

**Part 2A of Form ADV: Firm Brochure****Item 1: Cover Page**

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**The date of this brochure is April 10, 2014**

**This brochure provides information about the qualifications and business practices of Credit Capital Investments, LLC ("CCI"). If you have any questions about the contents of this brochure, please contact Varkki Chacko at (973) 315-3001. 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 CCI is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). (The CRD number for Credit Capital Investments, LLC is 160537)**

**Any reference to CCI as a "registered investment adviser," or as being "registered," does not imply a certain level of skill or training.**

**Item 2: Material Changes**

Form ADV 2 is divided into two parts: Part 2A and Part 2B. Part 2A (the “Firm Brochure”, “Disclosure Brochure”, or “Brochure”) provides information about a variety of topics relating to an Advisor’s business practices and conflicts of interest. Part 2B (the “Brochure Supplement”) provides information about advisory personnel of Credit Capital Investments, LLC.

Credit Capital Investments believes that communication and transparency are the foundation of our relationship and continually strive to provide our Clients with the complete and accurate information at all times. We encourage all current and prospective Clients to read this Disclosure Brochure and discuss any questions you may have with us. And of course, we always welcome your feedback.

**Material Changes**

The following changes have been made to this Disclosure Brochure since the last filed and distributed version March 31<sup>st</sup>, 2014:

- CCI has entered into a sub-advisory agreement to provide investment management services to a third-party investment advisor. As a result, Item 4 has been amended to reflect the addition of this service and change in discretionary AUM as of April 03, 2014.

**Future Changes**

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of Credit Capital Investments, LLC.

At any time, you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or request a copy by contacting us at **(973) 315-3001** or by email at **Info@CreditCI.com**.

*Please Retain a Copy of This Brochure for Your Records*

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## Item 4: Advisory Business

**Credit Capital Investments, LLC** (hereinafter referred to as “CCI” or the “us,” “we,” or “our”), is a fee-based investment management firm that seeks to achieve capital appreciation for institutional and retail/HNW investors. We specialize in directional<sup>1</sup> opportunities, long and short asset allocation strategies primarily in credit instruments, their derivatives and related securities in the capital structure of the issuers on a global basis; both U.S. and foreign traded securities.

CCI was formed in 2006. The experience, education, and background of its principals and management persons can be found in the accompanying *Brochure Supplement*; ADV Part 2B.

CCI’s principal owner and Chief Investment Officer is Varkki Chacko.

We provide **Investment Management Services** to **private funds** (the “**Funds**”) and also provide **Investment Advisory Services** through **separately managed accounts** (the “**Accounts**”) for individuals and businesses. We also provide **Sub-Advisory Services** to, or have a dual contract relationship with, investment advisers, and typically do not have regular contact with clients of such investment advisers.

There is only one category of assets to which we provide service: **Assets under Management (AUM)**. **AUM** are invested assets for which we provide investment management and/or advisory services to which we have direct access to the account and exercise discretionary trading authority.

Private funds are neither registered under the Securities Act of 1933, nor registered under the Investment Company Act of 1940. Accordingly, interests in these funds are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. Specifically, these funds are only offered to qualified and accredited investors. No offer to sell these funds is made by the descriptions in this Brochure, and as noted these funds are available only to investors that are properly qualified.

Private fund investments are managed in accordance with the investment objective set forth in each private fund’s confidential offering memorandum and such investments are not tailored to the individual needs of any particular private fund investor. The accounts are managed in accordance with a client’s (General Partner/Fund) chosen strategy and clients have a limited ability to tailor such strategies or limit certain securities. Investors in these vehicles must meet the qualifications of the investment instrument. These private investment vehicles may not be available to, or appropriate for, all investors. Participation in the vehicles’ strategies may involve certain risks and the investments may not be suitable for all investors.

On behalf of the Funds, we may invest in a range of instruments but we generally invest in instruments such as, without limitation, credit default swaps, debt securities, convertible securities, preferred stock, equities, bank loans, futures, options and other derivative products. The funds may also hold cash and/or cash equivalents including money market funds if deemed appropriate. No rating criteria have been established for the debt securities in which the Funds may invest.

<sup>1</sup> *Directional Opportunities* - In the view of the Investment Manager, the explosion of credit market growth across the globe has not been accompanied by a commensurate growth in the set of resources to analyze credit risk. Analysis of credit risk is a time consuming, resource intensive process given the large number of issuers globally. An investor with efficient processes to analyze the universe of issues and select what it believes to be the best opportunities will have the potential to be well rewarded. The Investment Manager believes that these

processes are most effective when they identify not only the best opportunities but also the appropriate time to enter or exit these opportunities.

Separately managed accounts are managed in accordance with each Account's investment objective, strategies and restrictions as set forth in each Account's investment advisory agreement and clients have a limited ability to tailor such strategies or limit certain securities.

We generally invest, on behalf of the Accounts, in publicly traded equity, equity linked, and fixed income securities and will consist primarily of corporate bonds, but may also include sovereign and government related debt.

There can be no assurance that the investment objectives of the Funds will be achieved and investment results may vary substantially.

As of April 03, 2014, we had approximately \$172,000,000 in regulatory assets under management (as defined by the SEC) all of which is managed on a discretionary basis.

For a further discussion of these related items, See Item 7 (Types of Clients), Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and Item 10 (Other Financial Industry Activities and Affiliations).

## Item 5: Fees and Compensation

### Fee Schedules

Our compensation depends on the manner in which we provide advisory services. We are compensated on various combinations of a **percentage of assets under management** and **performance-based fees**. Fees may be negotiated or waived in certain circumstances.

### Private Funds

Management fees for Private Funds range from 1.00% to 2.00% annually of the client's assets under management (the Fund's Net Asset Value {NAV} attributable to each investor in the Fund), calculated in arrears and accrued monthly.

Fees may also include a performance fee or allocation generally ranging from 10% to 20%, which may be paid to us or to our affiliates that serve as the general partner(s) of the Private Funds. The performance fee or allocations is a percentage of the absolute net profits of the Private Fund (subject to a high water mark).

Management or performance fees may be waived or lowered for certain investors in the private funds because of their affiliation or relationship with CCI. Private fund fees are described to investors, in detail, in each private fund's confidential offering memorandum. The fund is only offered to qualified and accredited investors.

A withdrawal/redemption fee may be charged to an investor in the Fund on equal to (i) 2% of any capital withdrawn within the initial 6 month period of an investment and (ii) 1% of any capital withdrawn after the initial 6 month period but prior to the first anniversary of an investment. Specific provisions for additions, withdrawals and terminations are set forth in each fund's confidential offering memorandum.

### Other Expenses

The Private Funds bear all expenses incidental to their operations and business, including organizational, investment and operating expenses. Investment expense include, but are not limited, to the expenses related to investing and holding capital, such as brokerage commissions, ticket charges, expenses related to short sales, trade execution platforms, clearing and settlement charges, custodial fees, bank service fees, interest expense, and extraordinary expenses. Operating expenses include but are not limited to third party professional and service fees and related expenses, including legal, administrative, consulting, custodial, regulatory reporting (including, but not limited to, Form PF, Schedule 13G, etc.), expenses related to the ongoing offering of Interests (including any "blue sky" filing fees), accounting, software and support, bookkeeping, investment and voting support, investor, auditing and tax preparation; premiums for directors' and officers' liability insurance (if any); indemnification expenses; research expenses such as systems, software, data, pricing feeds, databases, and related computing equipment.

Fees and expenses for each Private Fund are described to investors, in detail, in each Private Fund's confidential offering memorandum.

### **Separately Managed Accounts**

Advisory fees for separately managed accounts are based upon a percentage of the market value of the assets under management and may vary depending upon the nature of the portfolio to be managed. Separately managed account advisory fees range from 0.45% to 2.00% annually of client assets under management. The annual fee shall be prorated and payable monthly, in arrears, based upon the market value of the Assets on the last business day of the previous period unless otherwise agreed with a client.

In addition, our clients may agree upon performance fees, which generally range from 10% to 20%. Performance fees are based on a client's absolute net profits (subject to a high water mark). We may enter into individual agreements with clients or investors with respect to the timing of accrual or payment of any fees. We typically bill clients for fees; however, we may initiate payment of the management or performance fee from a client by instructions to the client's custodian. Some clients may select the method by which management or performance fees are paid. Separately managed account fees are described to clients, in detail, in the client's investment management agreement.

If any portion of the account(s) is withdrawn at any time other than at the end of a fiscal quarter, the pro rata portion of any fee accrued by CCI will be deducted.

### **Other Expenses**

Management and performance fees do not cover brokerage commissions, transaction fees, service provider fees, and other related costs and expenses that will be incurred on behalf of clients. Execution of client transactions typically requires payment of brokerage commissions by clients. "Item 12 – Brokerage Practices" further describes the factors that we consider in selecting or recommending broker-dealers for the execution of transactions and determining the reasonableness of their compensation.

Other expenses for the Private Funds are described above under Private Funds. With respect to other funds and accounts, investment activity may also involve transaction fees payable by clients, such as sales charges, ticket charges, expenses related to short sales, clear and settlement charges, bank service fees, interest expenses, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, clients may incur certain charges imposed by custodians, broker-dealers, third party investment consultants, and other third parties, such as custodial fees, consulting fees, administrative fees, and transfer agency fees.

Cash balances are sometimes swept into money market funds that may be sponsored by a client's custodian or broker-dealer. Exchange traded funds may be used as an investment vehicle by the Funds to increase or decrease market exposure while securities are being purchased or sold. When these types of funds are used, a client, in effect, pays two advisory fees with respect to the amount of assets so invested (i.e., the money market or exchange traded fund's fees and expenses and that portion of our management fee attributable to such assets).

The **high-water mark** (or 'loss carry forward') states that any previous losses must be recouped by new profits before the performance fee is to be paid. A provision in which the performance fee only applies when there are net profits (i.e., profits after the losses in previous years have been recovered). This means that the Advisor only receives an Performance Fee on increases in the account value of the Client's account in excess of the highest account value it has previously achieved.

We do not accept, and none of our principals, members, managers, directors, officers and employees (collectively, "*supervised persons*") accept, any compensation for the sale of securities or other investment products.

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

In some cases, we enter into performance fee arrangements. We structure any performance fees subject to federal rules and in accordance with the available exemptions granted under those rules.

We simultaneously manage multiple types of portfolios including the Private Funds and separately managed accounts, according to the same or a similar investment strategy. The simultaneous management of these different portfolios, some of which are charged a performance fee as well as management fees based on assets under management, and some of which are only charged management fees, creates certain conflicts of interest, as the fees for the management of certain clients are higher than others. Performance fees may also create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. *To minimize this conflict of interest, CCI's performance-based fee schedule will usually include a base fee calculated on assets under management so that CCI's incentive to grow capital that is appropriately balanced with an incentive to preserve capital.* Such fees may cause us to engage in transactions or strategies which will increase the amount of the performance fees, but which may not increase the overall performance of the client's account. *To minimize this conflict of interest, CCI's performance fee is usually earned only when the account performance is positive.*

The management of portfolios with differing fees raises the possibility of preferential treatment of a portfolio or a group of portfolios. As a fiduciary, we exercise due care to ensure that investment opportunities are allocated fairly and equitably over time among all suitable clients, regardless of their fee structure. We have implemented specific controls built on the general principle of treating all clients in a fair and equitable manner over time. Client trade opportunities are generally determined by our investment strategies as well as the client's investment objectives and any specified account restrictions.

Client transactions in the same securities are generally aggregated with trades for other clients, but may be handled individually when circumstances warrant. When we determine that a set of transactions should be aggregated we generally do so by executing broker, and prices will generally be averaged and transactions allocated among our clients *pro rata*, based on the original allocation to the purchase and sale orders placed for each client on any given day. In the event that we determine that a *pro rata* allocation is not appropriate under

the particular circumstances, the allocation will be made based upon other relevant factors. We have additional procedures that are designed to help ensure that all clients are treated fairly and equitably over time and to prevent conflicts from influencing the allocation of investment opportunities among clients (please refer to Item 12 – Brokerage Practices, for a detailed description of our trade aggregation and allocation procedures). By utilizing these procedures, we believe that portfolios managed simultaneously receive fair and equitable treatment over time.

## Item 7: Types of Clients

We provide *sophisticated investment strategies and techniques* to:

- **Pooled Investment Vehicles** (Private Funds; hedge funds)
- **Individuals**
- **High Net Worth (HNW) Individuals**
- **Other Businesses**

*Our investment minimums vary according to product and strategy. The minimum suitability standards and investment required to invest in a Private Fund is described in each Private Fund's confidential offering memorandum. Generally, our separately managed account minimums are \$500,000.00.*

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

### Methods of Analysis and Investment Strategies

CCI generally employs a blend of medium to long-term strategic and short-term tactical positions expressed through both long and short opportunities across all corporate instruments primarily in North American credit-linked markets. CCI typically expresses its long or short views in bank loans (primarily senior secured), high yield bonds, credit default swaps, distressed debt and equity primarily of corporate issuers as well as tradable credit and equity market benchmark index-related instruments and derivatives. CCI generally does not recommend or seek positions in securitized fixed income instruments such as residential mortgage backed debt or structured finance debt. CCI engages in both quantitative and fundamental research as a central part of its investment process.

With the ability to invest across the global credit markets, CCI seeks to take advantage of profitable opportunities wherever they occur. In general, CCI seeks to minimize price volatility from interest rate and currency rate fluctuations.

- Long Positions: CCI trades, on behalf of Clients, in publicly traded equity securities or other instruments with equity-like characteristics such as distressed debt, convertible bonds or preferred (including convertible preferred) equity securities. CCI may purchase securities when it believes that such securities are trading notably below their intrinsic value as determined by CCI through fundamental and technical analysis of the underlying business. CCI normally analyzes certain financial measures before buying or selling a company's securities, such as the company's cash position, gross and net working capital, tangible book value, historical and expected cash flows, historical and projected earnings growth, valuation relative to growth and to that of its industry, and forecasts and projections for the relevant industry group. As part of its research process, CCI will at times gather information about a company from consultants, analysts, competitors, suppliers and customers.
- Credit Arbitrage: CCI may focus on finding situations where market volatility and/or market inefficiency will allow it to purchase and short-sell different securities of the same issuer in order to achieve what it



believes to be an outsized return with respect to the probability of permanent capital loss. An example of such a trade would be to purchase the senior obligations of a given issuer and simultaneously short-sell the subordinated obligations of the same issuer.

- Short Selling: CCI may engage in short-selling to hedge long positions, on behalf of Clients, as part of various arbitrage strategies and in order to profit from an unexpected decline in the price of a security. Situations in which CCI may take an unhedged short position include, but are not limited to, those in which it identifies: (i) negative tangible book value; (ii) temporary overvaluation due to short-term market euphoria for a sector; (iii) a faulty business model; (iv) poor earnings; (v) questionable accounting practices; (vi) deteriorating fundamentals; or (vii) weak management unable to adapt to changes in technology, regulation or the competitive environment.
- Options: CCI may, on behalf of Clients, purchase and write put and call options that are traded on national securities exchanges or over-the-counter markets, as well as on electronic communications networks (ECNs). Options may be used, among other reasons, to increase market exposure (*i.e.*, for purposes of leverage), to reduce overall market exposure (*i.e.*, for hedging purposes), to increase the portfolio's current income, or to reduce the cost basis of a new position. CCI may also utilize certain options, such as various types of index or "market basket" options, in an effort to hedge against certain market related risks.
- Commodities, Futures, Derivative Securities, ETFs and Foreign Exchange Transactions: CCI may affect trades in commodities, futures contracts, options on futures and commodities, ETFs, currencies, foreign exchange transactions, and derivatives (including, without limitation, credit default and other swaps) on behalf of Clients. CCI may seek to hedge against currency, commodity and interest rate risks through the use of such instruments. CCI may also use these instruments for non-hedging purposes.
- Leverage: CCI may increase the number and extent of a Client's "long" positions by borrowing (*e.g.* by purchasing securities on margin). Other trading strategies, including the use of options, futures, certain derivative instruments and short selling, may also be deemed to increase the leverage of a Client's assets.
- Short-Term Investments: CCI may trade in government obligations, certificates of deposit, commercial paper and other money market instruments on behalf of Clients, including repurchase agreements with respect to such obligations, to enable it to make trades quickly and to serve as collateral with respect to certain of its acquisitions. If CCI believes that a defensive position is appropriate because of expected economic or business conditions or the outlook for security prices, or when it determines that opportunities for trading are unattractive, a greater percentage of Client assets may be allocated to such obligations.

#### Risk of Loss

CCI does not guarantee the future performance of any CCI Client Account, the success of any investment decision or strategy that CCI may employ or the success of CCI's overall management of the Fund or the Managed Accounts. Any investment in the Fund or any CCI Client Account involves significant risk, including the risk of loss of all or substantially all capital invested. Clients and Fund investors should be prepared to bear the loss of the entire amount of their investment.

As described above in Item 4 and this Item 8, CCI manages several investment strategies and invests in a wide range of investments on behalf of its Clients. The risks associated with an investment in the Fund are more fully

described in the Fund's offering documents, and an investor must carefully review the Fund's offering documents prior to making an investment in the Fund.

What follows below is a brief description of some, but not all, of the risks involved in investing in many of the types of investments that are typically included in the Fund and Managed Account portfolios.

#### General Risks Associated with Debt Instruments and Fixed-Income Securities

Client portfolios typically include debt instruments and fixed-income securities. The value of such instruments and securities changes in response to fluctuations in interest rates and in the perceived credit risk associated with a particular instrument/security and its issuer. When interest rates decline, the value of fixed rate debt instruments generally can be expected to rise. Conversely, when interest rates rise, the value of fixed rate debt instruments generally can be expected to decline. In addition, to the extent that the receivables or loans underlying specific securities are prepayable without penalty or premium, the value of such securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline.

#### High Yield Investments

The Fund and the Managed Account typically invest significantly in high-yield or noninvestment grade securities and instruments. Such investments generally trade in the over-the-counter marketplace, which is less transparent and less liquid than the exchange-traded marketplace. In addition, the Fund and the Managed Account may invest in the debt of companies that do not have publicly traded equity securities, making it more difficult to determine or to hedge the risks associated with such investments. The Fund and the Managed Account generally have no minimum credit standard for investments in any asset, and as a result, the Fund or the Managed Account may invest a significant portion of their assets in below investment grade obligations. Non-investment grade securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities (often referred to as junk bonds) tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional sources of financing. It is possible that an economic downturn could adversely affect the ability of the issuers of such securities to pay interest or repay principal on such securities, which would likely have an adverse impact on their value.

#### Bank Loans

A Client's investment program may include investments in bank loans and participations and/or commitments to purchase loans and participations. These obligations are subject to unique risks, including, but not limited to: (i) limitations on the ability of the Fund or a Managed Account to directly enforce its rights with respect to participations; (ii) counterparty risk due to extended settlement periods or in connection with loan participations; (iii) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (iv) so-called lender-liability claims by the issuer of the obligations; and (v) environmental liabilities that may arise with respect to collateral securing the obligations. Any claims brought by third parties arising from these and other risks will be borne by the Fund or the Managed Account.

#### Second-Lien and Unsecured Loans

In addition to the special risks generally associated with investments in bank loans described above, investments in second-lien and unsecured bank loans entail additional risks, including, but not limited to (i) the subordination of the Client's claims to a senior lien in terms of the coverage and recovery from the collateral; and (ii) with respect to second-lien loans, the prohibition of or limitation on the right to foreclose on a second-lien or

exercise other rights as a second-lien holder, and with respect to unsecured loans, the absence of any collateral on which a CCI Client Account may foreclose to satisfy its claim in whole or in part. In certain cases, therefore, no recovery may be available from a defaulted second-lien loan held by a CCI Client Account. Purchases of securities and other obligations of financially distressed companies by a CCI Client Account may invest in obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These obligations may be risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing such investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which a CCI Client Account invests, the Client may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the investments may not compensate a Client adequately for the risks assumed.

#### Non-Performing Investments

A CCI Client Account may purchase debt instruments that are non-performing and in default. These types of investments may be speculative and there can be no assurance as to the amount and timing of payments, if any, with respect to such investments.

#### Illiquid Portfolio Instruments

A CCI Client Account may invest in instruments (including, without limitation, in equity or debt of private issuers, "hard" assets or illiquid financial instruments) that do not freely trade or that trade infrequently with no broker-dealer making a market in such instruments. A CCI Client Account may not be able to readily dispose of such instruments and, in some cases, may be contractually or legally prohibited from disposing of such investments for a specified period of time.

#### Equity Securities

A CCI Client Account may invest in equity and equity-related securities of U.S. and non-U.S. companies. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. As a result, equity securities may be risky investments.

#### Bankruptcy Claims

A CCI Client Account may invest in bankruptcy claims which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims generally have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances, payments and distributions

may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

#### Bankruptcy Cases

A CCI Client Account may have an investment in a company undergoing a bankruptcy proceeding. Many of the events within a bankruptcy case are adversarial and may be beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a CCI Client Account. Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, approval of that plan by creditors and confirmation of the plan by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and a CCI Client Account; it is subject to unpredictable and lengthy delays and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

A CCI Client Account may invest in companies based outside of the United States. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

#### Participation on Equity Holders' or Creditors' Committees

CCI, on behalf of a CCI Client Account, may elect to serve on creditors' committees, equity holders' committees or other groups in an effort to preserve or enhance a Client's position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly-situated that the committee represents. If CCI concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to a CCI Client Account, it may resign from that committee or group, and a Client may not realize the benefits, if any, of participation on the committee or group. In addition, if a CCI Client Account is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group, which may mean that a CCI Client Account will not be able to dispose of, or hedge, investments in such an issuer.

#### Lender Liability and Equitable Subordination

In recent years, a number of judicial decisions in the U.S. and in other countries have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the

detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). There can be no guarantee that a Client's claims will not be subject to equitable subordination or that a CCI Client Account will not incur significant costs defending against such a possibility (even if such defense is ultimately unsuccessful).

#### Concentration Risk

The investment management agreements entered into with CCI Client Accounts may impose few (or no) limits on the concentration of investments in particular countries, regions, industries, instruments, securities or sectors, and as a consequence, at times a Client may hold a relatively small number of investment positions, each representing a relatively large portion of the portfolio's capital. Losses incurred in those positions could have a material adverse effect on the portfolio.

#### Hedging Transactions

A CCI Client Account may utilize financial instruments, both for investment purposes and for risk management purposes, in order, for example, to (i) protect against possible changes in the market value of the investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect unrealized gains in the value of the investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the portfolio; (v) hedge the interest rate or currency exchange rate on any of the portfolio's liabilities or assets; or (vi) protect against any increase in the price of any investments CCI anticipates purchasing on behalf of a Client portfolio at a later date. The success of any hedging strategy will depend, in part, upon CCI's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many assets change as markets change or time passes, the success of the hedging strategy will also be subject to CCI's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While CCI may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Client portfolio than if CCI had not engaged in such hedging transactions. For a variety of reasons, CCI may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Client portfolio from achieving the intended hedge or expose the portfolio to additional risk of loss. CCI may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, because it does not foresee the occurrence of the risk or for a number of other reasons.

#### Non-U.S. Investments

A Client portfolio will typically include investments in financial instruments of issuers located outside of the United States (which may include emerging, developing or underdeveloped countries). In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such non-U.S. issuers. Income received by the Fund or a Managed Account from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Fund or the Managed Account will reduce its net income or return from such investments.

#### Currency and Exchange Rate Risk

A CCI Client Account may hold certain investments in financial instruments denominated in currencies other than the U.S. Dollar or in financial instruments which are determined with reference to currencies other than the U.S. Dollar. To the extent unhedged, the value of a portfolio's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes in the various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which a Client portfolio may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of the portfolio's financial instruments in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the portfolio's non-U.S. Dollar financial instruments. CCI may (but may not be required to) utilize forward currency contracts and options to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

#### Unregistered Securities

A CCI Client Account may hold unregistered securities. Unregistered securities generally may be resold only (i) in a public offering registered under the Securities Act, (ii) pursuant to Rules 144 or 144A under the Securities Act or (iii) pursuant to any other exemption from registration under the Securities Act. The resulting difficulties and delays could result in a Client's inability to realize a favorable price upon disposition of unregistered securities, and in some cases might make such disposition at the time desired by CCI impossible.

#### Leverage

A CCI Client Account may from time to time incur leverage as a result of, or in connection with, a variety of transactions or investments. While leverage presents opportunities for increasing a portfolio's total return, it has the effect of increasing potential losses as well. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent a CCI Client Account is leveraged. The cumulative effect of the use of leverage by a CCI Client Account in a market that moves adversely to a portfolio's investments could result in a substantial loss which would be greater than if a CCI Client Account was not leveraged.

#### Derivative Investments

A CCI Client Account may invest in derivative instruments. The prices of derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the assets underlying them. In addition, a portfolio's assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Certain options and other custom instruments are subject to the risk of non-performance by a counterparty, including risks relating to the creditworthiness of the counterparty, market risk, liquidity risk and operations risk. If a counterparty's creditworthiness declines, the value of any agreements with such counterparty can be expected to decline, potentially resulting in losses.

#### Credit Default Swaps

A CCI Client Account may enter into credit derivative contracts such as CDS, LCDS, CDX and LCDX contracts. The typical CDS and LCDS contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities or loans issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic and/or upfront payments equal to a fixed percentage of the notional amount of the contract. A CCI Client Account may also purchase or sell credit default swaps on a basket of

reference entities or an index that is CDX and LCDX contracts. In circumstances in which a CCI Client Account does not own the debt or loans that are deliverable under a credit default swap, the CCI Client Account will be exposed to the risk that deliverable securities or loans will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze."

#### Short-Selling

A CCI Client Account may engage in short-selling securities. Short-selling involves selling securities which may or may not be owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short-selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the CCI Client Account of buying those securities to cover the short position. There can be no assurance that a CCI Client Account will be able to maintain the ability to borrow securities sold short. In such cases, the CCI Client Account can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

#### Private Equity or Debt

A CCI Client Account may invest in private equity or debt. Private equity and debt investments involve a high degree of business and financial risk and can result in substantial or complete losses. A CCI Client Account may invest in portfolio companies operating at a loss or with substantial variations in operating results from period to period and may need substantial additional capital to support expansion or to achieve or maintain competitive positions. Such companies may face intense competition, including competition from companies with much greater financial resources, much more extensive development, production, marketing and service capabilities and a much larger number of qualified managerial and technical personnel. Private equity and debt investments are very illiquid and may be difficult to value. It may take a number of years for a CCI Client Account to sell or otherwise dispose of any of its private equity and debt investments and the price ultimately realized upon such sale may be significantly less than the value attributed to such investment by a CCI Client Account.

### **Item 9: Disciplinary Information**

To the best of CCI's knowledge, neither CCI nor any of its management personnel have been involved in, or subject to, any disciplinary events or legal actions that would be material to a Client's or prospective Client's evaluation of CCI's advisory business or the integrity of CCI's management.

### **Item 10: Other Financial Industry Activities and Affiliations**

Neither we nor any of our management persons are registered, nor do we or any of our management persons have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

We are the investment adviser to Separately Managed Accounts and Private Funds, as described in Item 5. The Advisory fees may be more or less than a comparable Account or Private Fund advisory fees.

Certain of our affiliates are the general partner of Private Funds for which we serve as an investment manager. With respect to such funds, management fees are paid to us on a monthly basis and performance fees, if any,

generally are effected through an annual allocation of profits from each investor into the capital account of the general partner. We may have a conflict of interest related to the incentive allocations charged to investors in the Private Funds. Please refer to Item 6 of this document which provides details on the conflict and how we address the conflict.

## **Item 11: Code of Ethics, Participation or interest in Client transactions and Personal Trading**

Pursuant to Rule 204A-1 under the Advisers Act, CCI has adopted a Code of Conduct (the “Code”) which sets forth standards of business and personal conduct for all CCI employees and addresses conflicts including those that may arise from personal trading by employees. Below is a summary of certain provisions contained in CCI’s Code.

The Code requires employees to pre-clear all purchases and sales of securities unless otherwise exempted by the Code. Once a security transaction is approved, employees generally have two business days to execute the trade. Employees are prohibited from buying a financial instrument issued by an issuer if any Client account holds a financial instrument issued by such issuer. In addition, certain blackout periods apply to the purchase and sale of certain financial instruments.

Employees are prohibited from profiting directly or indirectly from the acquisition and disposition (or disposition and acquisition) of beneficial ownership of the same (or equivalent) securities within 60 calendar days. Any profits realized on such short-term trades must be disgorged and given to charity.

Employees are also generally prohibited from serving as directors of other companies unless prior approval is obtained from CCI’s Chief Compliance Officer. In addition, the Code includes restrictions and reporting obligations in connection with gifts and entertainment. Employees may make a request to CCI’s Chief Compliance Officer for an exception from certain of the above listed restrictions. Such exceptions are granted only under limited circumstances.

Employees must report personal securities holdings upon becoming an employee and annually thereafter. Employees must also report their personal securities transactions on a quarterly basis. In addition, employees are required to send duplicate brokerage statements to CCI’s Compliance Department.

CCI also maintains insider trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material, non-public information. CCI’s personnel are required to certify to their compliance with the Code and the Insider Trading Policies on a periodic basis. There may be certain cases in which CCI or its personnel receive inside information due to their various activities on behalf of CCI or the Fund and separately managed accounts. In such circumstances, CCI may be restricted in acting on behalf of the Fund or separately managed accounts resulting in lost investment opportunities or limited liquidity for certain investments or CCI may otherwise be unable to use such information for the benefit of certain Clients.

CCI’s Managed Account Clients and investors in the Fund may obtain a copy of the Code of Conduct free of charge by contacting the Chief Compliance Officer at (973) 315 3000.

## **Item 12: Brokerage Practices**

CCI has discretionary authority to manage the Fund and the Managed Account, including the authority to determine which securities are to be bought and sold and the amounts appropriate for each Client. Any



limitation on CCI's authority is described in the Fund's offering documents or the Managed Account's investment management agreement, as applicable.

In selecting brokers or dealers to effect portfolio securities transactions, CCI will comply with its fiduciary duty to seek "best execution" on behalf of its Clients. CCI will consider relevant factors, including, among other things: (a) price, (b) the nature of the market, (c) quantity, (d) the execution capabilities required by the transaction, (e) commissions, (f) the importance of speed and efficiency, (g) the reputation and perceived soundness of the broker or dealer, (h) block trading and block positioning capabilities, (i) willingness to execute related or unrelated difficult transactions in the future, and (j) brokerage and research products and services provided to CCI.

It is noted, however, that should any transactions for Clients be effected for which brokerage commissions are charged, CCI will seek to obtain favorable commissions in light of its efforts to obtain "best execution" on all transactions. CCI is not obligated to obtain the lowest commission or best net price for the Fund or the Managed Account on any particular transaction.

#### Soft Dollars

From time to time, unless prohibited by a Client's investment management agreement and/or governing documents in the case of the Fund, CCI Client Accounts may pay broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) in excess of that which another broker-dealer might have charged for effecting a transaction, which excess commissions may be in recognition of the value of the brokerage and research products or services provided by the broker-dealer or a third party vendor to CCI or its affiliates ("soft dollars"). CCI will endeavor to effect such transactions, and receive such brokerage and research products and services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e).

CCI believes it is important to its investment decision-making processes to have access to independent research. CCI's use of soft dollars to pay for research products and services benefits CCI because CCI does not have to produce or pay for the research products or services. CCI may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services rather than on a Client's interest in receiving most favorable execution of trades. CCI addresses this conflict through reviews of (i) commission sharing arrangements (if any), (ii) use of soft dollars (if any), and (iii) the implementation of policies and procedures related to soft dollars. In addition, the portfolio manager reviews that (i) the research products and services provided by the brokers assisted in the performance of the investment team's investment decision-making responsibilities, (ii) the portfolio manager believes that the commissions paid during the period were reasonable in relation to the value of the research products and services paid for with soft dollars, (iii) the CCI trading desk sought to achieve best execution during the applicable quarter, and (iv) the broker selection process was not influenced by conflicts of interest (e.g., commission sharing arrangements, personal relationships with certain broker-dealers, preferential access to investment opportunities). The research products or services furnished by broker-dealers through which CCI effects transactions may be used for the benefit of Clients other than the particular Client whose transactions generated the soft dollars. CCI does not seek to allocate soft dollar benefits to the Fund or the Managed Account in proportion to the soft dollar credits generated by the Fund or Managed Account. The research products or services furnished to CCI by broker-dealers may include, among other things, investment and financial market research, securities and economic analysis, company information and quotation services. The research received from a broker-dealer may be proprietary research (created or developed by the broker-dealer) and/or research created or developed by a third party.

Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will CCI make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

#### Brokerage for Client Referrals

Certain broker-dealers organize events pursuant to which certain of their clients may learn more about select investment advisers, including CCI. There may be an incentive for CCI to direct Client transactions to such broker-dealers. CCI has policies in place, including a best execution policy, designed to prevent the selection of broker-dealers based solely on the receipt of such benefits by CCI or the Fund.

#### Order Aggregation

CCI will generally aggregate Client trades, subject to best execution. Aggregation opportunities for CCI generally arise when more than one Client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. In such an event, securities purchased or sold will generally be allocated among Client accounts on an average price basis.

If CCI has an order still open and additional orders for the same security are received, the existing order is closed out and the remaining orders will be aggregated where possible if such aggregation is consistent with achieving best execution for the various Client accounts. When orders are aggregated, each participating account will receive the weighted average share price for all transactions in a particular security effected to fill such orders on a given business day and transaction costs will be shared pro rata based upon each account's participation in the transaction.

### **Item 13: Review of Accounts**

Client portfolios are reviewed daily, and their performance analyzed, by CCI's Managing Principal, Varkki Chacko. Client portfolios are also reviewed by members of CCI's operations team to monitor compliance with the applicable trading mandate and any applicable risk and/or operating guidelines. Client investments are evaluated based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and such other considerations as CCI deems appropriate. In addition to reviewing the funds' portfolio on a regular basis, Mr. Chacko consults with CCI's senior investment professionals and the traders on a daily basis to review and monitor various risk metrics, exposures in the portfolio, capital at risk and various hedges.

CCI furnishes investors in the Fund with periodic written unaudited performance reports on a monthly basis. On an annual basis, investors receive a copy of the Fund's audited financial statements, in addition to a statement of taxable income (form K-1) for the Fund.

### **Item 14: Client Referrals and Other Compensation**

CCI has entered into a third party solicitation arrangement in connection with the offering of interests/shares in the Fund and may enter into other such arrangements. This third party solicitation arrangement is in compliance with Rule 206(4)-3 under the Advisers Act, to the extent Rule 206(4)-3 is applicable to such arrangements (taking

into account current SEC guidance). The compensation for referrals is based upon a percentage of fees and/or assets that CCI receives from the investors in the Fund introduced to CCI by the referring party for a period of time.

### **Item 15: Custody**

Rule 206(4)-2 (the "Custody Rule") under the Advisers Act defines custody as holding client securities or assets or having any authority to obtain possession of them, including the authority to withdraw funds or securities from a client's account or ownership of or access to client funds or securities (such as through fee deductions). Because the General Partner of the Fund is an affiliate of CCI, CCI is considered to have custody of the Fund's assets under the Custody Rule.

All Fund securities are held by a qualified custodian, which is identified in the Fund's offering memorandum. In addition, CCI arranges for the delivery to the Fund's investors of a copy of the Fund's audited financial statements, prepared in accordance with U.S. generally accepted accounting principles, on an annual basis, and within the required time frames set forth in the Custody Rule.

### **Item 16: Investment Discretion**

CCI serves as the investment adviser to the Fund and the Managed Account. CCI generally has discretionary authority to manage its Clients, including the authority to determine which investments are bought and sold and the amounts appropriate for each Client. Any limitation on CCI's authority is described in the Fund's governing documents or the Managed Account's investment management agreement. CCI does not assume discretionary authority to manage portfolios on behalf of Clients until entering into an investment management agreement and/or completing the appropriate governing documents in the case of the Fund.

### **Item 17: Voting Client Securities**

CCI votes proxies on behalf of the Fund and the Managed Account as authorized by the Fund's governing documents and the Managed Account's investment management agreement. In addition, there may be a variety of corporate actions or other matters for which shareholder or bondholder action is required or solicited with respect to which CCI may take action that it deems appropriate in its best judgment, except to the extent otherwise required by agreement with the relevant Client. Such actions requiring shareholder or bondholder action may involve, for example and without limitation, tender offers or exchanges, bankruptcy proceedings and class actions.

CCI has a proxy voting policy providing that CCI will act in the best interest of CCI's Clients in determining whether and how to vote on any proxy voting matter. CCI will classify all requests for stockholder voting authority and related proxy materials as routine (*e.g.*, uncontested director elections, reappointment of independent audit firms and issues reflecting social or environmental concerns) or non-routine. In the case of any routine matter, CCI generally will vote in accordance with the recommendations of the issuer's management unless, in the opinion of CCI's Managing Directors, such interests are not in the best interest of CCI's Clients. In the case of any non-routine matter, CCI's Management Committee will determine how to vote.

To request a copy of CCI's proxy voting policies and procedures or to obtain information on how securities were voted on behalf of a Client's account, Clients may contact CCI at (973) 315 3000.

### **Item 18: Financial Information**

CCI does not have any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to its Clients. CCI does not assess any fees more than six months in advance, and has never filed for bankruptcy.