

**Form ADV, Part 2A Brochure**  
**March 31, 2015**

**Blue Tip Energy Management LLC**  
**15810 Park Ten Place**  
**Suite 160**  
**Houston, Texas 77084**  
**Fax: (281) 944-3790**  
**[www.bluetipenergy.com](http://www.bluetipenergy.com)**

Bruce L. Taylor  
(Houston, TX)  
Tel: (281) 944-3802  
[btaylor@bluetipenergy.com](mailto:btaylor@bluetipenergy.com)

Richard A. DiClaudio  
(Pittsburgh, PA)  
Tel: (281) 944-3805  
[radiclaudio@bluetipenergy.com](mailto:radiclaudio@bluetipenergy.com)

This brochure (“Brochure”) provides information about the qualifications and business practices of Blue Tip Energy Management, LLC. If you have any questions about the contents of this Brochure, please contact Richard A. DiClaudio by telephone at (281) 944-3805 or by email to [radiclaudio@bluetipenergy.com](mailto:radiclaudio@bluetipenergy.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Any reference to or use of the terms “registered investment trader” or “registered” does not imply that Blue Tip Energy Management, LLC or any person associated with Blue Tip Energy Management, LLC has achieved a certain level of skill or training.

Additional information about Blue Tip Energy Management, LLC is available on the SEC's website at [www.advisorinfo.SEC.gov](http://www.advisorinfo.SEC.gov).

Material changes to this Form ADV, Part 2A since the filing of our last brochure on March 31, 2014 are as follows.

- Item 4 – The value of assets under management has been updated.
- Item 5 – The value of management fees.
- Item 8 – The reference of a natural gas property sale in Q1 2015.

### **ITEM 3      TABLE OF CONTENTS**

	Page
ITEM 1- COVER PAGE .....	i
ITEM 2- MATERIAL CHANGES .....	i
ITEM 3- TABLE OF CONTENTS .....	ii
ITEM 4- ADVISORY BUSINESS .....	3
ITEM 5- FEES AND COMPENSATION .....	4
ITEM 6- PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT .....	5
ITEM 7- TYPES OF CLIENTS .....	5
ITEM 8- METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	6
ITEM 9- DISCIPLINARY INFORMATION .....	10
ITEM 10- OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	10
ITEM 11- CODE OF ETHICS .....	10
ITEM 12- BROKERAGE PRACTICES .....	11
ITEM 13- REVIEW OF ACCOUNTS .....	12
ITEM 14- CLIENT REFERRALS AND OTHER COMPENSTAION .....	12
ITEM 15- CUSTODY .....	12
ITEM 16- INVESTMENT DISCRETION .....	12
ITEM 17- VOTING CLIENT SECURITIES .....	12
ITEM 18- FINANCIAL INFORMATION .....	13
ITEM 19- REQUIREMENTS FOR STATE-REGISTERED ADVISORS .....	13

#### **ITEM 4      Advisory Business**

Blue Tip Energy Management LLC (“Blue Tip Energy” or “General Partner”) is a Colorado limited liability company founded in 2007 for the purpose of being the General Partner of Blue Tip Energy Partners Fund, I. L.P. (“the Fund”). As of the date of this Brochure, Richard A. DiClaudio owns approximately 25% of the outstanding interests in Blue Tip Energy, with the remaining 75% owned by Blue Tip Energy's other five members. References in this Brochure to “Blue Tip Energy” or the “General Partner” refer to Blue Tip Energy Management, LLC.

The Fund was formed to make private equity investments in North American, onshore, reserve-based, oil and natural gas assets. The Fund concentrates its investment activity on “upstream” assets within the energy industry, specifically, underperforming producing and non-producing oil and natural gas assets with operational and development value creation potential. The Fund has acquired assets to date through privately negotiated transactions. The five-year Capital Commitment Period (defined below) of the Fund closed on May 17, 2012, and the Fund does not currently intend to make investments in any new oil or gas properties (other than “follow-on” investments in the Fund’s existing properties). The Fund’s total life term is ten (10) years, which period may be extended for up to a maximum of two (2) consecutive one-year periods.

Blue Tip Energy's investment advisory activities consist solely of providing advisory and investment management services to the Fund in its capacity as the General Partner of the Fund. As the General Partner, Blue Tip Energy identifies and selects the assets in which the Fund will invest and directs their development and eventual divesture. Blue Tip Energy's investment management and advisory services are limited to the energy industry and predominately to upstream oil and gas assets. Operation and management of the Fund is conducted pursuant to the terms of the Agreement of Limited Partnership of Blue Tip Energy Partners Fund I, L.P., dated as of May 17,

2007 (“Limited Partnership Agreement”), which limits the types of investments the Fund can make.

Blue Tip Energy does not participate in wrap-fee programs.

Blue Tip Energy is actively managed by Richard A. DiClaudio and Bruce L. Taylor (the “Managers”). Non-managing members of Blue Tip Energy are Hawthorne Partners, Protechnics (Nevada) Inc., Gregory S. Brown and Mr. Mark G. Wagner.

As of December 31, 2014 the assets under the General Partner's management were approximately \$71,000,000.00 all of which are managed by the General Partner on a discretionary basis.

#### **ITEM 5. Fees and Compensation**

Pursuant to the Limited Partnership Agreement, the General Partner is paid, quarterly in advance, an annual management fee (the “Management Fee”). During the first five years of the Fund's term (the “Capital Commitment Period”), the Management Fee is equal to 2% of the aggregate capital commitments of the Fund. Following the expiration of the Capital Commitment Period on May 17, 2012 and the vote of the Limited Partners not to release the last tranche of capital commitments, the Management Fee is 1.50% of the called capital commitments (\$130,3 million as of December 31, 2012) of the Partners (taking into consideration all permanent write-offs reflected on the books and records of the Fund and reducing, on an annual basis, the amount of invested capital commitments upon the sale of any asset of the Fund equal to the invested capital commitments of each asset sold). Also, the Management Fee is reduced by the amount of any fees paid to the General Partner by any portfolio company (such as transaction fees, finance fees and monitoring fees). The Fund's obligation to pay the Management Fee is not negotiable and will continue at the 1.50% rate described above throughout the term of the Partnership without

further adjustment, other than pursuant to an amendment to the the Limited Partnership Agreement, which may be amended with the consent of the General Partner and two-thirds of the Limited Partner interests and, in certain limited circumstances, solely by the General Partner. The Limited Partnership Agreement is terminable only in the event the Fund is terminated and in such event, there is no provision for any refund of Management Fees paid in advance.

**ITEM 6. Performance Based Fees and Side by Side Management**

In addition to the Management Fee, the General Partner will receive a distribution of 20% of the net profits, if any, after each Partner has received 100% return of all of its funded commitments (including all Management Fees paid), together with a 8% internal rate of return, compounded annually from the date of contribution.

**ITEM 7. Types of Clients**

The General Partner provides investment management and advisory services solely to the Fund and does not provide such services to any other individual, company or entity. All Limited Partners in the Fund are “Accredited Investors,” as that term is defined in the Securities Act of 1933, as amended, and “qualified clients,” as that term is defined the Investment Advisers Act of 1940, as amended.

**ITEM 8. Methods of Analysis, Investment Strategies and Risk of Loss**

***Objectives and Strategy***

The Fund's investment strategy is to acquire, when possible, through privately negotiated transactions, underperforming upstream oil and natural gas assets located onshore in the United States which have upside potential through effective management and additional development. An important component of the Fund’s strategy is to pursue oil and natural gas properties where it can control or greatly influence operations and therefore control the timing and course of

development and exit. Once an acquisition is completed the Fund makes follow-on investments in each asset to optimize production and develop the asset's undeveloped reserve potential. Once the optimization and development programs are complete, and assuming market conditions are favorable, the assets are marketed for sale. It typically takes at least four years to complete the follow-on investment activities, although the time can vary depending on several factors. The Fund's investments often deploy various hedging strategies on its established production to reduce the near-term risk of falling commodity pricing. To date the Fund has acquired five (5) separate assets. Of the assets acquired, two (2) are oil assets and three (3) are natural gas assets. One natural gas asset was sold on January 9, 2015; thus as of the date of this Brochure, the Fund now owns controlling interest in two (2) natural gas assets and two (2) oil assets.

During the Capital Commitment Period the General Partner used its extensive network of industry relationships to pursue assets that include both producing and non-producing oil and gas components. The General Partner was required to use its best efforts to acquire assets that include an element of proven producing oil or gas resources or be reasonably expected to have such production within 24 months of purchase; however, as part of any investment an element of non-producing assets were acquired.

While the General Partner has endeavored to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return (IRR) will be achieved. On any given investment or even at the Fund level, loss of all, or a portion, of the original amount of the investment is possible. The Fund may realize losses on unsuccessful investments prior to realizing gains on successful investments, if any. Withdrawal of capital from the Fund will generally not be permitted. While the Fund may sell an investment at any time, such sales may not occur until sometime after the initial investment. Although the

General Partner endeavored to perform extensive due diligence prior to making an investment in oil and gas assets, certain inherent risks are always present. Outlined below are the risk factors the General Partner deems the most critical.

***Dependence on the General Partner***

The Fund is dependent upon the General Partner to identify attractive investments for the Fund. All investments made by Blue Tip Energy will be directed to the Fund until such time as the Fund is substantially invested or until the capital commitments of the investors in such Fund expire or are terminated. In addition, the Fund will compete to make investments with other companies and others with objectives similar to those of the Fund. Many of these competitors are larger than the Fund and have well-established records of successful investing.

Except for certain matters affecting the basic structure of the Fund, all Fund decisions are made solely by the General Partner. According to the Limited Partnership Agreement and Delaware law, the Limited Partners have no right or power to take part in the management of the Fund. Thus, the Limited Partners must rely upon the ability of the General Partner for Fund operations.

***General Economic Conditions***

General economic conditions may affect the value and marketability of the oil and gas assets acquired by the Fund. Interest rates, general levels of economic conditions, the price of securities in securities markets and participation by other investors in the financial markets may affect the prices that the Fund is able to obtain when it sells its assets or its ability to attract third party financing for individual investments.

### ***Energy Industry Concentration***

All investments are concentrated in the energy industry, and are subject to numerous risks that affect the energy industry as a whole or the upstream sector within the industry in particular.

### ***Fluctuations in Commodity Prices***

Prices for oil and natural gas can be subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of additional factors beyond the General Partner's or the Fund's control. These factors include but are not limited to weather conditions in the United States, the condition of the United States economy, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign oil imports, the availability of alternate fuel sources, and transportation interruptions.

### ***Drilling Risks***

The revenues and operating results of the Fund and the value of its investments are dependent upon the success of the Fund's development activities, including the drilling of new wells. The drilling activities involve numerous risks, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. Among other things, the Fund's economic success depends upon the General Partner's ability to commercially develop the proved undeveloped and probable oil and natural gas reserves. Development of these reserves requires significant capital expenditures, and there can be no assurances regarding the development results or the return, if any, of such development capital.

### ***Operating Risks***

The the drilling and operation of reserve-based properties is subject to numerous risks



inherent in the oil and gas industry, such as blowouts, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution, earthquakes and environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage and suspension of operations. The Fund's operations could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages.

### ***Regulation of the Energy Industry***

The energy industry is affected from time-to-time and in varying degrees by political development and a wide range of federal, state and local laws, statutes, rules, orders and regulations. For example, various federal, state and local laws and regulations relating to the protection of the environment and natural wildlife may affect the operations and costs of the companies engaged in the energy industry. Moreover, oil and gas operation activities can have restrictive regulations on the types, quantities and concentration of various substances needed to drill and operate reserve base assets.

### ***Environmental Liabilities***

The oil and gas business is subject to environmental hazards, such as oil spills, gas leaks and ruptures and discharges of petroleum products and hazardous substances, and historic disposal activities. These environmental hazards could expose the Fund to material liabilities for property damages, personal injuries or other environmental harm, including costs of investigating and remediating contaminated properties.

### **ITEM 9.      Disciplinary Information**

Neither Blue Tip Energy nor any Manager of Blue Tip Energy has any history of any disciplinary action or been named in any legal or disciplinary proceedings.

#### **ITEM 10. Other Financial Industry Activities and Affiliations**

Neither Blue Tip Energy nor any Manager or employee is registered, or has an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

Neither Blue Tip Energy nor any Manager or employee is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator or commodity trading advisor.

#### **ITEM 11. Code of Ethics**

Blue Tip Energy has adopted a Code of Ethics which applies to all of our supervised persons. A copy of the Code of Ethics is available to any Limited Partner upon request. The Code of Ethics is predicated upon the following principals:

- Honest and ethical conduct, including the ethical handling of actual and apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in annual and quarterly reports and in other public communications made by the General Partner regarding the Fund;
- Compliance with applicable governmental laws, rules and regulations; and
- The prompt internal reporting to an appropriate person or persons identified in this Code of violations of the Code.

In addition, Blue Tip's Code of Ethics imposes certain restrictions on employees and/or an employee's immediate family member with regards to board appointment, business affiliation, investment and trading with competitors, suppliers, vendors, creditors or any other area that would influence or appear to influence the actions on behalf of the Fund.

Blue Tip Energy Members have an ownership interest in Fund investments through their

ownership in the General Partner. Additionally, in 2012, Richard A. DiClaudio and Bruce L. Taylor invested directly in one (1) of the Fund's investment through a co-investment vehicle with, and under the same terms as, two (2) of the Fund's Limited Partners. The co-investment opportunity was offered to all of the Fund's Limited Partners, under the same terms and conditions, and in accordance with the terms of the Limited Partnership Agreement.

Other than their ownership in the Fund and in the affiliated co-investment vehicle described above, none of Blue Tip Energy or its managers has a material financial interest in investments selected by the Fund.]

#### **ITEM 12. Brokerage Practices**

Blue Tip Energy does not typically invest directly in marketable securities and therefore does not utilize broker-dealers to affect those types of transactions or to provide research or other services to the Fund or the General Partner. Blue Tip Energy relies primarily on its own, in-house professionals for data evaluation and research related to Fund assets. In some cases, during the Capital Commitment Period, Blue Tip Energy utilized third-party statistical data and third party expert consultants as a part of its data evaluation, to whom Blue Tip Energy may pay consultant and/or service fees, which, if the investment is completed, were paid from Fund assets and, if the investment was not completed, were paid by Blue Tip Energy from its Management Fee.

#### **ITEM 13 Review of Accounts**

Neither Blue Tip Energy nor the Fund review client accounts or financial plans. Blue Tip Energy furnishes each Limited Partner with audited annual audited financial statements and net asset values of the Fund within 90 days of the end of each fiscal year. Additionally, Blue Tip Energy furnishes each Limited Partner unaudited financial statements and net asset value calculations within 60 days of the end of each quarter.

#### **ITEM 14      Client Referrals and Other Compensation**

Neither the General Partner nor any of its Managers or employees has any arrangement whereby they receive cash or receive any economic benefit from a non-client in connection with giving advice to the Fund.

#### **ITEM 15      Custody**

All funds called for ongoing Fund development and operations are held in segregated bank accounts established in the name of the Fund or its subsidiaries and controlled by the General Partner. All other assets of the Fund are held by the Fund or its subsidiaries.

#### **ITEM 16      Investment Discretion**

Subject to terms and conditions of the Limited Partnership Agreement and the general investment objectives, policies and restrictions applicable to the Fund, the General Partner has discretionary authority, without obtaining specific consent from the Fund or its Limited Partners, to:

- acquire, operate and dispose of the Fund's personal and intangible property;
- make investments on behalf of the Fund, in accordance with the investment criteria set forth in the Limited Partnership Agreement;
- reinvest Fund proceeds to the extent generated from and reinvested as a follow-on investment in the same or related investment; and
- borrow against the assets of the Fund.

#### **ITEM 17      Voting Client Securities**

The General Partner has voting authority with respect to all voting securities owned by the Fund. The General Partner votes such securities based upon its judgment as to the best interests of the Fund and its Partners.

**ITEM 18      Financial Information**

Attached as Exhibit “A” is the audited balance sheet of the Fund for the year ending December 31, 2014. Blue Tip Energy does not have any financial commitments that impair its ability to meet contractual and fiduciary commitments to the Fund, and Blue Tip Energy has not been the subject of any bankruptcy proceeding.

**ITEM 19      Requirements for State-Registered Advisors**

Not applicable.