

# CORONADO RESOURCES

## CORONADO RESOURCES MANAGEMENT LP (“*CRM*”)

### FORM ADV, PART 2A (the “*Brochure*”)

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This Brochure provides information about the qualifications and business practices of CRM. If you have any questions about the contents of this brochure, please contact us at (214) 651-6245. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“*SEC*”) or by any state securities authority. Additional information about CRM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**This Brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of applicable offering documents that contain a description of the material terms relating to such investments, products or services.**

## **Important Note About This Brochure**

This Brochure is not:

- an offer or agreement to provide advisory services to any person;
- an offer to sell interests or a solicitation of an offer to purchase interests in any investment product or vehicle advised by CRM;
- a complete discussion of the features, risks or conflicts associated with any account advised by CRM; or
- to be relied on in determining whether to invest in a Private Fund (as defined herein) or establish an advisory relationship with CRM.

As required by the Investment Advisers Act of 1940, as amended (the “*Advisers Act*”), CRM provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Private Fund, together with other relevant offering materials, prior to, or in connection with, such persons’ establishment or consideration of a client relationship or an investment in a Private Fund.

Persons who receive this Brochure should be aware that it is designed solely to provide information about CRM as necessary to respond to certain disclosure obligations under the Advisers Act. Therefore, the information in this Brochure may differ from information provided in the materials that govern an account or investor relationship such as an advisory contract or a Private Fund’s Governing Documents (as defined below).

More complete information about each Private Fund, as well as CRM’s investment management services in general, is included in relevant Governing Documents, certain of which may be provided to current and eligible prospective clients or Investors (as defined below) only by CRM or another designated party. To the extent that there is any conflict between discussions herein and similar or related discussions in any Governing Documents, the relevant Governing Documents shall govern and control.

**In no event should this Brochure be considered to be an offer of interests in a Private Fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.**

## ITEM 2: MATERIAL CHANGES

Following is a discussion of the material changes to CRM's Brochure from the prior annual update filed in March of 2017:

### *Item 4 – Advisory Business*

- We have updated assets under management as of 12/31/17.

*The information set forth in this Brochure is qualified in its entirety by the applicable governing and offering documents. In the event of a conflict between the information set forth in this Brochure and the information in the applicable offering or governing documents, such documents will control. We encourage all clients and investors to review this Brochure in its entirety*

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## ITEM 4: ADVISORY BUSINESS

### *Firm Overview*

CRM is a private fund manager that invests in oil and gas mineral interests in the United States. CRM was formed in 2010 by J. Michael Lewis (“**M Lewis**”) and Campbell C. Lewis (“**C Lewis**”) (collectively, the “**Managers**”). CRM is wholly-owned by M Lewis and C Lewis. Coronado Resources GP, LLC, (“**CGP**”) Coronado Resources GP 2013 LP (“**CGP13**”), Coronado Resources GP 2015 LP (“**CGP15**”), Olympia Minerals Management, LP (“**OMM**”), Olympia Holdings, LLC (“**OH**”), and Eaglebine GP, LP (“**EGP**”), are each affiliates of CRM and Relying Advisers (as discussed below). M Lewis and C Lewis, are majority owners of CGP, CGP13, CGP15 and EGP. M. Lewis and his spouse are majority owners of OMM, and M Lewis and Roy C. Coffee, Jr. are majority owners of OH.

CRM serves as investment manager to private funds, including Coronado Resources LP (“**CR**”), Coronado Resources 2013 LP (“**CR13**”), Coronado Resources 2015 LP (“**CR15**”) and Eaglebine Minerals LP (“**EM**”). CGP, CGP13, CGP15 and EGP serve as general partners to these private funds, respectively. OMM serves as investment manager and OH serves as general partner to Olympia Royalty, Ltd. (“**OR**”). These funds are collectively referred to throughout this Brochure as (“**Private Funds**” or the “**Coronado Funds**”).

CRM, CGP, CGP13, CGP15, OMM and OH have together filed a single Form ADV, are subject to a unified compliance program administered by a single Chief Compliance Officer (“**CCO**”) and hold themselves out to current and potential investors as conducting a single advisory business. CGP, CGP13, CGP15, OMM and OH are each a “**Relying Adviser**” of CRM. References in this Brochure to CRM shall include the Relying Advisers, as appropriate.

As of December 31, 2017, CRM had approximately \$163 million in discretionary gross assets under management, which amount includes uncalled capital commitments as of that date. CRM does not currently manage any assets in a non-discretionary manner.

### *Nature of Clients and Investors*

The Coronado Funds are CRM’s only clients. CRM does not have a separate client relationship with investors in these funds, which are referred to throughout this Brochure as “**Investors**” or “**Limited Partners**”. The Coronado Funds are U.S. limited partnerships that are not registered or required to be registered under the U.S. Investment Company Act of 1940 (the “**Investment Company Act**”) or the U.S. Securities Act of 1933 (the “**Securities Act**”) and are privately placed to qualified investors in the United States. See, also Item 7 below. Investors in the Coronado Funds generally include high net worth individuals, endowments, foundations, and family offices that are accredited investors and qualified clients.

### *Investment Mandates*

The Coronado Funds are managed in accordance with the investment objectives, strategies and guidelines as set forth in the relevant Fund’s confidential offering memorandum, organizational documents and other related documents (collectively “**Governing Documents**”), and in all cases investments are selected on the basis of the Fund’s investment strategy and objectives.

The Coronado Funds are not tailored to the individualized needs of any particular Investor, though the Coronado Funds may take into consideration the general characteristics (*e.g.*, tax status) of its target Investors when structuring its operations. An investment in a Coronado Fund does not, in and of itself, create an advisory relationship between the Investor and CRM, and CRM typically does not enter into

separate advisory arrangements with any Investor. Therefore, each Investor must consider for itself whether any Private Fund meets the Investor's investment objectives and risk tolerance before investing in the Fund. Information about each CRM Fund is set forth in its Governing Documents, which are available to current and eligible prospective investors only through CRM.

## **ITEM 5: FEES AND COMPENSATION**

### ***Management Fees & Carried Interest***

CRM and its Relying Advisers receive fees from the Coronado Funds as set forth in the Governing Documents. For newer funds, CRM receives a management fee based on a percentage of the Limited Partners' capital contributions and a lesser percentage of the aggregate amount of Limited Partners' unfunded capital commitment (the "***Management Fee***"). For the older funds, CRM or OMM generally receive a percentage of gross revenues. The Management Fee is typically payable monthly in advance throughout the term of the fund.

In addition to the Management Fee, CRM or an affiliate is generally entitled to receive a performance incentive based on a percentage of distributions as set forth in the Government Documents for each fund. CRM or an affiliate is typically entitled to a set percentage of all distributions until the Limited Partners have received 100% of their capital contributions and thereafter receives a performance incentive (typically 15% for newer funds) of all distributions, after the return of capital contributions to Investors. Distributions are generally made monthly or quarterly based on available cash.

CRM may waive or reduce Management Fees for certain Investors or classes of Investors, in its discretion. In addition, certain Investors may negotiate fee reductions or other provisions as part of side letter terms and provisions. Except as otherwise agreed, CRM is not obligated to waive or reduce Management Fees for any other Investor when offering waivers or reductions to a particular Investor. Pursuant to the terms of fund Governing Documents, Limited Partners are not permitted to withdraw assets during the life of the fund and are therefore not eligible of reimbursement of any Management Fees.

### ***Other Expenses***

In addition to Management Fees, each Coronado Fund is responsible for its its own organizational, investment and operating expenses ("***Fund Expenses***"), including third-party expenses and expenses of CRM and its affiliates. The Coronado Funds may pay Fund Expenses directly or reimburse CRM or a CRM Affiliate, for such expenses paid or incurred on behalf of the Fund. Fund Expenses are described more fully in the Fund's Governing Documents but generally include the following:

- Organizational Expenses;
- Management Fees;
- Administrative expenses, including:
  - Accounting and audit fees and expenses;
  - Maintenance of books and records, including the rent and occupancy expenses of any offices that solely maintain land files and data;
  - Limited Partner reporting costs;
  - Preparation of distributions, financial reports and notices;
  - Legal, engineering and consulting expenses;
- Investment expenses related to investments and attempted investments that are not consummated ("***dead deal expenses***"), including:
  - Legal, accounting, consultant, engineering, surveying, geological, geophysical and other professional costs;

- Travel expenses, which may include commercial or business class travel, private or charter travel, meals and entertainment expenses;
- Brokerage commissions, investment banking fees and other finder's fees and transaction costs;
- Custody fees and costs of other third-party services;
- Expenses associated with monitoring investments;
- Expenses associated with producing, processing, marketing or selling hydrocarbon products;
- Expenses associated with disposition (or proposed disposition) of all or any portion of investments;
- Expenses related to structuring investment vehicles; and
- Any withholding, transfer or other taxes imposed on the Fund.
- The Fund's allocable share of all expenses of the Manager attributable to the management and operation of the Fund that are not Manager Expenses (as described below);
- Principal, interest, fees, expenses and other amounts payable in connection with any permitted borrowing;
- Expenses incurred in registering the Fund or qualifying for exemptions under applicable law;
- Unreimbursed expenses incurred in connection with collecting amounts due from any person;
- Expenses incurred in preparation of alterations and amendments to Governing Documents;
- Costs of acquiring and maintaining insurance for the Fund and any indemnified person in connection with Fund activities;
- Litigation expenses, including costs of investigation and preparation and any settlement;
- Indemnification costs in connection with any litigation involving the Fund;
- Administrative expenses related to any tax or audit matters;
- Expenses related to taxes, fees or governmental charges of the Fund;
- Expenses incurred in connection with the dissolution and liquidation of the Fund;

Fund Expenses will generally be allocated among all Limited Partners on a pro rata basis unless otherwise determined appropriate by the general partner. Shared expenses between more than one Private Fund will be allocated among such Funds as reasonable determined in good faith by the general partner. General and administrative expenses are generally allocated among Private Funds based on estimates of effort expended, benefit received, assets under management and other methods that are reasonable in light of the circumstances, which methods may vary for different types of expenses and may change over time.

The General Partner and the Manager for each Private Fund are responsible for expenses as set forth in the Governing Documents for each Private Fund ("**Manager Expenses**"), including:

- Rent and occupancy costs and other overhead and administrative expenses of the Manager (except that rent and occupancy expenses of any offices in which land files and data are solely maintained are Fund Expenses);
- Compensation and benefit expenses of employees, consultants and other outside service providers who are investment professionals or who perform general Fund management and/or administrative and/or internal functions (as opposed to functions related to particular Fund investments or prospective investments, such as functions performed by landmen, property-level engineering, surveying, geological, geophysical, accounting and legal services, which are Fund Expenses); and
- Recruiting fees for members of the senior management team or any employee, consultant or outside service provider whose compensation and benefits are included in Manager Expenses.

Fund Expenses are netted out of monthly or quarterly distributions paid to Investors. CRM discloses information about the amount and nature of Fund Expenses in Fund financial statements.

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

As noted above, CRM receives a performance incentive based on each of the Private Funds' distributions. CRM's receipt of performance-based fees raises certain conflicts of interest, which are described below.

**Investment Selection.** Performance-based fees and other arrangements where the incentive to achieve gains may exceed the disincentive to suffer losses may cause CRM to choose investments that are riskier or more speculative than might otherwise have been chosen. To mitigate these conflicts, CRM Managers have invested substantial personal funds in the Coronado Funds and CRM's policies and procedures seek to provide that investment decisions are made in accordance with the fiduciary duties owed to the Clients and without consideration of CRM's (or its personnel's) pecuniary, investment or other financial interests.

**Side-by-Side Management.** Different Coronado Funds may have different performance incentive arrangements. Such differences could incent CRM to favor one Fund over another in its investment allocations, make investments in subsequent Funds that are intended to prop up investments in a prior Fund, or manipulate the sequence of dispositions. These potential conflicts are mitigated to some extent by the fact that CRM affiliates invest alongside the Coronado Funds and have a shared interest with Fund Investors in maximizing Fund returns. These potential conflicts are further mitigated by the fact that subsequent Funds generally are not launched until the Investment Period for prior Funds has expired; therefore multiple Funds are generally not making new investments concurrently. Investments by the Coronado Funds in any investments owned by another Coronado Fund or CRM Affiliate generally must be disclosed to and approved by the Limited Partners Advisory Committee for each relevant Fund to address potential conflicts of interest.

## **ITEM 7: TYPES OF CLIENTS**

CRM provides investment management services solely to the Coronado Funds identified in Item 4, which are exempt from registration under the Investment Company Act and Securities Act.

Investors in the CRM Funds are generally high net worth investors, family offices, foundations and endowments that are "accredited investors," "qualified clients" and "qualified purchasers" (if required pursuant to the fund's exemption), within the meaning of the Securities Act, the Advisers Act and the Investment Company Act, respectively.

The Coronado Funds generally have a specified minimum investment as set forth in their Governing Documents. This minimum investment is subject to discretion, and CRM or its affiliates may permit investments of a smaller amount generally or with respect to any investor.

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

Following is a summary of the investment strategies and risks involved in CRM's investment activities. Investors and potential investors should review the applicable Governing Documents for the particular CRM Fund(s) in which they are considering investing for a more comprehensive discussion of the investment strategy and process as well as the relevant risks associated with investing in that Fund.

### ***Methods of Analysis and Investment Strategies***

CRM seeks to make investments in oil and gas mineral interests in properties in the United States with the objective of providing investors commodity-backed cash yield, partial protection from inflation, and low correlation to the public markets. Specifically, CRM acquires and manages on behalf of the Coronado Funds producing and non-producing mineral and royalty interests in developing conventional and shale /



unconventional resources plays. The Funds principally focus on plays and basins in Texas, Louisiana, Oklahoma, New Mexico, and Arkansas. CRM's strategy is to target assets with current production, generating immediate cash flow but with substantial remaining upside through additional development on the same acreage. While the majority of the Funds acquisitions are in fee simple mineral ownership, due to the greater associated control and lower risks, CRM also opportunistically acquires overriding royalty interests.

CRM identifies potential investment opportunities based upon careful, technical study of available data in targeted geographic areas. Data comes from public filings to state regulatory agencies, landmen and scouts in the field, and public E&P disclosures. CRM monitors current production data as provided to state regulatory agencies. Potential acquisitions are thoroughly evaluated by experienced geologists and landmen before each offer is made, and every interest undergoes legal and financial diligence prior to closing the transaction, including confirmation of title.

### ***Investment Risks***

CRM's investment activities involve a significant degree of risk. The Funds generally have a set life of 10 years or longer, or until Fund investments have been liquidated, and withdrawals are not permitted during the life of the fund. The securities in which the Coronado Funds invest are highly illiquid. There is no public market for interests in the Coronado Funds and transfers of interest are not permitted without consent of the General Partner. There can be no assurance that the Partnership's investment objectives will be met or that an investor will receive a return of its capital. Accordingly, an investment in the Coronado Funds should only be considered by persons who can afford a loss of their entire investment. The oil and gas investments made by CRM involve a number of material risks including (but not limited to) the following:

#### ***Limited Investment Opportunities***

The success of the Coronado Funds largely depends on CRM's ability to identify investment opportunities that meet the Fund's investment criteria, to accurately evaluate the opportunities and to negotiate advantageous terms for the Partnership relating to the acquisition of its investments. CRM may not be able to acquire a sufficient quantity of suitable producing properties for a Fund at reasonable prices, may not correctly assess the properties, or may not acquire properties whose operators can operate the properties as prudently and efficiently as CRM had forecast. Volatility in oil and gas prices makes it particularly difficult to assess the value of hydrocarbon-bearing properties. Moreover, if oil or natural gas prices decline after the Fund has made its investments, or if the operator of the properties is not successful in profitably operating the properties, the value of the properties and the income to the Fund will decline.

#### ***Highly Competitive Market for Investment Opportunities***

The activity of identifying, evaluating and completing investments in mineral interests is highly competitive, involves a high degree of uncertainty, and is subject in some cases to the prevailing capital market, regulatory or political environment. The Funds compete for investments with corporations involved in the exploration and production business, many of which have substantially greater resources than those available to the Funds, as well as individuals, financial institutions and other investment pools. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to the Funds and adversely affecting the terms upon which investments can be made. There can be no assurance that the Funds will be able to locate and complete portfolio investments that satisfy the Funds' investment objectives or that it will be able to invest fully its committed capital.

#### ***Commodity Price Volatility***

The value of the Funds' investments in oil and gas properties will be substantially dependent upon the market prices for oil, natural gas and other hydrocarbons, both worldwide and particularly in North

America. Historically, the markets for hydrocarbons have been volatile and such volatility is likely to continue in the future. The Funds do not enter into commodity price risk management (hedging), so the Funds' investment strategy involve direct exposure to commodity prices. Various factors beyond the control of CRM will affect hydrocarbon prices, including: (i) the worldwide and domestic supplies of oil and natural gas, (ii) the rate of growth of demand for oil in China, India and other developing economies, (iii) the ability of the members of OPEC to agree to and maintain oil prices and production controls, (iv) political instability or armed conflict occurring in the Middle East (such as the on-going civil war in Syria and the upheavals that occurred during the "Arab Spring") or other oil or natural gas producing regions or involving transportation facilities, (v) terrorist acts, (vi) the price and level of foreign imports, (vii) the level of consumer demand, (viii) the price, availability and acceptance of alternative fuels, (ix) the availability of pipeline capacity, (x) weather conditions, (xi) transportation interruption, (xii) domestic and foreign governmental regulations, price controls, taxes, and subsidies, (xiii) domestic and foreign environmental laws and regulations, including actions taken to reduce greenhouse gas emissions, and (xiv) the overall economic environment, including interest rates, levels of economic activity, the price of securities and the participation by other investors in the financial markets.

It is extremely difficult to predict future oil and gas price movements with any certainty. In the past, the prices of oil, natural gas and other hydrocarbons have been extremely volatile. Volatile hydrocarbon prices make it more difficult to estimate the value of reserves for acquisition and divestiture and may cause disruption in the market for oil and gas properties. Price volatility also makes it difficult to budget for, and project the return on, acquisitions.

Lower prices of oil, natural gas and other hydrocarbons may not only decrease the Funds' revenues and net proceeds, but may also reduce the amount of natural gas and crude oil that the operators of the oil and gas properties in which the Funds are invested can economically produce. As a result, especially during periods of low commodity prices, these operators may decide to shut in or curtail production, or to plug and abandon marginal wells, which could have a material adverse effect on the Partnership's future cash flows.

#### *Industry Concentration; Exposure to Commodity Price Fluctuations; Possible Lack of Diversification*

The Fund's investments are concentrated in oil and gas producing properties in the United States, the value of which are directly correlated to existing reserves, expected future reserves and production rates, and forward prices for oil and natural gas, which are highly volatile and dependent on numerous factors that are beyond the control of CRM. While the Funds' investments are expected to be diversified across multiple wells, they may be concentrated in a limited number of portfolio acquisitions, or in a single producing basin, geographic region or type of geological play, and therefore the Funds' entire portfolio of properties may be subject to a common set of risks.

#### *Operating Risks*

The operation of oil and gas properties is subject to numerous risks inherent in the oil and gas industry, such as pressure or irregularities in formations, blowouts, cratering, explosions, pipe or cement failure, casing collapses, uncontrollable flows of oil, gas or well fluids, fires, exposure to hazardous materials, pollution, risks associated with operation of heavy machinery, hurricanes and other natural disasters 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 requiring extensive remediation and other environmental damage, suspension of operations, uninsured business interruption losses and loss of hydrocarbon reserves. Operation of oil and gas properties can, without limitation, result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages, and in substantial fines and penalties from government regulators. Although as a royalty owner the Partnership will not bear direct financial responsibility for such liabilities (and the Partnership does not anticipate owning operating interests), if the operators of the

Funds' royalty properties incur such liabilities, these liabilities could lead to reduced production and have a material adverse effect on the Funds' financial condition and results.

#### *Reliance on Estimates of Oil and Gas Reserves*

In acquiring oil and gas properties for the Funds, CRM relies to a large degree on the sourcing team's estimates of oil and gas reserves and related calculations of present values to determine the value of its current and prospective investments and to negotiate the acquisition terms of its investments. Estimates of oil and gas reserves are inherently uncertain. Inaccurate estimates may cause CRM to underbid and fail to win an acquisition target, or overpay in its acquisitions and may adversely affect its ability to generate attractive results for the Fund. Estimates of oil and gas reserves, by necessity, are projections based on engineering and geological data. There are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and gas that are difficult to measure. In addition, reserve estimates are dependent on many variables, and changes often occur as knowledge of these variables evolve. Therefore, these estimates are inherently imprecise.

#### *Exploitation and Development Risks*

The results of the Funds depend to a substantial degree upon the success of exploitation and development activities on the Funds' properties by third party operators. The timing and cost of the exploitation and operation of wells is often uncertain. Operations may be curtailed, delayed or canceled as a result of a variety of external factors, including (i) unexpected drilling conditions, pressure or irregularities in formations or loss of drilling fluid circulation; (ii) adverse weather conditions; (iii) governmental requirements; (iv) the risk that technology employed in an energy project will not be effective or efficient; (v) uncertainty about the availability or efficacy of energy sales agreements or fuel supply agreements that may be entered into in connection with a project; (vi) risks of pricing or lack of availability of drilling or other equipment or personnel necessary to conduct operations; (vii) risks of facility or equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contracts or fuel contract prices, bankruptcy of key customers or suppliers, tort liabilities in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, acts of God and other catastrophes and (viii) risks that any of the foregoing may occur when the cost of performance on sale or supply contracts or hedges is high under prevailing market conditions.

#### *Environmental Liabilities*

The oil and gas business is subject to environmental hazards, such as oil spills, gas leaks and ruptures, discharges of petroleum products and hazardous substances, and materials disposal activities. These environmental hazards could expose the operators and other interest owners of the Funds' properties to material liabilities for property damages, personal injuries, or other environmental harm, including liabilities for environmental damages caused by previous owners or operators and including costs of investigating and remediating contaminated properties, and substantial fines and penalties from government regulators, which may result in a curtailment of operations and thus adversely affect the Funds' cash flow.

A variety of stringent federal, state, and local laws and regulations govern the environmental aspects of the oil and gas business. Any noncompliance with these laws and regulations could subject the operators of the Funds' properties to material administrative, civil or criminal penalties or other liabilities, or with suspension of operator qualification, which may result in a curtailment of operations and thus adversely affect the Partnership's cash flow. Additionally, compliance with these laws may, from time to time, result in decreased production.

#### *Hydraulic Fracturing*

Hydraulic fracturing is an important and routine practice that is used to stimulate production of hydrocarbons from tightly packed rock formations. The process involves the injection of water, sand and

chemicals under pressure into formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing operations have historically been overseen by state regulators as part of their oil and natural gas regulatory programs. In recent years, however, federal and state legislation and regulatory initiatives have introduced the prospect of increased costs and additional operating restrictions or delays. For example, (i) the U.S. Environmental Protection Agency (the "EPA") has asserted federal regulatory authority over hydraulic fracturing activities and has announced its intent to develop and issue disclosure regulations, and issue final rules restricting related emissions, (ii) the federal Bureau of Land Management has been engaged in rulemaking regulating hydraulic fracturing on federal and Indian lands, (iii) the U.S. Congress from time to time has considered the adoption of legislation to provide for federal regulation of hydraulic fracturing, (iv) certain states, including Texas, have adopted or are considering adopting, regulations that could impose more stringent permitting, public disclosure, and well-construction requirements on hydraulic-fracturing operations or otherwise seek to ban fracturing activities altogether, (v) local land use restrictions, such as city ordinances, which restrict or prohibit hydraulic fracturing have been considered or adopted by municipalities and (vi) certain other governmental reviews are either underway or being proposed that focus on environmental aspects of hydraulic-fracturing practice, including sources and quantities of water used, and could lead to additional regulations, restrictions or prohibitions, including by the White House Council on Environmental Quality, the EPA, the U.S. Department of Energy and the U.S. Department of the Interior.

This increased regulation of the hydraulic fracturing process could lead to greater opposition to oil and gas production activities that utilize hydraulic fracturing techniques and additional federal, state or local laws or the implementation of regulations could lead to operational delays and increased operating costs and compliance costs, any of which would likely have an adverse effect on the performance of the Partnership. These changes could also lead to an increase in litigation claims for alleged damages caused by hydraulic fracturing activities or increased liabilities from such activities.

#### *Increased Government Regulation*

Oil and Gas. The upstream oil and gas industry has always been subject to substantial regulation by federal, state and local governmental bodies relating to taxation, operations and environmental and safety matters. Following the Deepwater Horizon oil spill (also referred to as the BP Macondo blowout), governmental authorities in the United States have called for increased regulation of the oil exploration and production industry. New and existing regulations, increased taxation, changing regulatory schemes, increased governmental reporting or registration requirements, and the burdens of regulatory compliance, as well as changes in national energy, environmental or other policies, all may increase the Funds' acquisition costs and may have a material negative impact on the performance of the Funds.

Climate Change. There is a growing belief that emissions of greenhouse gases may be linked to climate change. Climate change and the costs that may be associated with its impacts and the regulation of greenhouse gases have the potential to affect the Funds in many ways, including negatively impacting the demand for oil and gas production (due to change in both costs and weather patterns) and the economic health of the regions in which its properties are located, all of which can create financial risks.

The U.S. government and certain states for some time have been considering enacting new legislation or promulgating new regulations governing or restricting the emission of greenhouse gases from stationary sources such as oil and gas equipment and operations. The EPA has already made findings and issued proposed regulations that could lead to the imposition of restrictions on fugitive emissions of greenhouse gases such as methane from oil and gas production facilities. In addition, the EPA has issued proposed regulations requiring significant reductions in greenhouse gas emissions from electric generating units. It is expected that final rules will be issued in the summer of 2015. In addition to directly regulating greenhouse gas emissions from affected units, this proposed rule could impact the demand for oil and gas. Certain states and other jurisdictions in Canada and elsewhere have also announced or adopted programs to stabilize and reduce greenhouse gases, including California which has a program in place that is serving

as a model for other states. These programs include, but are not limited to, phased reductions in greenhouse gas emissions over several or many years.

Legislative and regulatory proposals for restricting greenhouse gas emissions or otherwise addressing climate change could require the operators of the Funds' properties to incur additional operating costs and could adversely affect demand for the natural gas and oil that is sold from the Funds' properties. The potential increase in operating costs could include new or increased costs to operate and maintain equipment and facilities, install new emission controls on equipment and facilities, acquire allowances to authorize greenhouse gas emissions, pay taxes related to greenhouse gas emissions and administer and manage a greenhouse gas emissions program. Moreover, incentives to conserve energy or use alternative energy sources could reduce demand for natural gas and oil.

#### *Properties Operated by Third Parties*

All of the Funds' investments are properties operated by third parties. As a royalty owner, the Funds do not have control over the operation of these properties. CRM does not control the day-to-day operations of these properties, and the Funds rely significantly upon the management decisions and operational capability of the third parties, which are out of CRM's control.

#### *Cybersecurity Risks*

CRM depends on information technology systems and notwithstanding our efforts and resources devoted to ensuring that such systems are reliability and secure, there is a risk that such systems may be breached or unavailable to access data or information or engage in investment activities when desired. Our information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we or an affiliate may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our, a Fund's or any of our respective affiliates' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). The Funds may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Funds us and our respective affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Funds may be required to indemnify us and our affiliates against any losses incurred in connection therewith.

#### *Other Risks*

In addition to these and other risks related to investing in oil and gas properties, there are other risks and potential conflicts related to the structure and terms of the Coronado Funds. These risk factors and potential conflicts of interest are discussed in detail in Fund offering documents, which should be read carefully before investing in the Coronado Funds.

## **ITEM 9: DISCIPLINARY INFORMATION**

CRM is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CRM or the integrity of CRM's management.

CRM has no information to disclose in response to this Item.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

**CRM Affiliated Entities.** CRM is affiliated with CGP, CGP13, CGP15, OMM, OH, and EGP, each of which is a Relying Adviser (as described in Item 4), and may be affiliated with other Relying Advisers established with respect to future funds. The activities of each of these affiliates and the persons acting on their behalf are subject to CRM's supervision and control. CRM and each Relying Adviser are subject to the Advisers Act and operate under a unified compliance program administered by a single compliance officer in accordance with the Advisers Act. CRM and each Relying Adviser share the same office space and personnel. Certain of the Relying Advisers have minority owners who were instrumental in identifying investors in the Coronado Funds.

**San Saba Royalty Company.** CRM has a material business relationship with San Saba Royalty Company ("**San Saba**"), an oil and gas company that works with CRM in sourcing potential investments. CRM is obligated under the Fund Partnership Agreements for CR13 and CR15 to use reasonable efforts to have San Saba source or underwrite a significant percentage of the Funds' investments and works with San Saba's principals to source potential investment opportunities. Because CRM has limited staff, it relies to a material degree on San Saba in identifying and evaluating potential investments. San Saba employs a staff of highly skilled engineers, geoscientists and landmen. San Saba principals are identified in Fund offering documents and own a portion of OH. San Saba does not control CRM or any Relying Adviser, is not controlled by CRM or any Relying Adviser and is not under common control with CRM or any Relying Adviser.

San Saba also sources or may source potential investments and conduct oil and gas investment activities for itself or on behalf of other parties unaffiliated with CRM. San Saba, its principals or affiliates may own interests in the same wells and/or geographic areas as the Coronado Funds' interests.

**Personal and Family Investment Activities.** CRM principals have established personal and family investment entities through which they make their investments in the Coronado Funds. These affiliated entities may also invest in other oil and gas working interests as well as mineral and royalty interests, which may be in the same geographic areas as the Coronado Funds' interests. Any personal investments in properties or interests that relate to Coronado Fund investment activities must be consistent with provisions in Fund Governing Documents and CRM's Code of Ethics and internal compliance policies and controls related to potential conflicts of interest, as discussed in Item 11 below. CRM principals have or may have an interest in US and foreign real estate and/or other public or private investments, which are unrelated to the investment activities of CRM or the Coronado Funds.

**Other Activities.** CRM employees are generally expected to devote their full professional time and efforts to the business of the CRM and its affiliates and avoid activities that could present actual or perceived conflicts of interest. CRM principals may from time-to-time serve on boards or committees or have other outside activities that are unrelated to CRM business activities. CRM employees must generally disclose all pre-existing outside activities and obtain prior approval from the CCO for new outside activities. Please refer to Item 11 - Code of Ethics for a further discussion on potential conflicts of interest.

**Other Registrations.** Neither CRM nor any of its affiliates or related persons is registered, or has an application pending to register as a securities broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator or commodity trading advisor.

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

CRM advises multiple Private Funds that have investment objectives, guidelines and strategies, as set forth in the Governing Documents for each Fund. In performing its advisory services, CRM may give

advice and take action with respect to any of the Private Funds that may differ from actions taken by CRM on behalf of other Private Funds. CRM and the CRM Affiliates, along with their respective personnel, may invest or otherwise have an interest, either directly or indirectly, in the Private Funds. The Private Funds may invest in the same oil and gas investments as other Private Funds consistent with the terms of each Funds Governing Documents and with approval by the Limited Partner Advisory Committee (“*LPAC*”) for each Fund. CRM has implemented policies and procedures relating to personal securities transactions and insider trading that are designed to identify potential conflicts of interest, to prevent or mitigate actual conflicts of interest and to resolve conflicts appropriately, if they do occur.

### ***Investment & Co-Investment Allocations***

Pursuant to Fund Governing Documents during the Investment Period for a Fund, all investment opportunities sourced by CRM or an affiliate (not including San Saba) that meet the Fund’s investment objective must be first offered to the Fund, to the extent the Fund has available capital. This provision does not apply to any investment made by CRM or an affiliate or any other Coronado Fund (i) in follow-on investments related to investments previously made by such Person or such other Coronado Fund or (ii) in any class or category of investments which has been previously determined by the General Partner to be an inappropriate type of investment for the Fund.

If approved by the respective Fund’s LPAC, the Coronado Funds may co-invest with any other Coronado Funds in any investment opportunity offered to the Fund to the extent such other Coronado Funds have available capital at the relevant time. In addition, the General Partner may share any of the Fund’s investment opportunities with third parties (including Limited Partners) who have introduced an Investment to CRM or the Fund or who, in the opinion of the General Partner, may add value to the Investment in the future.

In connection with any investment where the transaction requires or permits a larger investment than CRM deems appropriate for the Fund, CRM may (but shall not be required to) offer to third parties, including but not limited to certain Limited Partners and CRM affiliates or related persons, the opportunity to co-invest with the Fund on such terms and conditions as CRM determines, provided that the terms and conditions offered to CRM or any affiliate or related person may not be more favorable to such party than the terms and conditions offered to unaffiliated third parties or the terms and conditions on which the Fund is making its investment. CRM may provide certain Limited Partners the right to participate in any co-investment opportunity, and certain Limited Partners may express an interest in being offered any co-investment opportunity, pursuant to terms and provisions in side letters.

### ***Principal & Affiliate Transactions***

Neither CRM nor any CRM affiliate may engage in any principal transaction with a Coronado Fund unless it complies with applicable law and relevant policies and procedures. CRM generally does not currently engage in principal transactions with the Coronado Funds and does not expect to engage in any principal transactions with the funds in the future. In the past on one occasion, CRM did warehouse certain mineral interests in a personal investment partnership of M. Lewis prior to the initial close of a new Fund. Once the Fund commenced operations, CRM transferred these interests to the Fund at cost. The details of such transaction were disclosed to the LPAC for the relevant Fund as well as to investors.

CRM or an affiliate may provide joint management or operation of an investment or property underlying an investment in the Coronado Funds. Pursuant to the Coronado Funds Governing Documents, except as otherwise contemplated by specific provisions of Fund Governing Documents, CRM will not enter into any material contract, transaction, or investment with or for any Coronado Fund, which involves potential conflicts of interest with CRM, an affiliate or related person, unless such affiliate transaction is on terms and conditions which are no less favorable to the Fund than the terms and conditions of a similar arms-

length agreement with a third party, and is consistent with provisions set forth in Fund Governing Documents, including consent by a majority interest or the relevant LPAC, if required.

As described above and in Fund Governing Documents for CR13 and CR15, CRM relies on San Saba to source a significant percentage of Coronado Fund investments. CRM sets the underwriting price at which it will purchase Fund investments. San Saba generally takes title to those assets that it identifies or underwrites, and the respective Coronado Fund purchases these interests directly from San Saba at the price determined by CRM. San Saba retains any difference between the price at which it purchases such assets and the price set by CRM at which the Fund purchases such assets to cover its costs. Certain San Saba Principals own a minority interest in OH, a Relying Adviser. However, as noted above, San Saba does not control CRM or any Relying Adviser, is not controlled by CRM or any Relying Adviser, and is not under common control with CRM or any Relying Adviser. Accordingly, Coronado Fund transactions with San Saba are not treated as principal transactions with CRM. Nevertheless, CRM has disclosed its business relationship with San Saba in Fund Governing Documents for CR13 and CR15 and provides to the respective LPAC for such funds a schedule of investments and certificate of compliance quarterly, which identifies the source of each investment and the percentage of investments sourced by San Saba.

### ***Code of Ethics***

CRM is adopting a Code of Ethics to govern personal transactions by supervised persons and to assure that their interests do not conflict with the interests of the Coronado Funds or their Investors. As such, CRM's Code of Ethics includes: (i) standards of business conduct, requiring that supervised persons comply with relevant provisions of the federal securities laws and the fiduciary duties an investment adviser owes to its clients; (ii) personal securities transaction policies governing the personal investment activities of relevant personnel and requiring the submission by access persons of reports regarding their personal trading accounts and activities; and (iii) an insider trading policy.

Currently, all employees, officers, directors and principals of CRM are considered to be "Access Persons" for purposes of the Code of Ethics. Personnel who fail to observe the Code of Ethics and related compliance policies risk serious sanctions, including dismissal and personal liability.

### ***Personal Securities Transactions Policy***

CRM's Code of Ethics includes a personal securities transactions policy, which imposes certain requirements and restrictions with respect to personal trading and investment activity by Access Persons. In particular, the Code requires Access Persons to obtain the approval of the CCO prior to investing in initial public offerings ("**IPOs**") or any private placements, including any private oil and gas investments. CRM maintains and periodically updates a Restricted List, to reflect actual or potential investment activities of the Coronado Funds or other receipt of potential material non-public information. Access Persons are also prohibited from investing in securities listed on the firm's Restricted List without prior approval by the CCO. In appropriate circumstances the CCO may grant waivers to Code of Ethics restrictions.

### ***Insider Trading Policy***

CRM and its related persons may, from time to time, come into possession of material nonpublic and other confidential information, which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, CRM may be prohibited from improperly disclosing or using such information for its personal benefit or for the benefit of any other person, regardless of whether that other person is a client. Accordingly, should CRM come into possession of material nonpublic or other confidential information with respect to any company, it may be prohibited from communicating that information to, or using that information for the benefit of its clients, and have no obligation or



responsibility to disclose such information to, nor responsibility to use that information for the benefit of, the clients when following policies and procedures designed to comply with law. Accordingly, CRM's Code of Ethics establishes procedures to prevent the misuse of material nonpublic information by CRM's supervised persons.

### ***Reporting Requirements under the Code***

To assist CRM in monitoring personal trading activities in order to detect potential conflicts of interest or violations of the Code of Ethics, fiduciary duty or applicable law, Access Persons must provide periodic reports with respect to personal securities transactions, holdings and accounts, including annual reports of holdings in reportable securities and quarterly reports of their personal transactions in reportable securities. These reports are submitted to and reviewed by the CCO or the CCO's designee.

### ***Gifts and Entertainment***

CRM employees may on occasion accept gifts or invitations to entertainment but must always act in the best interest of CRM and its clients and avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of the firm's business relationships. CRM's gifts and entertainment policy implements internal controls to monitor such activity, which include reporting or seeking pre-approval before giving or accepting gifts and entertainment of significant value and prohibiting or limiting the provision or receipt of cash gifts, as well as gifts or entertainment to government employees, foreign officials and certain other categories of recipients.

### ***Political Contributions***

CRM employees may from time-to-time make political or charitable contributions. Employees are required to seek prior approval before making political contributions to any political official, candidate for political office, political party or political action committee ("**PAC**"). Political contributions are generally permitted except where such contributions may raise issues under the pay-to-play rule.

## **ITEM 12: BROKERAGE PRACTICES**

CRM does not buy or sell any public securities or derivatives. Accordingly, CRM currently does not use brokers to execute transactions for the Coronado Funds. CRM does not have any soft dollar arrangements and does not use any brokerage relationships for client referrals.

## **ITEM 13: REVIEW OF ACCOUNTS**

**Reviews.** The Coronado Funds are reviewed by CRM Managers on at least a quarterly basis. CRM Managers review, among other items, production, operating and other relevant data for investment properties, market outlooks and other information relevant to each Fund. Certain matters that may present conflicts of interest are reviewed by the LPAC for the respective Fund. LPAC meetings may be held in person, telephonically or through other communications.

**Reports.** Limited Partners receive (i) annual audited financial statements of each Fund; (ii) an annual management discussion of operation and results; (iii) quarterly status reports that include unaudited financial statements; and (iv) tax information regarding the Fund necessary for the completion of each Limited Partner's individual tax return. LPAC members receive quarterly a schedule of investments and certificate of compliance containing information as proscribed by Fund Governing Documents.

CRM may provide additional reporting or information rights to certain Limited Partners pursuant to side letter terms and provisions. Representatives of CRM are available for discussions with investors on a

periodic or agreed upon basis. Fund books and records are available for inspection by investors at reasonable times during business hours.

***Limited Partner Advisory Committee.*** Newer Coronado Funds typically have a Limited Partner Advisory Committee comprised of a limited number of representatives from limited partners. Pursuant to Fund Governing Documents, the Limited Partner Advisory Committee meets with the General Partner periodically to consult on certain matters as set forth in Fund Governing Documents, particularly issues involving conflicts of interest. The Limited Partner Advisory Committee receives additional information in conjunction with such meetings.

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

CRM has engaged MMX Management (“MMX”) effective February 1, 2017 to act as placement agent and assist in capital raising activities for future fundraising. Private securities are offered by MMX through Frontier Solutions, LLC, a registered broker-dealer. Compensation is a retainer and a percentage of management fee that they raise subject to certain carve-outs.

Certain individuals who were instrumental in identifying potential Fund investors in prior Coronado Funds previously receive a minority interest in the GP for the Coronado Funds. This minority interest is disclosed for each GP in Form ADV, Schedule R. Neither CRM nor any affiliate generally receives any transaction fees or other economic benefit from a non-client for providing investment advice or other advisory services to its clients.

#### **ITEM 15: CUSTODY**

The General Partner for each Coronado Fund, each a Relying Adviser of CRM, is generally deemed to have custody of client funds and securities for purposes of Rule 206(4)-2 under the Advisers Act. In order to comply with Rule 206(4)-2, CRM utilizes the services of qualified custodians (as defined under Rule 206(4)-2) to hold client assets, to the extent required by the Rule. CRM also ensures that each qualified custodian maintains these assets in an account that contains only client assets, under the client’s name. Cash is maintained at a bank. The private oil and gas interests in which the Coronado Funds invest are “privately offered securities” as defined in Rule 206(4)-2. The Coronado Funds’ ownership of such interest is reflected in public records filed with state regulatory agencies. However, these securities are not certificated and are not required or able to be held at a qualified custodian.

In accordance with Rule 206(4)-2, CRM (i) engages an independent auditor, as disclosed in Item 23 of Section 7.B.(1) of Form ADV Part 1A, registered with and subject to inspection by the PCAOB to audit each Coronado Fund at the end of each fiscal year and (ii) distributes the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all Investors within 120 days after the end of the fiscal year for each Coronado Fund.

#### **ITEM 16: INVESTMENT DISCRETION**

CRM provides investment advisory services to the Coronado Funds on a discretionary basis, subject to the overall supervision of the General Partner. The investment objectives and restrictions of the Coronado Funds are set forth in the relevant Governing Documents. Investors in the Coronado Funds do not have authority to impose any restrictions upon CRM’s discretionary authority. However, CRM may, under certain circumstances, enter agreements or side letters with investors that limit certain fund investments to address specific legal, regulatory, tax or policy restrictions of the investor.

**ITEM 17: VOTING CLIENT SECURITIES**

CRM does invest in or hold any publicly-traded securities and therefore does not vote proxies on behalf of any Coronado Fund.

**ITEM 18: FINANCIAL INFORMATION**

CRM is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients.