



## **Chambers Energy Management, LP**

600 Travis Street  
Suite 7330  
Houston, TX 77002  
(713) 554-6779  
rfinch@chambersenergy.com  
www.chambersenergy.com

March 2013

This brochure provides information about the qualifications and business practices of Chambers Energy Management, LP. If you have any questions about the contents of this brochure, please contact us at (713) 554-6779. 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 Chambers Energy Management, LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

We are updating this Part 2A of Form ADV as part of an annual update to our registration as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended, which became effective as of March 7, 2012. In addition to the material changes described in this Item 2, there are certain other revisions set forth in this Part 2A of Form ADV. Thus, we recommend that you review this brochure in its entirety.

Item 10(c), Material Relationships: As described in Item 10(c), our relationship with Reservoir Capital Group, L.L.C. in respect of two client CEM Funds established in 2012 differs from our relationship with Reservoir Capital Group, L.L.C. in respect of prior CEM Funds.

## Table of Contents

### Item

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

## **ITEM 4. ADVISORY BUSINESS**

### **A. Advisory Firm Description**

Chambers Energy Management, LP (“CEM” or the “Firm”) has been in business since March 27, 2009. The principal owner is J. Robert Chambers. As used in this brochure, “we,” “us” and “our” refer to CEM and its investment advisory business.

### **B. Types of Advisory Services**

CEM provides portfolio management to affiliated private equity funds (collectively referred to herein as the “Funds” or the “CEM Funds”) making credit and related investments in the energy sector. Our investment advice is limited to these clients and this type of investment management service.

The Funds are exempt from registration as “investment companies” under the Investment Company Act of 1940, as amended, and the regulations promulgated thereunder. Interests in the Funds are offered only to qualified investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions, typically institutional investors and eligible high-net-worth individuals. The relationship between CEM and each CEM Fund is governed by the Investment Advisers Act of 1940, as well as the governing documents of each CEM Fund and the terms of investment advisory agreements concluded between us and each CEM Fund.

### **C. Tailored Advisory Services**

CEM tailors its advisory services to the investment strategies, specific terms and conditions of the CEM Funds, as described in the private placement memoranda (“PPMs”), partnership agreements, and other governing agreements of each of the CEM Fund clients.

These documents may include restrictions on investing in certain instruments or types of assets or debt, including concentration limits and geographical restrictions. Please refer to the specific CEM Fund’s PPM and/or other offering materials for specific fund information.

### **D. Wrap Fee Programs**

No wrap fee programs are currently in place.

### **E. Client Assets Under Management**

As of December 31, 2012, CEM had approximately \$1.1 billion of discretionary assets under management. As of December 31, 2012, the Firm did not manage any client assets on a non-discretionary basis.

## ITEM 5. FEES AND COMPENSATION

### A. Fees

This brochure will be delivered only to “qualified purchasers” as defined in the Investment Company Act of 1940. Accordingly, no fee table is included in this brochure.

### B. How Fees are Billed

The Funds generally pay CEM a quarterly management fee (the “Management Fee”), in advance, at the annual rate of 1.5% of the value of each of each limited partner’s capital commitment to the CEM Funds (during the “investment period” of a given CEM Fund), or pro rata share of assets under management (lower of cost or fair market value) by such CEM Fund (subsequent to that period), provided that for purposes of the calculation of Management Fees, the assets under management will not be deemed to exceed the value of the capital commitments. All fees are deducted directly from the limited partners’ capital accounts. Generally fees are not negotiable.

“Carried interest” or performance allocations are assessed periodically according to each CEM Fund’s governing documents, and in the discretion of the general partner or control vehicle of the applicable fund. These fees are paid out of cash otherwise distributable to investors, such as the receipt by the CEM Funds of proceeds from a portfolio investment.

The information provided in this Item 5 is general in nature. Actual terms of a particular Fund may differ. Investors should refer to the applicable offering documents of each Fund for specific details.

### C. Other Fees and Expenses

In addition to management fees and performance allocations (which are discussed in the section above), the client CEM Funds may pay additional amounts to CEM and/or its affiliates (e.g., each CEM Fund’s general partner or managing member), including as set forth in the offering documents of each of our client CEM Funds:

- (i) organizational and offering expenses of the CEM Funds, which may be subject to maximum amounts stated in the applicable offering documents and particular terms as to the payment of expenses in excess of these maximums;

- (ii) all out-of-pocket expenses that are not reimbursed by portfolio companies incurred in connection with the making, holding, management, sale or proposed sale of any Fund investment (including, without limitation, due diligence expenses, fees and expenses of lawyers, accountants, consultants and other professionals, private placement fees, brokerage fees, commissions, custody expenses and other similar expenses), and including any such expenses associated with proposed investments that are ultimately not made by the Funds;

- (iii) routine expenses of the Funds, including legal, auditing, consulting and financing fees, insurance, out-of-pocket expenses associated with preparing the Funds’ financial statements and tax returns, any taxes imposed on the Funds, out-of-pocket

expenses of the advisory committee members and expenses of holding annual meetings of limited partners;

(iv) all litigation-related and indemnification expenses; and

(v) fees and expenses of placement agents (which fees and expenses may be offset dollar-for-dollar against management fees).

Given the nature of the CEM Funds' investment program, we do not usually transact through broker-dealers. Therefore, investors in CEM Funds do not generally incur brokerage costs. A discussion of our brokerage practices may be found at Item 12 of this brochure.

#### **D. Refunds**

Upon termination of the investment advisory agreement with a CEM Fund, CEM will return to such CEM Fund any paid but unearned portion of the management fee. In general, such fees are pro-rated from the date of termination to the end of the period to which the advance fee applied.

#### **E. Compensation for Sale of Securities**

Neither CEM nor its supervised persons accept compensation for the sale of securities or other investment products. However, CEM or its affiliates may receive certain fees from portfolio companies in which the CEM Funds invest in connection with the purchase, monitoring or disposition of investments or in connection with unconsummated transactions, such as break-up, monitoring, directors', organizational, set-up, advisory, investment banking, underwriting, syndication and other similar fees. These fees may offset the Management Fees otherwise payable by investors in the CEM Funds, pursuant to the governing documents of the relevant CEM Fund.

### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

In some situations, an affiliate of CEM will charge a performance allocation or similar compensation mechanism (e.g., "carried interest" subject to a clawback obligation). All such performance allocation arrangements are intended to comply with Rule 205-3 under the Investment Advisers Act of 1940. These fees are also deducted directly from the limited partners' capital accounts. See above, Item 5(B). "Carried interest" is negotiated separately for each CEM Fund at a market standard rate for the private equity industry.

Performance allocation arrangements create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. However, CEM follows procedures designed to procure that all Fund clients are treated fairly in the allocation of investment opportunities, and to prevent this potential conflict of interest from influencing the allocation of investment opportunities among or between client CEM Funds. CEM is not currently managing portfolios paying performance allocations side-by-side with those not paying such allocations.

Although CEM has a similar fee structure for all investment partnerships, certain strategic and/or affiliated limited partners are charged discounted fees. CEM does not favor higher paying investors over those paying lower or different fees.

CEM investment allocations are documented as part of our regular investment processes, taking into account the size of the investment opportunity, the capital available for investment by each client, the sharing rules set forth in the applicable governing agreements and the terms of the governing documents of the applicable CEM Funds. Under no circumstances may we or any of our affiliates allocate investment opportunities based on anticipated compensation or profits to CEM or any of its affiliates or employees.

## **ITEM 7. TYPES OF CLIENTS**

CEM provides investment management services solely for private investment funds.

The Funds have a minimum initial capital commitment of \$10,000,000, although investments of a lesser amount may be accepted in the discretion of the applicable CEM Fund's general partner, all of which are affiliates of CEM. CEM offers interests in the Funds only to qualified investors.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The Funds' primary investment objective is to achieve current income and long-term capital appreciation by taking advantage of credit investment opportunities within the energy sector. Such opportunities are predominately debt instruments, but may also be private equity, distressed company securities, or other structured energy interests.

Specifically, the Funds generally originate new loans to energy companies, or invest in existing bonds and loans of distressed energy companies where similarly attractive risk-adjusted returns can be generated. The Funds' investment objective is to generate current income and long-term capital appreciation while emphasizing credit protection and limiting downside risks.

CEM cannot guarantee the future performance of the client CEM Funds or any specific level of performance, or the performance of any investment decision or strategy that the Firm may use. Investing in complex financial instruments may entail the loss of an investor's entire investment, which the investor must be willing to bear.

Investment decisions CEM makes for the Funds are subject to various credit, market, currency, economic, political and business risks. Making large commitments to single companies exacerbates these risks. Additionally, purchasing investments with leverage increases the risk of losses to investors or clients. The Firm manages these risks by setting limits to leverage and concentration. These limits are monitored on an investment by investment basis. Specific risks of the Funds' investment strategy and types of investment include the following items. For more complete details, please refer to the appropriate Fund governing documents, including the private placement memoranda and partnership agreements.

**Potential for Insufficient Investment Opportunities.** The availability of investment opportunities generally will be subject to market conditions. The Funds will be competing for investments with other investors, including companies, public equity markets, individuals, financial institutions and other investors.

**Concentration of Investments.** The aggregate return of a Fund may be substantially adversely affected by the unfavorable performance of even a single investment.

**Investments with Terms Longer than the Fund.** The Funds may have to sell, distribute or otherwise dispose of investments at disadvantageous terms as a result of dissolution.

**Global Economic Conditions; Market Dislocation.** General economic conditions may affect the Funds' activities. Interest rates, general levels of economic activity, fluctuations in the market prices of securities and participation by other investors in the financial markets may affect the value of investments made by the Funds.

**Risks of Investment in the Energy Industry.** The companies of investment interest to CEM are sensitive to fluctuations in commodities supply and demand, interest rates, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation.

**Volatility of Oil and Natural Gas Prices.** Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, speculation and a variety of additional factors that are beyond the control of CEM or the Funds.

**Loan Participations and Assignments.** Participations and assignments involve special types of risk, including credit risk, interest-rate risk, liquidity risk and the risks of being a lender.

**Unsecured Investments.** Subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer.

**Lender Liability Considerations and Equitable Subordination.** It is possible that lender liability or equitable subordination claims affecting the Fund's investments could arise without the direct involvement of the Funds.

**Investments in Highly Leveraged Companies.** The leveraged capital structure of highly leveraged companies will increase their exposure to certain factors such as rising interest rates, downturns in the economy, or deterioration in the financial condition of the company or the energy industry.

**Illiquid Investments.** There can be no assurances that private purchasers of the Funds' privately held investments will be found, or otherwise as to the timing and amount of the distributions, if any, made by the Funds.

## ITEM 9. DISCIPLINARY INFORMATION

There are no disciplinary disclosures to report.



## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### A. Broker-Dealer

Neither CEM nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker dealer.

### B. Futures and Commodity Trading

Neither CEM nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

### C. Material Relationships

Reservoir Capital Group, L.L.C. (together with its affiliates, "Reservoir") is a privately held investment firm located in New York. Certain investment funds managed by Reservoir participate in the CEM Funds. The Interests owned by affiliates of Reservoir are generally subject to preferred terms, including, without limitation, a reduced rate of management fees and carried interest, the right to appoint a member of the advisory committee of the CEM Fund in which it invests, co-investment rights, and special reporting and informational rights.

Reservoir also has a minority interest in CEM and certain of its affiliates (the "Minority Stake"), and participates on the investment committees of CEM Funds in which it invests. To this extent, Reservoir may be considered to have a veto right with respect to certain material decisions relating to investments of CEM Funds established prior to 2012, and a more limited but still significant participation right for material investment decisions in respect of the CEM Funds established in 2012. While CEM expects Reservoir to maintain the Minority Stake for the foreseeable future, there is no assurance that Reservoir will retain this interest. The relationship with Reservoir in respect of each CEM Fund is described further in such CEM Fund's PPM.

In connection with its investments in the CEM Funds and their affiliates and the Minority Stake, Reservoir has greater access to information than other investors about the Funds and is entitled to receive information regarding the Funds and CEM activities, including, without limitation, information about the performance of the Funds and the composition of their portfolios. Other investors generally do not have, and are not entitled to have, the same type, amount or timeliness of information about the Funds.

The current and future businesses of Reservoir may overlap with the business of CEM and/or the Funds, and Reservoir may engage in activities in the normal course of its businesses or establish new businesses that compete or conflict with the interests and activities of the Funds. Such activities could adversely affect the Funds, for example, by affecting the prices or availability of financial instruments in which the Funds may invest and the transactions in which the Funds may engage. For example, Reservoir may be actively engaged in transactions in the same securities and instruments or with the same issuers in which the Funds, directly or indirectly, may be invested. Reservoir may compete with the Funds for investment opportunities, and is under no obligation to share any investment opportunity, idea or strategy with the Funds or CEM. Reservoir may also

engage in trading activities -- for its own account or on behalf of its clients -- that are detrimental to the Funds.

Prior to signing a nondisclosure agreement in anticipation of analyzing a potential investment, the company name and its securities are vetted against Reservoir's global restricted list to mitigate conflicts across Reservoir affiliates and their investments and activities.

Reservoir may have relationships with other investment vehicles and accounts that may give rise to potential conflicts. For example, Reservoir may sponsor, advise, underwrite, manage or invest in investment vehicles and accounts that pursue investment strategies similar to, or overlapping with, those of the Funds. Reservoir may also provide services or benefits to another investment vehicle, account or investment manager that competes with the Funds or CEM. In some cases, Reservoir may owe fiduciary duties to its clients that may result in actions on behalf of such clients that are materially adverse to the interests of the Funds, its portfolio companies or the limited partners. Other present and future activities of CEM, its affiliates and Reservoir may give rise to additional conflicts of interest.

#### **D. Other Investment Advisers**

CEM does not recommend or select other investment advisors for our clients.

### **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **A. Code of Ethics**

CEM adopted a Code of Ethics in 2012, consisting of policies and procedures reasonably designed to ensure compliance by CEM and its personnel with the Investment Advisers Act of 1940, and its rules and regulations, and to reflect CEM's fiduciary duties to its clients. The Code of Ethics describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect clients: misuse of confidential information; outside business activities; and personal securities trading. Failure to uphold the Code of Ethics may result in disciplinary sanctions against employees, including termination of employment with the Firm.

Clients and prospective clients and investors in the CEM Funds may request a copy of the Code of Ethics by contacting Robert Finch, Chief Financial Officer and Chief Compliance Officer, at 713-554-6779 or [rfinch@chambersenergy.com](mailto:rfinch@chambersenergy.com).

As a fiduciary, CEM must act in its clients' best interests. In other words, CEM employees may not benefit at the expense of clients. To that end, CEM employees must follow basic principles guiding all aspects of the Firm's business, as set forth in the Code of Ethics:

- Clients' interests come before employees' personal interests and before the Firm's interests.

- The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its employees' interests on the one hand, and client interests on the other.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

*Misuse of Nonpublic Information.* The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm, as well as in personal trading. Employees may not convey nonpublic information nor depend upon it in placing personal securities trades. The Code of Ethics sets forth extensive requirements regarding misuse of material inside information and personal trading.

*Outside Business Activities.* CEM employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease such activity. Holding board positions in a public company and/or any energy company must be pre-approved by the CEO or CCO.

*Personal Securities Trading.* See discussion at Item 11(C) below.

## **B. Participation or Interest in Client Transactions**

CEM complies with restrictions provided in the applicable governing agreements of the CEM Funds relating to principal transactions or other affiliated transactions, in which CEM or its personnel may have interests that are not aligned with the interests of one or more of its clients.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser acts as broker for both the advisory client and for another person on the other side of the transaction. CEM is not a registered broker-dealer, and thus is not controlled by, under common control with, or otherwise affiliated with a registered broker-dealer, and thus the potential conflict of interest created by agency cross transactions is mitigated.

Client cross transactions occur where an adviser executes a securities transaction between two (or more) of its managed client accounts. These can create conflicts of interest because, by not exposing such buy and sell transactions to market forces, clients may not receive the benefits of best price, or an adviser might seek to prop up the performance of one fund by selling under-performing assets to another fund in order, for example, to earn higher fees in the aggregate.

It is CEM policy not to execute any principal transactions for client accounts unless the investor advisory committee of the particular CEM Fund deems the transaction to be in the best interest of the particular client fund, the CCO and the client CEM Fund itself give prior consent, and the transaction complies with SEC requirements. We also generally refrain from cross trading between client accounts unless the consent of both CEM Fund clients is obtained from the relevant advisory committees of the clients.

### **C. Personal Securities Trading; Investment Alongside Client Funds**

CEM has adopted counter-insider trading policies in its Code of Ethics. CEM prohibits all employees from personal trading in individual securities or options on individual securities, including futures, forward contracts, and physical commodities, except for certain permitted transactions.

The following personal securities transactions are not subject to such prohibitions:

- Liquidating transactions of securities acquired prior to commencing employment with CEM, or received by inheritance or by marriage, subject in each case to prior written approval by the CEO or the CCO.
- Transactions in broad-based, index-like products (such as exchange traded funds), limited to no more than five trades per month.
- Transactions in government/municipal bonds, in open-ended mutual funds and foreign equivalent open-ended unit trusts (and similar instruments) (for clarification, transactions in closed-ended mutual funds are not permitted).
- Transactions in private securities that do not exceed \$200,000 individually or \$1,000,000 in the aggregate, subject to prior written approval by the CEO or the CCO after such transactions are first offered to CEM clients, if applicable.
- Transactions in private investment funds (i.e., hedge funds and private equity funds), subject to prior written approval by the CEO or the CCO.

Employees are required to submit monthly statements of securities holdings directly from their broker or financial institution. These are reviewed by the CEO monthly to ensure compliance with the Firm's policies, and the CEO must report any findings to the CCO. CEM reserves the right to cancel an employee's personal account order or transaction.

### **D. Personal Trading Contemporaneous with Client Transactions**

See discussions above in Items 11(A)-(C).

## ITEM 12. BROKERAGE PRACTICES

### A. Selection of Broker-Dealers

The CEM Funds do not regularly or frequently trade public securities, instead generally conducting transactions on a case by case, negotiated basis. However, in CEM Fund investments in which public securities are purchased or sold, CEM anticipates trading such public securities through a broker providing a supply of securities of interest to the relevant CEM Fund clients. Selection of the broker will depend solely upon a broker/dealer's ability to provide adequate supply of the security in interest.

1. *Soft Dollar.* CEM occasionally may receive unsolicited research and information from brokers. This is a benefit to CEM, because CEM does not have to produce or pay for the research or related services. Thus, CEM could conceivably have an incentive to select a broker-dealer based on this interest, rather than on its clients' interest in receiving most favorable execution. However, CEM does not seek to participate in any of these so-called soft dollar benefits, and they do not influence CEM's decisions on brokerage selection. CEM selects brokers solely based on the factors described above.

2. *Brokerage for Client Referrals.* CEM does not receive referrals for clients from any broker-dealers.

3. *Directed Brokerage.* As CEM's clients are all private investment funds, CEM selects all broker-dealers. CEM's clients do not direct brokerage.

### B. Aggregation of Orders of Securities for Client Accounts

Given the nature of the investments made by the CEM Funds, we do not typically make investments in publicly traded companies, and thus do not have reason to aggregate the purchase or sale of securities for various client accounts. However, when the CEM Funds conduct trading through a broker-dealer, we seek to aggregate orders whenever practicable and cost-efficient. Such trades would be allocated separately to each participating CEM Fund.

## ITEM 13. REVIEW OF ACCOUNTS

CEM's investment team professionals review the operations of the CEM Funds on a periodic basis. CEM regularly makes available to each investor in the CEM Funds, in accordance with the applicable partnership agreement of each client, reports containing (i) annual audited financial statements, (ii) quarterly unaudited estimates of the Funds' investment performance and (iii) quarterly unaudited estimates of the balance of each investor's capital account in the client Fund. CEM may provide investors with more frequent reports. There are no specific triggers to launch a portfolio review on a non-periodic basis.

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Non-Client Benefits**

CEM does not receive economic benefits from persons who are not clients for providing investment advice or advisory services to our clients. CEM may, on occasion, receive management fees, monitoring fees or similar fees, or reimbursements of certain expenses, from portfolio companies in which a CEM Fund has invested. To address this potential conflict, a certain portion of these fees may offset the management fees otherwise payable by investors in the CEM Funds. These potential fee arrangements are disclosed in the private offering materials for each particular private offering and governed by the CEM Funds' governing documents.

### **B. Client Referrals and Compensation**

CEM or its affiliates may, from time to time, enter into arrangements in which third-parties will assist in the capital raising efforts of one or more of the CEM Funds in exchange for a fee (such person, a "placement agent"). The fee paid to the placement agent may be calculated as a percentage of funds raised by the placement agent, as specifically negotiated between CEM and the placement agent and memorialized in a written agreement. These types of placement agent arrangements are disclosed in the relevant private offering materials of each CEM Fund.

## **ITEM 15. CUSTODY**

Custody is defined as having access to clients' (or investors') securities or funds. Since the general partners of the CEM Funds are affiliated with CEM, the Firm is considered to have custody of all CEM Funds' assets.

CEM manages this risk by:

1. requiring CEO signature approval on investment-related wires;
2. engaging a Public Company Accounts Oversight Board-registered and inspected accounting firm to audit the Funds' financial statements annually;
3. sending each investor a copy of the audited financial statements each year within 120 days of the CEM Funds' fiscal year end; and
4. using a qualified custodian to hold assets or securities.

## **ITEM 16. INVESTMENT DISCRETION**

CEM has discretionary authority to manage the investment activity of the CEM Funds, through the investment committees comprised of CEM employees and a Reservoir representative.

The authority to deduct fees, performance allocations and/or make distributions from the accounts are granted in the Funds' governing documents, including the execution of a power of attorney by each Fund investor in order to participate in a Fund. The client Funds' governing documents limit the discretionary authority of CEM to manage the client Funds' investment portfolios, as negotiated with investors in each CEM Fund.

## **ITEM 17. VOTING CLIENT SECURITIES**

Although CEM's investment program generally does not include holding and voting publicly-traded securities, CEM may be presented with the responsibility to vote proxies for certain securities held by the CEM Funds. Voting decisions may involve CEM personnel that are also active in the management of the Funds' investment portfolios. To the extent CEM exercises or is deemed to be exercising voting authority of client securities, it will vote those securities in accordance with its proxy voting policy.

It is the policy of CEM to vote proxy proposals, amendments, consents or resolutions in the best interests of its client Funds, taking into account relevant short-term and long-term factors, including (i) the impact on the value of the returns of the relevant CEM Fund; (ii) the alignment of portfolio company management's interest with such CEM Fund's interest, including establishing appropriate incentives for management; (iii) the ongoing relationship between the relevant Fund and the portfolio companies in which it invests, including the continued or increased availability of portfolio information; and (iv) industry and business practice.

In all circumstances, CEM will seek to avoid material conflicts of interest between the interests of CEM and the interests of the Fund clients. If CEM determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, CEM will address matters involving such conflict of interest in the following manner: (i) If the proxy vote would be against CEM's own interest in the matter (i.e., against the perceived or actual conflict), then CEM may vote such proxy as it determines to be in the best interest of the Fund without taking any action described further herein, other than memorializing the rationale of such proxy vote in writing; (ii) If CEM believes it should vote in a way that may also benefit, or be perceived to benefit, its own interest, then CEM must take action in accordance with the relevant Fund's governing documents or as otherwise determined by CEM to be in the best interest of the Fund in voting such proxy, which may include, but is not limited to, seeking approval from the Fund's investor advisory committee.

CEM's proxy guidelines require the CCO or his designee to review all proxies related to a CEM Fund's publicly-traded securities prior to submission, and thus CEM will ensure that it is the designed party to receive proxy voting materials from portfolio companies or intermediaries. The CCO coordinates the receipt of each proxy, the communication of the votes to third parties, and the maintenance of all supporting documentation. CEM's CCO will maintain written or electronic copies of each proxy statement received and of each executed proxy, including for at least two years in CEM's offices and an additional three years in an easily accessible off-site location, in the case of a publicly traded security. CEM Fund investors may receive a copy of CEM's proxy policies and procedures at any time upon request to (713) 554-6779 or [rfinch@chambersenergy.com](mailto:rfinch@chambersenergy.com).

## **ITEM 18. FINANCIAL INFORMATION**

**A.** CEM is not required to include a balance sheet, as it does not require or solicit prepayment of fees six months in advance.

**B.** There is no financial condition that is reasonably likely to impair CEM's ability to continue to meet its contractual commitments and provide services to its clients.

**C.** CEM has not been the subject of a bankruptcy petition at any time during the past ten years.

<b>ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS</b>
--

This Item is inapplicable to CEM, as we are not registered with any state securities authority.