

# Cherokee Investment Partners, LLC

## Part 2A of Form ADV

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February 2012

This brochure provides information about the qualifications and business practices of Cherokee Investment Partners, LLC (“CIP”). If you have any questions about the contents of this brochure, please contact us at 919-743-2500.

Additional information about CIP is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

CIP is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## Item 2 Material Changes

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) adopted amendments to Form ADV and rules concerning delivery of Part 2 brochures to clients of registered investment advisers, such as CIP. This brochure, dated February 2012, is prepared according to the SEC’s new requirements and rules and discloses information responsive to those new requirements that was not previously required to be included. In the future, this Item will summarize the material changes, if any, made to this brochure as part of our annual update.

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## Item 4 Advisory Business

The predecessor to Cherokee Investment Partners, LLC (“CIP” or “the Advisor”) was founded in 1993; the Advisor is owned by Thomas Darden and John Mazzarino. CIP provides investment advisory services to private investment funds (the “Funds”). The Funds seek to provide investment returns primarily through the acquisition, remediation and redeployment of environmentally impaired real estate investments. CIP has affiliated entities that serve as the General Partner to each respective Fund. Each Fund will be managed by its respective General Partner. For ease of reference, CIP and any General Partner to a Fund are referred to, collectively, throughout this Brochure as “CIP.”

CIP is responsible for identifying investment opportunities for the Funds, as well as facilitating the acquisitions, monitoring, and disposition of each of the Funds’ investments. CIP tailors its advisory services to the individual needs of each Fund, in accordance with the investment objectives, strategies and limitations (if any) described in each Fund’s Private Placement Memorandum and Limited Partnership Agreement (herein referred to as “offering documents”). As of December 31, 2011 CIP managed \$625 million on a discretionary basis, which includes each Fund’s net asset value, share of debt and unfunded commitments.

Shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company

Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests or shares in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements.

#### *Advisory Board*

Each Fund has an Advisory Board. The Advisory Boards are established to review and resolve certain conflicts of interest between CIP and the respective Fund. A majority of the members serving on each Advisory Board must not be affiliated with CIP.

## **Item 5 Fees and Compensation**

Fees are determined and assessed in a manner specific to each Fund. For the specific fees charged by each Fund, please refer to the offering documents for that Fund. The fees paid by the Funds may be negotiable in special circumstances. Certain fees may be deferred or waived from time to time at the discretion of CIP. Broad classes of fees are outlined below:

#### *Management Fees*

As compensation for investment advisory services rendered to a Fund, each Fund is charged an annual management fee, payable quarterly in advance. Management fees during the investment period of the Fund generally are based on aggregate capital commitments of the limited Partners and are asset-based thereafter. The management fees are negotiated collectively with the limited Partners of each Fund, and are subject to waiver or reduction by CIP. Management fees during the commitment period typically range from 1.00% to 1.90%.

#### *Carried Interest*

A portion of each Fund’s net investment profit may be allocated to the capital account of its General Partner as “carried interest.” The manner of calculation of such carried interest is disclosed in the offering documents, and may vary by fund. Generally, however, the General Partners receive carried interest up to 30% carried interest.

As is the case with Management Fees, CIP and its affiliates reserve the right to waive or reduce carried interest for certain investors, including employees, a limited number of strategic partners, advisors and consultants and others as may be determined in CIP’s sole discretion.

#### *Organizational and Offering Fees and Expenses*

CIP will generally bear its overhead costs for office space and facilities incurred in performing services for the Funds, as well as the salaries and benefit costs of its employees. The Funds will bear all legal, accounting, filings and other organizational and offering expenses (including travel expenses and printing costs) incurred in the formation of the General Partner, Fund and the offering of the Fund, up to an amount not to exceed \$1,500,000 (“Organizational Expenses”). Organizational Expenses in excess of this amount will be paid by the Fund but borne by the Manager through a 100% offset against the Management Fee.

#### *Partnership Expenses*

The Funds will pay all costs, expenses and liabilities in connection with its operations (the “Partnership Expenses”), including fees, costs and expenses related to the preliminary investigation of investments, purchase, holding, financing, hedging and sale of investments (to the extent not reimbursed); brokerage commissions, custodial expenses and other investment costs actually incurred in connection with investments; principal, interest on and fees and expenses arising out of all borrowings made by the Funds; costs and expenses of the Advisory Board and the annual meeting; insurance; expenses of preparing and distributing reports to the limited partners; litigation and indemnity expenses; expenses of liquidating the Fund; and other extraordinary expenses. The Funds will also bear third-party, out-of-pocket expenses incurred by or on behalf of the Fund or any alternative investment vehicle in connection with transactions not consummated.

#### *Transaction Fees*

Neither the Manager nor the General Partner will receive any transaction fees, such as acquisition, disposition, financing or other similar fees in connection with the operation of the Funds.

#### *Side Letters*

CIP may enter into side letter or other similar arrangements with limited partners that have the effect of establishing or otherwise benefiting such investor in a manner more favorable than the rights and benefits described in the Fund offering documents. Rights and benefits that are more favorable in any material respect may be afforded to a limited partner based upon its commitment level, and the same favorable rights and benefits may be extended to other limited partners in accordance with each respective Fund’s offering documents. These rights and benefits include most favored nation status, Advisory Board designations, capacity, investment restrictions, reporting requirements, tax considerations, and other terms and conditions.

## **Item 6 Performance Based Fees and Side-by-Side Management**

Please see the section titled “Carried Interest” under Item 5 above for a description of the performance based fees allocable to the Funds’ General Partners. CIP is entitled to receive a portion of the distribution of current income and proceeds as incentive compensation as set forth in each Fund’s offering documents. The fact that a significant portion of the Advisor’s compensation (and its affiliates and investment professionals compensation) is directly computed on the basis of profits generated by the sale or disposition of Fund assets may create an incentive for CIP to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

## **Item 7 Types of Clients**

CIP provides discretionary investment advisory services to the Funds. Investors in the Funds may include, but are not limited to, pension plans, endowments, corporate and business entities, endowments and foundations, trusts, and high net worth individuals. The Funds have minimum capital commitments for limited partners, as specified in the offering documents for each respective Fund, which are negotiable by CIP. Each investor is required to meet certain suitability qualifications, such as being an “accredited investor” or a “qualified purchaser” within the meaning set forth under the federal securities laws.

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

#### *Investment Analysis*

Investing in environmentally impaired assets requires thorough environmental and real estate due diligence, as well as structuring of the transaction to ensure proper risk protection. CIP has developed a screening process and assembled an experienced management team to assess and oversee the acquisition of environmentally impaired real estate. The screening process for potential investments involves several steps, which vary depending on the type of asset being proposed for acquisition. Generally, as part of the screening process, CIP works alongside local service providers, including operating partners, deal partners, property management and leasing professionals, lenders, brokers, and other professionals within the real estate sector. Together, they perform the necessary review of the contaminated asset including: review of prior environmental studies; identification of known contaminants; analysis and performance of any soil and water surveys; quantification of remediation costs based on the potential future uses (i.e., parking lot, manufacturing plant, office building, etc.); negotiation of remediation and repositioning steps with environmental regulators and local officials to receive proper permits, zoning changes (if necessary) or other approvals; and negotiation of for tax incentives.

Generally, subsequent to the screening process above, a written summary is prepared describing the due diligence conducted on the proposed investment, and this summary is provided to the Investment Committee. The Investment Committee is comprised of Thomas Darden, John Mazzarino, Bret Batchelder and Jim Fogleman. The Investment Committee reviews investment decisions for the Funds; the final determination for an investment is made by Thomas Darden and John Mazzarino.

### *Investment Strategies*

The Fund's investment objective are to realize long-term capital appreciation primarily by investing, directly or indirectly, in environmentally impaired real estate assets or real estate companies and real estate related companies (each such transaction or series of transactions in single or multiple assets, an "investment") where value may be improved through active management and development of such assets and companies through remediation, risk-transfer methods and otherwise. CIP seeks to avoid contaminated sites with severe technical problems or where cleanup costs cannot reliably be quantified to focus on properties where the cleanup outcome is reasonably predictable.

CIP has a comprehensive process through which it actively targets potential sellers of specific types of real estate investments, both by geography and use, and specific industries that are prone to environmental contamination. In pursuing environmentally impaired assets, CIP has developed a set of tactics that it uses to effect transactions with owners and, perhaps more importantly, create up-front value. Historically, CIP has relied primarily on the following: (i) insurance-backed indemnities to persuade sellers to transact; (ii) real estate skills to determine value if clean; (iii) environmental expertise to manage risk; (iv) deal structuring knowledge to mitigate financial downside; and (v) regulatory relationships to achieve a negotiated return to clean status early in the process or prior to purchase.

The Funds may participate in joint ventures with unaffiliated third party entities in certain transactions.

### *Risk of Loss*

The descriptions contained below are a brief overview of different risks related to CIP's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Funds. For a further discussion of applicable risks, please see each Fund's offering documents.

### General Investment Risks

Limited Partners should also refer to the risks described in the offering documents for each respective Fund. Investments in the Funds involve a significant degree of risk and are generally illiquid. Similarly, the investments made by the Funds are risky and illiquid. A Fund investor should not invest in a Fund unless the investor is able to withstand a total loss of its investment in the Fund. Even if the investments of a particular Fund are successful, they may not produce a realized return to Fund investors for a period of years. There is no assurance that any Fund will achieve its investment objective. Investing in securities and other investments involves a risk of loss that the Funds and limited partners should be prepared to bear.

#### Real Estate

Investments will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include, but are not limited to, the burdens of ownership of real property, general and local economic conditions, the supply and demand for properties, energy and supply shortages, changes in building, environmental and other laws and/or regulations, changes in real property tax rates, changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, uninsured or uninsurable casualties, acts of God, terrorist attacks and war and other factors which are beyond the control of the General Partner. There is no assurance that there will be a ready market for resale of investments because investments will generally not be liquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale.

#### Environmental Matters

The Funds may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. The Funds are subject to a wide range of federal, state, local and foreign environmental, health and safety laws, ordinances and regulations, including without limitation, those relating to the investigation, removal, and remediation of past or present releases of hazardous or toxic substances. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard to whether the owner or operator knew of, or caused, the presence or release of such substances. Environmental liabilities are generally not limited under such laws and could exceed the value of the relevant property and/or the aggregate assets of the responsible party. The presence of substances, or the failure to properly remediate related contamination, may adversely affect the marketability of the real estate or the value of such property as collateral, which could have an adverse effect on the Fund's return from such investment. In addition, remediated property may attract a limited number of potential purchasers because of the property's history of contamination, which might also adversely affect the marketability of the property. It is also possible that, as an owner and operator of contaminated or potentially contaminated real estate, the Fund could be exposed to third-party claims, including without limitation, property damage, personal injury and natural resource damage claims by adjoining or nearby landowners or residents or by regulatory agencies. Also, the enactment of new environmental laws or regulations or changes in existing laws or regulations (or in their enforcement) may result in clean-up costs that could adversely affect the Fund or CIP's business in the future.

There can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on portfolio companies or potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the investment will

not cause injury to the environment or to people under all circumstances or that the investment will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on an investment, and there can be no assurance that investments will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of the investment could also result in material personal injury or property damage claims.

In addition to the potential environmental liability discussed above, investments in environmentally impaired assets involve numerous business judgments relating to the estimated costs of future investigations, removals and remediations which may exceed cost projections or take longer than anticipated, the availability and costs of insurance, the likelihood and nature of third-party claims relating to environmental conditions, the marketability of properties impacted by residual contamination and the effect of governmentally imposed land use restrictions.

Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership (such as the Funds) subject to environmental liability. However, a limited partner investor in the Funds may reduce its risk of such personal liability by avoiding activities with respect to the Funds' investments other than as specifically contemplated by the Funds' offering documents.

#### Use of Leverage

CIP will cause the Funds to use leverage from time to time, in the form of debt financing to acquire and refinance investments. Debt service requirements may deplete or restrict a Fund's cash flows. Further, relatively small changes in the overall value of Fund investments may have a magnified impact on the equity value of the Fund. If a particular Fund investment was unable to generate sufficient cash flow to meet principal and interest payments on the indebtedness incurred by the Fund relative to that investment, the value of the Fund's investment in such portfolio investment would be significantly reduced or even eliminated. In addition, the amount of debt financing may restrict the amount of funds available for distribution to Fund investors. Debt financing may be unsecured and subordinated to substantial amounts of senior indebtedness and Fund investments may not be protected by financial covenants.

The Funds may participate in a limited number of investments and as a consequence, the aggregate return of the Funds may be materially and adversely affected by the unfavorable performance of a single investment.

## **Item 9 Disciplinary Information**

CIP and its employees have not been involved in any legal or disciplinary events in the past 10 years that CIP believes would be material to a client's evaluation of CIP's advisory business or the integrity of its management.

EnCap Golf Holdings, LLC ("EnCap"), the majority of which is indirectly owned by one of the Funds, is part of an on-going investigation by the United States Attorney's Office (the "USAO") for the District of New Jersey regarding an impaired real estate investment formerly held by EnCap and various related transactions. EnCap and CIP continue to comply with the USAO's investigation. While there have been criminal charges brought against parties associated with the EnCap project that involves their work on the project, including the now deceased former attorney for the project, Eric D. Wisler, former New Jersey State Senator Wayne R. Bryant, and the former manager of the EnCap project, William Gauger, no charges have been asserted or brought against CIP, any of its employees, or any of the

Funds. Accordingly, while CIP does not believe that the EnCap investigation and the related charges are material to an investor's evaluation of CIP's advisory business, the matter is disclosed here in the event that a third party may desire to review or request additional or more current information.

In connection with litigation filed against specific real estate holdings by the Funds, certain individuals or CIP may from time to time be named as co-defendants. CIP undertakes to defend any such claims, and to provide a defense for any of its employees or managers who may be named in the proceedings, in the ordinary course of its business.

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

### *Pooled Investment Vehicles*

See the section titled "Advisory Business" above for a description of CIP's role in providing advisory services to the Funds.

### *Service Provider*

CIP outsources the Fund's accounting and back office functions to Cherokee Investment Services, Inc. ("CIS"), a corporation wholly owned by Thomas Darden and John Mazzarino. CIP and CIS have a legal agreement whereby the Funds are billed only for CIS expenses specific to each Fund, as discussed within each Fund's offering documents. Due to both CIP's and the Fund's relationship with CIS, various products and services received from CIS may be expensed to the Funds at a different rate for similar or comparable services from an unaffiliated service provider, though CIS's rates for such services are generally comparable to or below the market rate charged by its competitors. Thus, CIP and its employees are faced with a conflict of interest related to the on-going evaluation of the services provided by CIS and may result in CIP and its employees recommending the Funds' on-going use of CIS when it may not be appropriate to do so. To assist in mitigating this conflict of interest, each Fund's Advisory Board has the ability to review expenses allocated to the respective Fund, including CIS specific expenses.

### *Renewable Energy Initiative*

Cherokee Renewables, owned by Thomas Darden and John Mazzarino, is a clean energy company focused on funding, developing, constructing and managing solar photovoltaic projects established on brownfields. To avoid perceived or actual conflicts of interest, Cherokee Renewables projects are separate and distinct from the Funds and are outside the Funds investment objectives; at no time has Cherokee Renewables recommended projects for Fund investment, nor have the Funds invested alongside Cherokee Renewables projects.

### *Philanthropic Venture*

Cherokee Gives Back ("CGB") serves as a philanthropic affiliate of CIP. CGB is involved with a wide variety of not-for-profit projects including health care, blighted real estate, job creation, poverty relief, education, orphan care and adoption. CGB, through Cherokee Property Foundation, seeks to accept donations of real estate properties that would be marketable except for the presence of real or perceived contamination. CGB assists in the restoration of the property, repurposing it for use, to benefit the donor's community. As the property donations are directed to CGB by the donor, and due to investment restrictions imposed by each Fund's offering documents, the Funds may not invest in or purchase assets

held by CGB. Additionally, any property accepted by CGB must be outside the investment objectives established by each Fund to avoid actual or perceived conflicts of interest.

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

### *Code of Ethics*

CIP has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisors Act. This Rule requires CIP to adopt a Code of Ethics that sets forth a standard of business conduct and compliance with federal securities laws by all of our employees. Our Code of Ethics contains policies and procedures that require the following: (i) pre-clearance before purchasing any securities in initial public offerings or private placements; (ii) periodic reporting of employees' personal securities transactions and holdings; and (iii) prompt internal reporting of any violations of the Code of Ethics.

CIP will provide a copy of our Code of Ethics to investors or prospective investors, upon request. Please contact Bret Batchelder by telephone at 919-743-2500 should you have any questions concerning our Code of Ethics or wish to obtain a copy.

## **Item 12 Brokerage Practices**

### *Best Execution*

CIP focuses on making investments in private securities, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer, and brokerage-related commissions are not ordinarily payable in connection with such investments. However, when selecting a real estate broker, CIP will consider numerous factors and criteria with the overall objective of selecting a broker who will efficiently and effectively market the asset for sale and maximize returns for the Funds. Examples of the criteria used include the following: the broker was helpful or instrumental during the acquisition and/or consulting process during the asset management phase; the broker represented the seller during the purchase of the asset and is already familiar with the property and/or the structure of ownership; access to decision makers for a likely capital source; ability to run the bidding process to maximize the return on investment to the Fund; knowledge and experience with the local market, type of asset and/or structure; complexity and size of the transaction; past performance in representing CIP or others on similar deals; venture partner input or predisposition to use a particular broker; overall allocation of business to a variety of qualified brokers that can meet CIP's needs; and the fee structure for the engagement.

## **Item 13 Review of Accounts**

### *Review of Fund Portfolios*

The only accounts managed by CIP are the Funds. The investment positions and assets within the Funds' portfolios are monitored and reviewed by personnel of CIP and CIS. Further, CIP's Investment Committee meets periodically, but at least monthly, to review all prospective investments, existing holdings, potential dispositions, material events regarding existing investments and to assess real estate market activities.

During the second half of each fiscal year, the professionals involved with asset management prepare individual business plans on each of the Fund's investments for the upcoming year and the Investment Committee reviews and approves each plan separately. Further, when significant changes are warranted or expected, the Investment Committee will convene on an ad hoc basis to review and discuss the appropriate changes to the business plans.

### *Reporting*

CIP provides investors with written quarterly reports, generally within 30 - 45 days after the end of each quarter, that contain the following information: (i) Fund's statement of changes; (ii) a schedule and summary description of each Fund asset; (iii) a description of the performance of each asset; and (iv) unaudited financial statements including a balance sheet, a statement of income or loss, statement of partners' capital and a statement of cash flows.

Within 120 days of the end of the fiscal year, investors in the Funds will also receive copies of annual audited financial statements that include the following information: (i) auditors opinion; (ii) balance sheet; (iii) statement of income or loss; (iv) statement of partners' capital; (v) statement of cash flows; and (vi) notes to the financial statements.

CIP also distributes special reports to investors, upon specific request. The special reporting varies by the format in which an investor would prefer to receive information (e.g., using a specific template or questionnaire).

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

CIP may periodically engage third party placement agents (i.e., solicitors) to introduce prospective investors to the Funds. The fees and expenses of any third-party placement agents will be paid by the Funds, but will be reimbursed by CIP by offsetting its Management Fees.

The Funds may act in conjunction with developers or outside investors for competitive or strategic reasons or for other reasons that CIP determines will benefit the Funds, including forming joint ventures or other arrangements. Such third parties may venture with the Funds and/or CIP and may receive compensation in connection with arranging and managing such ventures. Any incentive compensation received by or otherwise payable to CIP or its affiliates in connection with joint ventures between the Funds and such third parties will be distributed to the Funds.

## **Item 15 Custody**

The Funds' General Partners are affiliates of CIP and therefore CIP is considered to have custody of client assets. The Funds are audited annually and the audited financial statements, which are prepared in accordance with generally accepted accounting principles, are distributed to the Funds' investors within 120 days of the Funds' fiscal year end. Fund investors should carefully review the Funds' audited financial statements.

## **Item 16 Investment Discretion**

CIP has investment discretion over the Funds' assets, in accordance with each Fund's respective offering documents. The Funds' General Partners are affiliates of CIP. Each Fund's offering documents generally set forth certain limitations with respect to the management of the Fund and the activities of CIP, among

others. Fund investors may enter into side letter agreements with CIP, as described under Item 5 above. These agreements may have the effect of limiting certain of CIP's activities.

## **Item 17 Voting Client Securities**

CIP's Funds are primarily invested in privately-held portfolio company investments which typically do not issue proxies. In the event that a Fund acquires equity positions or other positions that may solicit proxies, CIP will develop and implement policies and procedures to vote such proxies consistent with its fiduciary duty.

CIP maintains a record of any proxy votes executed on behalf of the Funds. Funds and their investors may contact Bret Batchelder by telephone, at 919-743-2500 to obtain a copy of CIP's proxy voting policy or to obtain information with respect to any specific proxy votes submitted on behalf of the relevant Fund.

## **Item 18 Financial Information**

CIP is not aware of any financial condition that it believes will affect its ability to meet contractual commitments to the Funds.