strategy Risk.*** The Partnership may invest in hedge funds. The strategies followed by hedge funds involve different risks than those of long investments in equity securities or mutual funds. For example, short selling potentially involves unlimited liability since the market price of securities sold short (not against the box) may increase to such an extent or so rapidly that the fund has difficulty purchasing such securities, and might have to sell other investments at less than favorable prices to meet its obligations related to the short sales. The hedge funds may invest in derivatives, where the value is derived from an underlying security, financial benchmark, currency or index. The value of the derivative may fluctuate more widely than the value of the underlying asset, particularly if the derivative is leveraged. Therefore, a relatively small movement in the value of the underlying asset might result in a loss related to the derivative that exceeds the amount invested in the derivative, and the magnitude of the loss might be increased due to the leverage.

***Compensation of the Managing Partner may encourage risk-taking.*** The Managing Partner will be compensated primarily for the appreciation in the value of the Partnership's investments. The Managing Partner is not directly penalized for losses or decreases in the value of the Partnership's investments, other than through losses allocated to its Capital Account. This may create an incentive for the Managing Partner to engage in transactions or to select investments that are particularly risky or speculative.

***Compensation of Managers of Underlying Investments May Encourage Risk-Taking.*** The managers of the Underlying Investments are likely to be compensated for the appreciation [including unrealized appreciation] in the value of the Underlying Investment. While the performance compensation arrangement may include a "high water mark" or require realized or unrealized losses to be carried forward as an offset against profits in subsequent years, the managers generally are not directly penalized for losses or decreases in the value of the Underlying Investments. This may create an incentive for the manager of an Underlying Investment to engage in transactions or to select investments that are particularly risky or speculative.

***Regulation.*** The Underlying Investments are not likely to be registered as investment companies. In addition, it is not likely that any manager of an Underlying Investment will be registered as an investment adviser. Therefore the Underlying Investments and the management are not likely to be subject to oversight by any governmental agency.

***Information for Tax Returns.*** Although the Partnership will endeavor to provide Schedule K-1s to the Partners as soon as practical after receipt of the appropriate tax information from the Underlying



Investments, it is possible that the Partnership will not receive the information from the Underlying Investments in time to distribute Schedule K-1s to the Partners prior to April 15<sup>th</sup> of each year. As a result, it is possible that Partners would be required to obtain extensions of the filing date for their income tax returns at the Federal, state and local levels.

**Timing of Redemptions.** Substantial redemptions by Partners could require the Partnership to redeem or withdraw all or part of an investment or otherwise to liquidate investments more rapidly than otherwise desired or under unfavorable market conditions. Therefore, the Partnership could suffer a loss or a decrease in the value of its investments in order to honor redemption requests.

**Delay in Payment of Redemption.** The Partnership may not have sufficient liquid assets to pay any redemption amount at the redemption date, and therefore, the redeeming Partner may not receive payment when expected. In addition, a redeeming Partner may receive payment in whole or in part in securities, which are likely to be illiquid.

**Valuation of Assets.** The Managing Partner will value the Partnership's assets periodically, based primarily on information received from the managers of the Underlying Investments. Such investments may not have readily ascertainable values. Therefore, the estimation of the value of the Partnership's assets at any time is subject to uncertainty. If the assets are valued too highly at the time a Partner purchases a Partnership Interest, the Partner is likely to incur a loss or achieve a lower gain than might otherwise be the case. Conversely, if assets are valued too low at the time a Partner purchases a Partnership Interest, the Partner may be allocated gain that should have been allocated to the other Partners at the time of purchase. In the same manner, if assets are valued too high at the time of redemption, and the value is subsequently lowered, the redeeming Partner might receive gain that should have been allocated among the Partnership Interests remaining after the redemption. If assets are valued too low at the time of redemption, the redeeming Partner may receive a lesser amount than he would otherwise be entitled to receive. The valuation of the Partnership assets is subject to uncertainty and may involve subjective judgments which may prove to be inaccurate.

**Unspecified Investments.** The Partnership will rely on the expertise of the Investment Advisor to select appropriate Underlying Investments. While the Managing Partner believes that this should result in the selection of sound and diversified investments, there can be no assurance that the reliance on the expertise of the Investment Advisor or of any manager of any Underlying Investment will have been well-founded. The Partnership's success will depend significantly on the ability of the Investment Advisor to select appropriate managers of Underlying Investments.

**Investment in Multiple Investments Does Not Assure Success.** There can be no assurance that the collective performance of the Underlying Investments will result in gains for the Partnership. Profitable performance achieved by one investment might be offset by losses incurred by other investments, or all the investments could fail to achieve profits. Over time, most money managers fail to meet or exceed performance benchmarks such as the S&P 500 or the Dow Jones Industrial Average. While the Partnership intends to select managers for Underlying Investment that engage in strategies designed to produce profitable and superior returns, there can be no assurance that the Underlying Investments will be profitable, singly or in the aggregate, or that the performance of the Underlying Investments, singly or in the aggregate, will meet or exceed any appropriate benchmark.

***Concentration of Investment in a Few Underlying Investments.*** The Partnership may invest a significant proportion of its assets in only a few Underlying Investments. The concentration of Partnership investments through one or a few Underlying Investments could subject the Partnership to an enhanced risk of overall loss if any single investment were not successful.

***The Partnership may acquire securities in microcap companies, which present more market risk.*** Microcap companies are companies with relatively small market capitalizations, typically of \$300 million or less. Market capitalization is a stock's current share price multiplied by the number of shares outstanding. To the extent the Partnership invests in microcap companies, the Partnership may have capitalization risk. These companies may present additional risk because they have less predictable earnings, more volatile share prices and less liquid securities than large capitalization companies. These securities may be thinly traded (and therefore have to be sold at a discount from current prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings, thus creating a greater chance of loss than securities of larger capitalization companies. These securities may fluctuate in value more than those of larger, more established companies and, as a group, may suffer more severe price declines during periods of generally declining stock prices.

***Microcap companies may also present more risk than larger companies.*** Investing in microcap companies can involve greater risk than is customarily associated with investing in stocks of larger, more established companies. For example, smaller companies often have limited product lines, limited markets, limited capital and other financial resources, may be dependent for management on one or a few key persons and can be more susceptible to losses.

***The Partnership may invest in restricted or illiquid securities.*** The Partnership may purchase securities subject to restrictions on resale. Difficulty in selling such securities may result in a loss or be costly to the Partnership. Restricted securities generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Act, or in a registered public offering. Where registration is required, the Partnership may be obligated to pay all or part of the registration expense and a considerable period may elapse between the time it decides to seek registration and the time it may be permitted to sell a security under an effective registration statement.

***The Partnership will not provide current income.*** The Partnership does not intend to pay periodic Distributions. Therefore, an investment in the Partnership is not suitable for investors seeking current income.

***Limited history.*** The Partnership has a limited operating history. The Managing Partner has no experience in managing a private investment fund other than this Partnership. The principals of the Managing Partner and the Investment Advisor do, however, individually have extensive experience in managing investments. Adverse situations could arise in which the Managing Partner and its principals have not had prior experience. The Managing Partner's lack of experience could adversely affect the Partnership.

***Use of debt may increase risk.*** The Partnership is authorized to incur debt and to invest in leveraged funds or entities. The use of debt increases risk, as any lender is likely to have rights senior to the rights of the Partnership on any default. A default on debt could result in the loss of the entire investment.

### **Risk factors of Partnership(s) including charged off consumer debt:**

An investment in Units is highly speculative and involves a high degree of risk. An investment in Units is suitable only for persons of substantial financial means who have no need for liquidity in their investment. You should not purchase Units if you cannot afford the entire loss of your investment. We will be subject to various risks and uncertainties in the course of our business. The following summarizes some, but not all, of the risks and uncertainties which may adversely affect our business, financial condition or results of operations. Our business could also be impacted by additional risks and uncertainties not currently known to us or that we currently deem to be immaterial. You should carefully consider the risks described below, as well as the other information in this Memorandum, when evaluating whether to make an investment in the Units. If any of the following risks actually occur, the return on your investment could be materially and adversely affected and you could lose all or part of your investment.

***Partnership may not be able to acquire consumer debt.*** We may not be able to acquire consumer debt based on a number of factors, some of which are beyond our control. Current holders of consumer debt may retain such debt or transfer the debt to affiliates for collection. The holders may seek to collect such debt using internal resources. The holders may require higher prices than we are willing to pay. As a result, we may not be able to invest some or all of the capital we raise.

***The consumer debt we acquire will be charged off.*** We intend to acquire consumer debt that has been "charged-off," or, reduced to zero value on the financial records of the holder/original issuer of the debt. Generally, the holder will not charge off the debt until it is delinquent 180 days or longer and the holder has already made sustained efforts to collect or renegotiate the debt. Most of the debt we acquire will have been delinquent for two years or more. Collection agencies may have attempted to collect the debt without success. It is highly unlikely that most of the consumer debt we acquire will be paid in full.

***The consumer debt we acquire may be subject to defenses to payment.*** Various federal and state laws and regulations regulate consumer debt. Violation of any of these laws or regulations could create a defense to payment of the debt or could result in the assessment of penalties. We will not examine the debt we acquire for potential violations or defenses or penalties. Although we may seek contractual indemnification from the holder for such violations, we are likely to bear most or all of the associated loss.

***Collection efforts may result in defenses to payment or penalties.*** The collection of consumer debt is highly regulated. Collection efforts may result in violation of an applicable law or regulation and could lead to defenses against payment, increased costs, or losses on the debt.

***Our methodology for pricing debt may be flawed.*** We examine and price portfolios of consumer debt using primarily our proprietary model for analysis. The decision whether to make an offer for a portfolio, and the price we offer depends on the result of the analysis. Our assumptions underlying the model may prove to be inaccurate. The formula for determining price may be flawed. We may overpay for a portfolio or may underbid and lose the chance to acquire a portfolio.

***We may not be able to arrange to collect or sell any consumer debt we acquire.*** Our ability to recover expenses and amounts we pay for debt, and to generate profits, depends on our ability to arrange to collect or sell the consumer debt we acquire for substantially more than we paid for the debt. We may

not be able to recover the amount we paid for the debt, or enough in excess of our basis to pay our expenses and generate a profit.

***Dependency Risk Associated to Debt Collection.*** The Partnerships are not licensed or bonded as a debt collector. We do not intend to collect the debt directly. The Partnership(s) intend to engage third party servicers to hold, re-sell and collect the debt. The Partnership(s) will be obligated to pay fees to these servicers and to pay the expenses of collecting debt. Such fees and expenses will reduce the amount the Partnership(s) receive from collection of each portfolio and may result in the loss of investment.

***Title to the debt.*** The portfolios of consumer debt will be acquired by and held in the name of debt servicers. The Partnership(s) will make a loan to such servicers to provide the capital needed to acquire the consumer debt portfolios identified for acquisition. Although the loan to servicers will be supported by proper documentation, and loans will be secured under the terms required by the applicable law and the Uniform Commercial Code, the Partnership(s) will not hold direct title to the consumer debt that has been identified for acquisition, and instead are relying on a debt payment obligation of servicers and the right to foreclose on and take title to the acquired consumer debt in the event that the servicer defaults on the loan. This structure could result in additional risk, as the Partnership(s) cannot ensure that the servicer will not take action (for example, by filing bankruptcy) that would jeopardize the Partnerships' ability to take title to the consumer debt in the case of a loan default. In the case of a servicer loan default, the Partnership(s) would be required to rely on loan documentation and security interest in the assets of the servicer and consumer debt in order to protect interests and take control of the consumer debt that had been financed by the Partnership for the servicer. It is possible, in a default scenario, that in any adjudication involving the loan to the servicer (including in the context of a servicer bankruptcy), that the adjudicator may determine that (a) the collateral for the Partnership(s) loan to the servicer, including the acquired consumer debt, is not subject to the Partnership(s) security interest, (b) collections on our consumer debt collateral may be used by the servicer to fund post-petition costs and expenses, rather than paid to the Partnership(s) to retire the loan. Any bankruptcy, receivership or other form of default of a debt servicer is likely to cause a substantial and possibly a total loss with respect to the consumer debt acquired by such servicer.

***Distressed debt will not be collected in full.*** The distressed debt the Companies acquire is likely to have been delinquent for two years or more. The consumer may have moved, lost their job, changed their name, or died. A significant portion of this consumer debt will be credit card debt. Credit card debt is not secured by any collateral, unlike (for example) a car loan, so the consumer has no incentive to pay the debt to retain his possessions. Once charged-off, the entire outstanding principal amount of such debt is rarely paid. Any payment is likely to be a small fraction of what is owed and many consumers, even if they can be located, will not make any payment. A high percentage of the debt will not be collected and maybe resold or abandoned. We may not recover our investment in the debt and our expenses.

***The assets will be liquidated.*** At the conclusion of our collection efforts, there is unlikely to be any value remaining in the assets, even though a significant portion of the assets may remain uncollected. As collection efforts continue, the amount of collections is likely to decline both absolutely and as a percentage of the remaining principal amount. A high percentage of the debt will not be collected and maybe resold or abandoned. We anticipate that we will be able to buy distressed debt at a steep enough discount to

recover our investment and expenses and make a profit. There is no guarantee, however, that we will be able to do so. If we are not successful, there is not likely to be any value remaining in the assets, and you may lose all or part of your investment.

***Economic conditions could affect our ability to profit from distressed consumer debt.*** If macro-economic conditions further deteriorate, and, the U.S. unemployment rate increases, it is likely to have a negative impact on the amount we recover from collections on our consumer debt. Other economic trends, such as continued tightness in the credit market or a significant increase in interest rates, might have a negative impact on the amount we recover. Although we attempt to acquire consumer debt at discounts sufficient to permit us to operate profitably even if adverse economic conditions continue, there is no assurance that we will recover our basis and expenses, or make a profit.

***We will incur increased risk if we raise less capital.*** The Companies will commence operations with the proceeds of this offering. The amount of the capital available to each Company for investment determines the amount and number of receivables we can acquire. If we acquire a smaller amount of receivables a loss in any one portfolio would significantly affect the overall return to each Company. If we succeed in raising the maximum capital, it might be expected to reduce overall risks through diversification of debt portfolios. There can be no assurance; however, that we will raise sufficient capital to diversify investments or that any diversification will reduce overall risks.

***Expenses will reduce our investments.*** The amount ultimately available for investment will be net of Organizational and Operating Expenses, fees and commissions. Therefore, Members in each Company are likely to bear an overall higher ratio of expenses to net investment than might have been the case if a Member had made a direct investment in a portfolio of debt.

***We will incur internal and external expenses.*** Any persons we hire to collect the debt will receive fees and reimbursement of expenses, and may receive incentive payments, such as a percent of the amount recovered. In addition, the Manager will receive reimbursement of expenses, a management fee and a performance allocation. Therefore, any net profit to the Members will be reduced by these fees and expenses.

***Investments may not be liquid.*** The investments by each Company in consumer debt may be illiquid. Illiquidity may result from the absence of an established market and also from a lack of buyers for debt we want to resell or a surplus of distressed debt available for sale. We may not be able to sell debt at prices that reflect the Manager's assessment of their value or the amounts paid for such investments.

***Compensation of the Manager may encourage risk-taking.*** The Manager will be compensated primarily for profits made on investments. The Manager is not directly penalized for losses or decreases in the value of either Company's investments. This may create an incentive for the Manager to engage in transactions or to select investments that are particularly risky or speculative.

***There are potential conflicts of interest.*** The principals of the Manager may engage in investment and trading activities for their own accounts and for the accounts of other partnerships or third parties. When they engage in such activities, these persons may allocate investment opportunities to such other accounts or persons rather than to either Company. Members are not entitled to information about the investment or trading activities of any such persons or other accounts or other partnerships.

***Investment in multiple portfolios does not assure success.*** There can be no assurance that the collective performance of the portfolios will result in gains for either Company. Profitable performance achieved by one portfolio might be offset by losses incurred by other portfolios, or all the portfolios could fail to achieve profits. There can be no assurance that the portfolios will be profitable, singly or in the aggregate, or that the performance of the portfolios, singly or in the aggregate, will meet or exceed any return.

***We have a limited history.*** Each Company has a limited operating history. The principals of the Manager do, however, individually have extensive experience in profitably acquiring distressed consumer debt and managing similar funds.

***Our use of debt may increase risk.*** The Company is authorized to incur debt, although we do not presently intend to incur debt. The use of debt increases risk, as any lender is likely to have rights senior to the rights of the Members on any default. A default on debt we incur could result in the loss of the entire investment.

## **Item 9 - DISCIPLINARY INFORMATION**

The Principal of CHCM, Rodney T. Madden, does not have any disciplinary history with regard to registration with the U. S. Securities and Exchange Commission ("SEC") or with the Financial Industry Regulatory Authority ("FINRA"). (U. S. Securities and Exchange Commission, 2012) (Financial Industry Regulatory Authority, 2012)

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Rodney T. Madden, the principal of CHCM has the following other financial industry activities and affiliations:

### ***Investment Advisor Representative***

Madden Securities Corporation DBA – Madden Asset Management  
1901 North Akard Street  
Dallas, Texas 75201-2305

Registered as an Investment Advisor Representative with this firm since 05/2002

### ***Managing Member***

Cumberland Hill Capital GP LLC  
1901 North Akard Street  
Dallas, Texas 75201-2305

Since: 09/2006

This Fund is closed.

***Managing Director***

Ironwood Recovery Management LLC  
1901 North Akard Street  
Dallas, Texas 75201-2305

Since 02/2010

This is GP for the Ironwood Recovery Fund LLC

This Fund is closed.

***Managing Director***

Ironwood Recovery Management 2011 LLC  
1901 North Akard Street  
Dallas, Texas 75201-2305

Since 02/2011

This is GP for the Ironwood Recovery Fund 2011 LLC

This Fund is closed.

Ironwood Recovery Fund LLC  
1901 North Akard Street  
Dallas, Texas 75201-2305

Since 02/2010

This Fund is closed.

Ironwood Recovery Fund 2011 LLC  
1901 North Akard Street  
Dallas, Texas 75201-2305

Since 02/2011

This Fund is closed.

Ironwood Recovery Fund 2012 LLC  
1901 North Akard Street  
Dallas, Texas 75201-2305

Since 09/2012

**POTENTIAL CONFLICTS OF INTEREST**

Certain conflicts of interest may arise in connection with the management and operation of the Companies. CHCM and its affiliates may provide investment management services or consulting services to clients other than the Companies. CHCM may allocate investment opportunities to affiliates, other clients or other investment funds. CHCM may offer others the opportunity to invest in various forms of securities or debt directly rather than through any of the Companies. The terms of CHCM's compensation is not established in an arm's length negotiation. From time to time, CHCM may receive compensation from, establish,



manage, consult or advise other funds including funds with investment objectives similar to the Companies. Individually, the principal of CHCM may have similar conflicts of interest. These arrangements do not impair CHCM's ability to remain objective.

## **Item 11 - CODE OF ETHICS, PARTICPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Advisor has adopted a Code of Ethics Policy to prohibit conflicts of interest from personal trading by advisory personnel and has established standards of conduct expected of its advisory personnel. The Advisor has set forth in the Code of Ethics Policy statements of general principals, required course of conduct, reporting obligations, and review and enforcement of the Code of Ethics Policy. The Advisor will provide a copy of the Code of Ethics Policy to its clients or prospective client's upon written request.

Employees may from time to time have a position or interest in securities owned or recommended to its advisory clients. Applicant will comply with its obligation of best execution, full disclosure and other applicable rules. Applicant monitors all of its employees trading and account activity to ensure neither the firms nor its employees investment activities conflict with its duty to place the interest of its clients before the firms or its employees own interests.

## **Item 12 - BROKERAGE PRACTICES**

CHCM's clients may from time to time utilize outside brokerage firms to execute transactions and custody securities, cash and cash alternatives. Clients may choose independently the brokerage firms that are to be utilized. CHCM does not receive compensation, cash or in-kind, from any outside brokerage arrangement or agreement. CHCM does not participate in any "soft dollar" arrangement. "Soft Dollar" arrangements are defined as those agreements or arrangements between two or more parties, in which one party sends trading activity to another for execution and handling and in return that party receives compensation in the form of research reports, technology, or other in kind types of compensation.

CHCM has established trade allocation procedures to assure that all clients are treated on an equal basis.

## **Item 13 - REVIEW OF ACCOUNTS**

Daily, weekly, monthly and quarterly reviews are performed by the managing member of CHCM who also serves as the Chief Compliance Officer of CHCM. These reviews include but may not be limited to 1) review of financial records prepared by accounting services, 2) review of holdings within the given partnership portfolio, 3) review of activities related to the marketing and sales of partnership interests 4) review of materials utilized to promote partnership business 5) review of offering materials utilized in the partnership sales 6) review of associated persons email accounts and other internal and external communications 7) review of books and records associated to the partnership 8) review of associated persons investment advisory activities.

## **REPORTS**

The Limited Partnership Agreements of the Funds provide for certain written reports to investors. These written reports, which are generally provided to investors as soon as practical after the end of each quarter, contain the following information: (i) statement of changes in the Funds' Unaudited Net Asset Value



("UNAV"); (ii) a schedule and summary description of each Fund asset; and (iii) a description of the performance of each asset. Investors also receive a capital account statement to show the value of their interests in the applicable Fund.

As soon as practical after the end of the fiscal year, investors in the Funds will also receive copies of annual audited financial statements that include the following information: (i) auditors opinion; (ii) balance sheet; (iii) statement of income or loss; (iv) statement of partners' capital; (v) statement of cash flows; and (vi) notes to the financial statements.

As soon as practical following the end of the second quarter, investors in the Funds are also provided with unaudited financial statements that include the following information: (i) a balance sheet; (ii) a statement of income or loss; (iii) statement of partners' capital; and (iv) a statement of cash flows.

As soon as reasonably practicable after the end of each Fiscal Year, the General Partner will prepare and transmit to each person who was a Partner during such Fiscal Year a written report containing information in sufficient detail to enable such person to prepare its United States Federal income tax return and other applicable governmental filings.

## **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

CHCM has entered into agreements with individuals that allow clients to be solicited for CHCM or investors for investment funds managed by CHCM. For their solicitation services they may receive a percentage of CHCMs Performance Allocation at year end provided there is one.

Partnership interests may be offered through CHCM, as well as other securities broker/dealers who are members of FINRA. CHCM does not receive any additional compensation for these referrals made by outside parties to the partnerships.

## **Item 15 - CUSTODY**

The Firm has been deemed by interpretation to have custody because of the authority to obtain client assets, such as by deducting advisory fees from a client account, writing checks or withdrawing funds on behalf of a client, or by acting in a capacity, such as a general partner of a limited partnership, that give the Firm or its supervised person(s) the authority to withdraw funds or securities from the limited partnership's account. As such, the Firm has implemented controls designed to protect those client assets from being lost, misused, misappropriated, or subject to the adviser's financial reverses, such as insolvency. Those controls include the engagement of Lightfoot, Guest, Moore & Company to perform quarterly examination of the financial accounting of the partnerships to which it advises. Lightfoot, Guest, Moore & Company are located at 1501 LBJ Freeway, Suite 500, Dallas, Texas 75234. Additional information regarding the company is available at <http://www.lgmcpa.com>. In addition, quarterly reports will be provided to each underlying limited partner of the Client(s) directly by mail.

In addition, Lightfoot, Guest, Moore & Company shall prepare an annual examination of Firm financial records and distributes audited financial statements to investors in the limited partnerships within 180 days of the end of its fiscal year.

Clients should carefully review any account statements they receive from CHCM. It is the obligation of the client to expeditiously bring any discrepancies to the attention of the Firm. Clients should compare statements from previous periods to current periods.

The Fund will establish and maintain a capital account for each Partner to which shall be credited its capital contributions to the Fund and its allocable share of net income (and items thereof), and from which shall be deducted distributions by the Fund to such Partner of cash or other property and such Partner's allocable share of net losses (and items thereof). Items of the Fund income, gain, loss, and deduction generally will be allocated among the Partners in a manner intended to produce for each Partner a capital account that equals the amount of cash distributions described above in "Distributions" to which such Partner would be entitled if the Fund disposed of all of its assets for their "book value," satisfied all of its liabilities in accordance with their terms and distributed its remaining assets in the order and amounts described above in "Distributions."

No other related person or entity has custody of cash or bank accounts or securities.

## **Item 16 - INVESTMENT DISCRETION**

With respect to separate accounts and subject to some limitations, CHCM at its discretion or at the discretion of its clients may invest, on behalf of its clients, in entities in which its officers, partners or affiliates have a financial interest or serve in a fiduciary capacity.

Subject to the individual terms of separately managed accounts, CHCM generally retains complete investment and brokerage discretion. Applicant may from time to time suggest brokers to its advisory clients. Factors considered in suggesting brokers to clients include the broker's ability to provide best execution, quality and ease of client communications and quality of overall products and services. The factors are weighted in determining reasonableness of commissions paid to the broker compared with commissions of other brokers.

CHCM can buy or sell securities for a client's account; determine the amount of securities to be bought or sold; determine who the broker or dealer to be used for those purchases or sales; and can determine how much in commission is to be paid to the broker or dealer for those buys or sells done for a client. The Firm does recommend brokers and dealers to clients. The Firm is not paid for client referrals and does not receive any other type of compensation either cash or in-kind for referrals.

## **Item 17 - VOTING CLIENT SECURITIES**

The Firm does not vote client securities. The clients should receive notice of corporate actions requiring a voting consent from the custodian of their account and should seek instruction from the broker of record for their account as how to vote their proxies.

## **Item 18 - FINANCIAL INFORMATION**

The Firm is controlled by or under common control with another investment adviser that had assets under management of \$100 million or more on the last day of its most recent fiscal year. Applicant has a balance sheet available upon request to all potential and existing clients. We do not charge fees that are both in excess of \$1200 and more than six months in advance.