

QEP Management Co. GP, LLC

(“Quintana Capital Group”)

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Part 2A of Form ADV: Firm Brochure
March 28, 2013

This brochure provides information about the qualifications and business practices of QEP Management Co. GP, LLC. If you have any questions about the contents of this brochure, please contact us at inquiries@quintanacapitalgroup.com or 713-751-7500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about QEP Management Co. GP, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

An investment adviser’s registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

In "*Item 4. Advisory Business*," Quintana Capital Group has updated the assets under management at December 31, 2012, which was \$1,022,348,312.

In "*Item 8. Methods of Analysis, Investment Strategies and Risk of Loss*," Quintana Capital Group has updated several risk factors under the subsection "*Material Risks of Significant Investment Strategy*" to reflect legislative updates that have occurred since February 14, 2012. The relevant risk factors include "*Federal, State and Local Legislation and Regulatory Initiatives Relating to Hydraulic Fracturing*," "*Regulatory Approvals*," "*Climate Change Regulation*," and "*Possible U.S. Federal Income Tax Legislative Changes*."

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ITEM 4. ADVISORY BUSINESS

Quintana Capital Group provides investment-advisory services to pooled investment vehicles (“Private Funds”). These Private Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and their securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). The investors in the Private Funds are primarily “qualified purchasers,” as defined in the Investment Company Act, and may include, among others, high-net-worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, limited partnerships and limited liability companies. We refer collectively to the Private Funds that we provide advice to as the “Quintana Funds.”

In order to meet tax, regulatory or other requirements, certain investors may invest in substantially the same portfolio as the applicable Quintana Funds through specially formed investment vehicles, which also are advised by Quintana Capital Group. Quintana Capital Group also may occasionally establish, on a transaction-by-transaction basis, Private Funds through which persons may invest alongside one or more Quintana Funds in a particular investment opportunity (each such Private Fund, a “Co-Investment Vehicle”). Generally, each Co-Investment Vehicle is contractually required, as a condition of its investment, to exit its investment in the particular investment opportunity at the same time and on the same terms as the applicable Quintana Fund that is invested in that investment.

The only advisory clients of Quintana Capital Group are the Quintana Funds and the Co-Investment Vehicles (collectively, the “Quintana Vehicles”).

QEP Management Co. GP, LLC was formed as a Delaware limited liability company in 2006 and serves as the general partner of QEP Management Co., L.P. QEP Management Co., L.P. was formed as a Delaware limited partnership in 2006. We refer to these entities collectively as “Quintana Capital Group.” The owners of QEP Management Co. GP, LLC and QEP Management Co., L.P. are Corbin J. Robertson, Jr., Donald L. Evans, Corbin J. Robertson, III, Christine R. Morenz, and William K. Robertson, each with a 20% interest in QEP Management Co., GP LLC and QEP Management Co., L.P..

As an investment adviser for each Quintana Vehicle, Quintana Capital Group identifies investment opportunities and participates in the acquisition, management, monitoring and disposition of investments for each Quintana Vehicle. Quintana Capital Group primarily provides investment advisory services related to private-equity investments in the energy and natural-resources industries, specifically through long-term capital appreciation. Quintana Capital Group focuses on control-oriented investments across the oil and natural gas, coal, power generation and energy services industries, including through leveraged acquisitions and recapitalizations, turnarounds, traditional buyouts, and investments in growth companies. These investments are normally made in the form of privately-negotiated investment instruments, including unregistered equity securities of both U.S. and non-U.S. issuers. Although the primary focus of each Quintana Fund is on private-equity investments, Quintana Capital Group also may from time to time offer advice on investments in, among other things, performing and distressed bank and other loans, mezzanine/private placements, derivative instruments, equities, and financings and debt originations, in each case to the extent consistent with the applicable Quintana Fund’s investment objectives and strategies.

Quintana Capital Group provides investment-advisory services to each Quintana Fund pursuant to a separate written management agreement (each, a “management agreement”). The terms of the investment-advisory services to be provided by Quintana Capital Group to a Quintana Fund, including any specific investment guidelines or restrictions, are set forth in the applicable management agreement or in the relevant Quintana Fund’s limited-partnership agreements. Quintana Capital Group or its

related entities also may enter into side-letter agreements with investors in the Quintana Funds. These side letters may establish additional rights under, supplement, or alter the terms of the limited-partnership agreement, subscription agreement, or management agreement relating to the Quintana Fund in which that investor has invested. Once invested in a Quintana Fund, investors cannot impose additional investment guidelines or restrictions on that Quintana Fund.

As of December 31, 2012, Quintana Capital Group managed a total of approximately \$1,022,348,312 of client assets, all of which is managed on a discretionary basis.

ITEM 5. FEES AND COMPENSATION

Quintana Capital Group or its affiliates typically receive compensation from its clients based on a percentage of assets it manages (a “management fee”) and performance-based compensation in the form of “carried interest.” For further discussion of performance-based compensation, please read *“Item 6—Performance-Based Fees and Side-by-Side Management.”*

Management Fees

The management fees are specified under the relevant management agreement between Quintana Capital Group and the Quintana Funds and are not negotiable. The management fee ranges from 1.5% to 2% of the assets under management, which Quintana Capital Group believes is typical for the advisory services it provides. These amounts are generally payable semiannually or quarterly in advance, and Quintana Capital Group may either direct the Quintana Funds to net the management fee out of distributions to the Quintana Funds’ partners or may request that the Quintana Funds call capital from its partners to pay the fees. If the relevant management agreement is terminated prior to the end of a quarter, Quintana Capital Group will refund any unearned pre-paid management fees, prorated to the date of termination.

Neither the general partners of the Quintana Funds, nor Quintana Capital Group’s principals and employees who invest in the Quintana Funds are subject to management fees or performance-based fees on their direct or indirect investment in the Quintana Funds.

The fee schedule for Fund I (Quintana Energy Partners, L.P., Quintana Energy Fund-TE, L.P., and Quintana Energy Fund-FI, L.P.) and Fund II (Quintana Energy Partners II, L.P., and Quintana Energy Partners II-TE, L.P.) is (percentages are on an annualized basis):

- during the commitment period, 2% of the aggregate commitments; and
- after the commitment period, 1.5% of invested capital as outstanding from time to time (net of write-downs on those investments).

In some circumstances, Quintana Capital Group may elect to waive all or any portion of a future management fee. Any waived portion of the management fee will reduce, on a dollar-for-dollar basis, the amount of capital contributions that the relevant general partner (or any affiliate thereof) would otherwise be required to make to the applicable Quintana Fund in respect of its commitment, and that fund’s limited partners will be required to make additional capital contributions to satisfy such shortfall. Quintana Capital Group or its affiliates are entitled to any amounts otherwise distributable to the limited partners in respect of such additional capital contributions, but only out of profits from investments.

During the commitment period of the applicable fund, Quintana Capital Group charges management fees up to every six months, payable semiannually on January 1st and July 1st, which are prorated for any applicable period of less than a full six-month period. After the commitment period, Quintana Capital Group charges management fees for three-month periods, payable in quarterly installments on January 1st, April 1st, July 1st, and October 1st, which are prorated for any applicable period of less than a full three-month period. All management fees are payable in advance.

Limited partners who become partners of a fund after an initial closing and limited partners who increase their capital commitments prior to the final closing pay a make-up management fee on each subsequent closing date equal to 2% plus interest on the marginal amounts committed.

Occasionally, a Quintana Fund's general partner may provide the Quintana Funds, their limited partners, strategic investors, lenders, principals and their affiliates, and/or third parties (including third parties whose participation might add value to the investment in terms of consummating, operating or exiting the investment) the opportunity to participate in the Co-Investment Vehicles, and Quintana Capital Group may not charge management fees (and the general partner may not charge performance-based fees) to the Co-Investment Vehicles or their investors. The applicable general partner shall promptly disclose in writing to the limited partners the extent to which the terms of any co-investment differ from the terms of their investment.

Expenses

In connection with Quintana Capital Group's advisory services, the Quintana Vehicles bear all of their own expenses (ordinary and extraordinary). The general partners or Quintana Capital Group, as applicable, shall pay, without reimbursement from the Quintana Funds, all of their own ordinary administrative and overhead expenses incurred in managing the fund investments (the "Investments"), including all costs and expenses on account of rent, supplies, postage and delivery, equipment, furniture, salaries, wages, bonuses and other employee benefits, and fees and expenses payable pursuant to the applicable management agreement.

The enumerated lists below are detailed but do not include every possible expense a Quintana Fund may incur. The expense arrangements summarized below are set out in the private offering materials for each of the Quintana Funds. Quintana Capital Group may, in its sole discretion, pay all or part of a limited partner's share of Investment expenses, Quintana Fund expenses, organizational expenses, management fees, and all fees (excluding expenses) of all placement agents employed in connection with the offering and sale of limited partnership interest in the fund (the "Placement Fees") out of amounts otherwise distributable to such limited partner as portfolio investment distributions or other distributions. If Quintana Capital Group exercises such option, such amount will be deemed to have been distributed to such limited partner and simultaneously recontributed to the applicable fund by such limited partner as a capital contribution to fund those expenses.

In addition, Quintana Capital Group may be entitled to reimbursement for some of the investment-related expenses listed below:

Organizational Expenses

The Quintana Vehicles (and ultimately their investors) pay for expenses related to their organization, including:

- fees and expenses of counsel, accountants, and agents of Quintana Capital Group and its affiliates;

- reasonable travel, entertainment, and other out-of-pocket expenses of Quintana Capital Group and its advisors (excluding any finder or placement agent);
- other expenses incurred in connection with the formation of a Quintana Vehicle, that Vehicle's related entities, and the preparation of any applicable agreements;
- any expenses incurred in connection with the compliance with applicable laws or regulations;
- the offering of interests in the Quintana Vehicles other than placement fees; and
- all placement fees.

The reimbursable expenses detailed above are generally subject to a cap, after which Quintana Capital Group bears those expenses. Placement fees will reduce the management fee otherwise payable by an identical amount.

Organizational expenses, including placement fees, incurred in excess of the cap will be paid by the applicable fund but borne by Quintana Capital Group through a 100% offset against the management fee.

Operating Expenses

The Quintana Funds may also pay, or reimburse Quintana Capital Group for direct, out-of-pocket costs and expenses reasonably related to their operation, which may include:

- expenses incurred in connection with the evaluation, acquisition and disposition of investments (including transactions not consummated);
- expenses incurred in connection with the carrying or management of investments, including custodial, trustee, record keeping and other administrative fees;
- expenses incurred in connection with the preparation and audit of the funds' financial statements, tax returns and Schedule K-Is;
- attorneys' and accountants' fees and disbursements;
- taxes and other governmental charges levied against the funds;
- insurance (including insurance covering Quintana Capital Group and its affiliates acting on behalf of the funds), regulatory or litigation expenses (and damages), including Quintana Capital Group's and its affiliates' regulatory expenses;
- expenses incurred in connection with the winding up or liquidation of the funds;
- expenses not otherwise reimbursed relating to defaults by the funds' limited partners in the payment of any capital contributions;
- expenses incurred in connection with any restructuring or amendments to the constituent documents of the funds and their related entities.
- expenses incurred in connection with the formation of alternative investment vehicles;
- expenses incurred in connection with distributions from the Quintana Funds to its partners;
- expenses in connection with any reports to and meetings of the funds' investment advisory committee and the partners;

- expenses incurred in connection with a fund's indemnification obligations; and
- the management fees.

Quintana Capital Group will, whenever reasonable, first seek reimbursement of the above expenses associated with the acquisition, holding, and disposition of investments from the appropriate portfolio companies prior to seeking reimbursement from the Quintana Funds; however, the failure to obtain such reimbursement does not necessarily limit Quintana Capital Group's rights to reimbursement.

To the extent that any parallel Quintana Fund or any other Quintana Vehicle is participating in an Investment or potential Investment, any and all Investment expenses and fund expenses not paid by a portfolio company or other person shall be borne by the relevant fund or Quintana Vehicle, pro rata to the amount of funds to be invested by each of the foregoing. Quintana Capital Group allocates the expenses among the Quintana Funds and the applicable investments of each fund based on their respective interests in an investment if such costs are attributable to such investment, or aggregate amounts of capital agreed to be contributed in a fair and reasonable manner if such costs are not attributable to any investment. In some circumstances, Quintana Capital Group may determine not to invest in a transaction, but affiliates of Quintana Capital Group may invest in that transaction. Quintana Capital Group determines in good faith, but in its sole discretion, the extent to which the affiliates will reimburse the Quintana Funds for expenses incurred by the Quintana Funds.

Investment-Related Expenses

In addition, Quintana Capital Group's clients may incur expenses in connection with an investment, such as:

- transaction fees;
- advisory fees;
- investment banking;
- monitoring fees;
- directors' fees;
- break-up fees;
- portfolio company management fees; and
- other similar fees.

Quintana Capital Group allocates the expenses among the applicable Quintana Funds and the applicable investments of each fund in a fair and reasonable manner. All transaction fees are payable to and constitute income to Quintana Capital Group. All transaction fees (other than break-up fees, directors' fees, and portfolio company management fees) are applied to reimburse Quintana Capital Group for out-of-pocket expenses that are Quintana Fund expenses. An amount equal to the sum of 80% of the balance of all transaction fees (other than break-up fees, directors' fees, and portfolio company management fees), after first being applied to reimburse Quintana Capital Group for out-of-pocket expenses, and 100% of all placement fees, break-up fees, directors' fees, and portfolio company management fees, reduce the management fees by an identical amount. These fees may be payable to Quintana Capital Group or its affiliates by a target company or other third parties in connection with portfolio investments.

Because Quintana Capital Group renders advice to private equity funds, and investments are made on a negotiated basis, opportunities for trade executions are rare. In these circumstances, our clients will pay brokerage fees. Please see *“Item 12—Brokerage Practices”* for further details.

Neither Quintana Capital Group nor any of its principals, affiliates or employees receives any transaction-based compensation for the sale of securities of the Quintana Vehicles to investors in those client funds.

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

The Quintana Funds allocate a portion of their investment profits to their general partners, which are affiliated with Quintana Capital Group, as a carried interest, as set forth in each Quintana Fund’s organizational documents. Co-Investment Vehicles may potentially allocate a portion of the Co-Investment Vehicles’ investment profits to their general partners, which are affiliated with Quintana Capital Group, as a carried interest, as set forth in the relevant organizational documents for the Co-Investment Vehicles. The general partners’ entitlement to performance-based distributions may create an incentive for Quintana Capital Group to take risks in managing the Quintana Vehicles, such as making riskier or more speculative investments, that it would not otherwise take in the absence of such arrangements.

After returning all capital contributions to the Quintana Funds’ limited partners and general partner and subject to any writedowns associated with the funds’ investment portfolios, the Quintana Funds will distribute to their respective general partners a certain percentage of the profits of each realized investment, which is commonly referred to as “carried interest.” The existing Quintana Funds distribute 20% of realized gains to their general partner only after investors receive a 8% compound, cumulative annual preferred return on capital contributions.

Because carried interest is tied to distributions to the Quintana Funds’ limited partners, neither Quintana Capital Group nor its affiliates receive performance-based fees on a regularly scheduled basis.

Upon liquidation of a fund, the applicable general partner will be required to restore funds to the Quintana Fund to the extent that the general partner has received cumulative distributions with respect to the carried interest in excess of amounts that would have been distributed to the general partner with respect to the carried interest (pursuant to the distribution formula), applied on an aggregate basis covering all transactions of the Quintana Fund, net of income taxes thereon. Funds returned to the Quintana Fund for this purpose will be distributed to that fund’s limited partners in proportion to their aggregate funded commitments.

In addition, a portion of the carried interest distributions to which the general partner would otherwise be entitled is deposited in a segregated holdback account pending future performance of the fund and, upon termination of the fund, will be used as needed to satisfy the general partner’s “clawback” obligation described above.

ITEM 7. TYPES OF CLIENTS

See *“Item 4. Advisory Business.”*

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

Methods of Analysis and Investment Strategy

In managing the Quintana Funds, Quintana Capital Group employs methods of analysis and investment strategies suitable for each fund's investment objective.

Historically, Quintana Capital Group has generated investment opportunities through proprietary deal flow from a number of sources, including: internally generated ideas; past associations with more than 40 major and independent energy, coal, and utility companies; past partnerships with private co-investors, family offices, and institutional private equity funds; former management and field-level operators; former equipment and service providers; relationships with industry players through participation at energy industry events; project developers; and access to governmental figures. In addition, Quintana Capital Group has generated investment opportunities through more traditional routes, such as through investment bankers; commercial lenders; legal and accounting professionals; and consulting firms.

Quintana Capital Group primarily seeks to make control-oriented investments across the oil and natural gas, coal, and power industries. Quintana Capital Group invests in operating companies (through acquisitions or restructurings) and backs management teams by investing in development-stage companies.

Quintana Capital Group, through the Quintana Funds, invests in companies with a broad range of enterprise values, generally in a controlling position. However, Quintana Capital Group may also seek significant minority positions where negative control mechanisms are in place. In either case, Quintana Capital Group will generally require board representation for the Quintana Funds and retain control or significant influence over critical capital structure, corporate governance, and key strategic and operational decisions.

Quintana Capital Group's investment process is intended to maximize the value of its investments. This process consists of (i) a preliminary industry and company analysis that includes asset quality reviews, cost structure evaluation, and detailed examinations of management capabilities, growth and efficiency opportunities, competitive positioning and company strategy; (ii) the submission of the preliminary evaluation to the relevant Quintana Fund's Investment Committee; (iii) due diligence including background checks, contract review, environmental assessments, debt financing and legal structuring; (iv) monitoring of portfolio-company operations and market conditions; and (v) periodic reviews of exit opportunities.

When analyzing an investment, Quintana Capital Group does not rely exclusively on an issuer's or seller's forecasts. Quintana Capital Group and its investment professionals analyze and evaluate investment opportunities using conventional financial measures, regardless of the sector or the development stage of the portfolio company. In addition, Quintana Capital Group works with the management teams of target companies to analyze past and present results, create a thorough operating plan and assess the organizational and capital resources necessary to improve the target company's performance as well as exit alternatives.

Quintana Capital Group's approach to portfolio monitoring and development requires active communication with senior management of the Quintana Funds' portfolio companies to monitor the progress of the Quintana Funds' portfolio investments and to obtain detailed operational and financial reports on a routine basis, and board representations, in addition to formulating an investment thesis at

the outset. Working together with management, Quintana Capital Group expects to create value through:

- carefully reviewing capital investments,
- redirecting capital spending and operating priorities as necessary,
- optimizing asset portfolios through acquisitions and divestitures,
- adopting cost management efforts,
- adding appropriate personnel, or
- completing value-creating acquisitions.

In addition to analysis of individual transactions, Quintana Capital Group manages the Quintana Funds on a portfolio-wide basis and seeks to diversify each Quintana Fund across the energy sector. Quintana Capital Group seeks to build a diversified portfolio for each Quintana Fund, taking advantage of its investment professionals' geographically and technically broad experience in operating and managing investments in energy-related assets. Quintana Capital Group diversifies its investments by geographic region, commodity type, sector and investment strategy.

Quintana Capital Group's investment professionals have significant operating and technical expertise in the energy and natural-resource industries and include, in addition to operational and financial experts, a number of engineering, land, and geoscience professionals. The cornerstone of Quintana Capital Group's investment philosophy is to make investments where its investment professionals' expertise in operating and managing assets can help maximize value.

Material Risks of Significant Investment Strategy

Quintana Capital Group's investment strategy involves a substantial degree of risk, and the Quintana Funds may lose all or a substantial portion of the value of their investments. In addition, material risks relating to the investment strategy and methods of analysis described above include the following:

General Economic and Financial Conditions. General economic and financial conditions may impact the Quintana Funds' activities and performance. Interest rates, general levels of economic activity, the price of securities and participation by other investors and lenders in the financial markets may affect the value and number of investments available to or made by the Quintana Funds. For example, the global economic downturn that began in 2008 may make it difficult for Quintana Capital Group to source and finance investments in the Quintana Funds with additional equity or debt.

Energy Industry Concentration. Quintana Capital Group's investments are and will continue to be concentrated in the energy industry and are subject to numerous risks that affect the energy industry, as a whole, or specific sectors within the industry. Because of the concentration of the Quintana Funds' investments, an investment in the Quintana Funds may be subject to greater risk than an investment in a portfolio of securities representing a broader range of industries.

Nature of Energy Industry Investments. Investments in the energy sector may be subject to a variety of risks, not all of which can be foreseen or quantified. The risks may include: (i) the risk that the technology employed in an energy project will not be effective or efficient; (ii) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in

power contract or fuel contract prices, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, and catastrophic events; (iii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (iv) environmental liability risks related to energy properties and projects; (v) uncertainty about the extent, quality and availability of oil, gas and coal reserves; and (vi) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy fuels (prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics, energy conservation, the success of exploration projects, the tax and other regulatory policies of various governments and the economic growth of countries that are large consumers of energy, as well as other factors). The occurrence of events related to these risks may have a material adverse effect on the Quintana Funds and its investments.

Potential Conflicts of Interest. There may be occasions when the Quintana Capital Group and its affiliates, including employees of Quintana Capital Group, encounter potential conflicts of interest in connection with the Quintana Funds. They may engage in activities involving the energy industry that are independent from, and may from time to time conflict with, those of the Quintana Funds. Quintana Capital Group and its affiliates will be guided by their good faith judgment as to the Quintana Funds' best interests. Quintana Capital Group's employees devote such time and attention to the Quintana Funds as is required to discharge their duties to the Funds. For further information regarding potential conflicts of interest, please read "*Item 11—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*" below.

Uncertainty of Reserves. Some of the companies that the Quintana Funds invest in may be subject to the risks inherent in acquiring or developing recoverable oil, natural gas or coal reserves, including capital expenditures for the identification and acquisitions of projects, the drilling and completing of wells and the conduct of development, production and mining operations. The presence of unanticipated pressures or irregularities in formations, miscalculations or accidents may cause such activity to be unsuccessful, which may result in losses. Furthermore, successful investment in energy properties and other related facilities and properties requires an assessment of (i) recoverable reserves; (ii) operating and capital costs; (iii) future oil, natural gas and coal prices; (iv) potential environmental and other liabilities; and (v) other factors. Such assessments are necessarily inexact and their accuracy inherently uncertain.

Fluctuation in Energy Prices. The revenues and profitability of certain of the portfolio companies in which the Quintana Funds invest are likely to be significantly affected by the future prices of and the demand for oil, natural gas and coal, which are inherently uncertain. Energy investments may have significant shortfalls in projected cash flow if prices decline from levels projected at the time the investment is made. Various factors beyond the control of Quintana Capital Group will affect energy prices, including worldwide supplies, political instability or armed conflicts in oil and natural gas producing regions, the price of foreign imports, the level of consumer demand, the price and availability of alternative fuels, capacity constraints and changes in existing government regulation, taxation and price controls. Energy prices have fluctuated greatly during the past, and energy markets continue to be volatile.

Oil and Natural Gas Exploration and Development Risks The Quintana Funds may invest in businesses that engage in oil and natural gas exploration and development, a speculative business involving a high degree of risk. Oil and natural gas drilling may involve unprofitable efforts, not only from dry holes, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include encountering unexpected formations or pressures,

premature declines of reservoirs, blow-outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks.

Regulation of the Energy Industry. The energy industry is affected from time to time in varying degrees by political developments and a wide range of statutes, rules, orders and regulations. For example, energy production, operations and economics are or have been affected by price controls, taxes and other laws relating to the energy industry, by changes in such laws and by changes in administrative regulations. In addition, various laws and regulations relating to the protection of the environment may affect the operations and costs of the companies engaged in the energy industry. These laws and regulations may (i) restrict the types, quantities and concentration of various substances that can be released into the environment; (ii) require reporting of the storage, use or release of certain chemicals and hazardous substances; (iii) require removal or cleanup of contamination under certain circumstances, which may require the expenditure of material amounts over a significant period of time; and (iv) impose substantial civil liabilities or criminal penalties. Moreover, there has been a trend in recent years toward stricter standards in environmental, health and safety legislation and regulation, which could impact the success of companies in which the Quintana Funds invest.

Ongoing Changes in the Utility Industry. The Quintana Funds may make investments in electric power generation or transmission or related businesses in the United States or abroad. In many jurisdictions, including portions of the United States, the electric utility industry is experiencing increasing competitive pressures, as a result of deregulation, competition for customers and new products, technological advances, greater availability of natural gas and other factors. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation or transmission projects into which the Quintana Funds may invest may come under increasing pressure.

Federal, State and Local Legislation and Regulatory Initiatives Relating to Hydraulic Fracturing. Hydraulic fracturing is an important and common practice that is used to stimulate production of gas and/or oil from dense subsurface rock formations. The Quintana Funds' portfolios may contain companies that engage in hydraulic fracturing. Hydraulic fracturing typically is regulated by state oil and gas commissions, but the EPA has asserted federal regulatory authority pursuant to the federal Safe Drinking Water Act ("SDWA") over certain hydraulic fracturing activities involving the use of diesel fuels and published draft permitting guidance in May 2012 addressing the performance of such activities using such diesel fuels. In November 2011, the EPA announced its intent to develop and issue regulations under the Toxic Substances Control Act to require companies to disclose information regarding the chemicals used in hydraulic fracturing. In addition, the U.S. Congress ("Congress") has from time to time considered legislation to provide for federal regulations of hydraulic fracturing under the SDWA and to require disclosure of the chemicals used in the hydraulic fracturing process. At the state level, some states have adopted or are considering adopting, legal requirements that could impose more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities. Local government also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. If new or more stringent federal, state, or local legal restrictions relating to the hydraulic fracturing process are adopted, Quintana Funds' portfolio companies that engage in hydraulic fracturing could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development or production activities, and perhaps even be precluded from drilling wells, which would have a material adverse effect on the Quintana Funds or their investments.

In addition, certain governmental reviews are either underway or being proposed that focus on environmental aspects of hydraulic fracturing practices. Moreover, the EPA has announced that it will develop effluent limitations for the treatment and discharge of wastewater resulting from hydraulic fracturing activities by 2014. Other governmental agencies, including the U.S. Department of Energy and the U.S. Department of the Interior, are evaluating various other aspects of hydraulic fracturing. These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the federal SDWA or other regulatory mechanisms.

Regulatory Approvals. The Quintana Funds may invest in portfolio companies that require federal, state, local or non-U.S. approvals to acquire and operate their facilities. In addition, the Quintana Funds may require the consent or approval of applicable regulatory authorities in order to acquire or hold particular portfolio companies. A portfolio company could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Moreover, additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in the companies' customers or for other reasons. A portfolio company may not be able (i) to obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) to obtain any necessary modifications to existing regulatory approvals; or (iii) to maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of the facility or sales to third parties or could result in additional costs to a portfolio company.

Risks Related to Commodity Prices and Derivatives. The portfolio companies in which the Quintana Funds invest may use derivatives to reduce commodity price risk associated with their operations. The prices of commodities and related derivative instruments may be subject to periods of extreme volatility. Price movements in commodities and derivatives are influenced by many factors, including, without limitation, supply and demand relationships, fiscal, monetary and trade policies and political events. As a result, a portfolio company's use of derivative transactions may be affected by such volatility as well as by any market disruption and unanticipated changes in interest rates, securities prices or currency exchange rates, all of which may expose the portfolio company to the risk of material financial loss.

In addition, the Dodd-Frank Wall Street Reform And Consumer Protection Act ("Dodd-Frank"), enacted in July 2010, established federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. Dodd-Frank mandates that many derivatives must be executed in regulated markets and submitted for clearing to regulated clearinghouses, and will also be subject to minimum daily margin requirements (which may be unilaterally increased by the portfolio companies' derivatives dealers). These requirements may make it more costly for the portfolio companies to engage in derivative transactions, and may also cause certain strategies in which the portfolio companies might have otherwise engaged to become prohibitively expensive.

The CFTC has also issued "speculative position limits" on the maximum net long or net short speculative positions that any person may hold or control in any particular physical commodity futures and economically equivalent swaps and options traded on United States commodities exchanges. The speculative position limits were vacated by the U.S. District Court for the District of Columbia on September 28, 2012, and there is no indication whether this rule will be upheld in its current form or amended. If the rule is ultimately upheld in its current form, accounts owned or managed by portfolio

companies may be combined for purposes of these speculative position limits. In addition, if the portfolio companies' hedging activities do not meet an exception from such limits for futures or futures equivalent contracts that satisfy the 'bona fide' hedge criteria under the Commodity Exchange Act and rules thereunder, then, assuming the rule is ultimately upheld in its current form, they could be required to liquidate positions they hold to comply with such limits.

Because of these rules, Dodd-Frank could significantly increase the cost of derivatives transactions, materially alter the terms of derivatives transactions, and reduce the ability of the portfolio companies to protect against price volatility and other risks. If the portfolio companies alter their hedging program as a result of the legislation and regulations, the portfolio companies' operations may become more volatile and their cash flows may be less predictable, which could adversely affect the portfolio companies' performance. Furthermore, Dodd-Frank was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. The portfolio companies' performance could be adversely affected if commodity prices fall as a consequence of Dodd-Frank and related legislation and regulations.

Finally, the portfolio company will be at risk for the performance of the counterparty on the derivative transaction. In the event that the counterparty defaults, the cost of replacing the transaction or the counterparty could be significant. Derivative instruments may trade principally on markets organized outside the United States. Markets for such instruments may be illiquid, highly volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable cost. For all the foregoing reasons, the use of derivatives and related techniques can expose the Quintana Funds' portfolio companies to significant risk of loss.

Risks Related to Joint Ventures and Partnerships. Quintana Capital Group may structure investments by the Quintana Funds as joint ventures or partnerships between the applicable Quintana Fund or a subsidiary or affiliate of that fund, an affiliate, or third parties. The investment by the Quintana Funds in a joint venture or partnership may, under certain circumstances, involve risks not otherwise present. For example, there is a possibility that the Quintana Fund's co-venturer or partner in an investment could become bankrupt or insolvent, have economic or business interests or goals that are inconsistent with the business interests of that fund, or take actions contrary to the instructions or requests of the fund or contrary to its policies or objectives. In addition, Quintana Capital Group's ability to successfully enhance an investment, whether through operational improvements, the application of derivative investments or otherwise, could be limited with respect to projects not controlled by Quintana Capital Group.

Risks Associated with Non-U.S. Investments. The Quintana Funds may invest in businesses operating or organized outside of the United States. Such investments will involve risks not typically associated with investments in the securities of U.S. companies including, without limitation, risks relating to: (i) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets and the absence of uniform accounting and financial reporting standards and disclosure requirements; (ii) currency exchange matters and costs associated with conversion of investment principal and income from one currency into another, which may expose the Quintana Funds to potential losses arising from changes in foreign currency exchange rates; (iii) possible significant government approvals under corporate, securities, exchange control, non-U.S. investment and other similar laws and regulations; (iv) certain economic and political risks, including potential restrictions on foreign investment and repatriation of capital and the risks of political, economic or social instability; (v) differences in financing and structuring alternatives and exit strategies from those commonly used in the United States; (vi) differences in legal systems,

including the possibility that the Quintana Funds may experience difficulty in asserting legal claims or obtaining legal remedies in non-U.S. jurisdictions; and (vii) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. The foregoing factors may increase transaction costs and other investment costs which could adversely impact the value of the Quintana Funds' investments in non-U.S. portfolio companies.

Climate Change Regulation. The Quintana Funds may invest in portfolio companies that are or may become subject to regulation regarding the emission of certain gases, commonly referred to as "greenhouse gases," that may be contributing to warming of the Earth's atmosphere and other climatic changes. Countries around the world, including the United States, have already passed, or may in the future pass, legislation regulating the emission of greenhouse gases. As a result of a process set in motion by the U.S. Supreme Court's 2007 decision in *Massachusetts v. EPA*, the United States Environmental Protection Agency ("EPA") concluded that emissions of greenhouse gases from motor vehicles are contributing to climatic changes that may endanger human health and the environment. As a result of this finding, the EPA has undertaken a series of rulemakings under the Clean Air Act to address both mobile and stationary sources of greenhouse gases. In September 2009, the EPA issued a final rule requiring the reporting of greenhouse gas emissions beginning in 2011 for emissions from specified large greenhouse gas emission sources. In November 2010, the EPA published a final rule expanding its reporting rule to include petroleum and natural gas facilities. The rule, which went into effect on December 30, 2010, requires reporting by such regulated facilities of greenhouse gas emissions by September 2012 for emissions during 2011 and annually thereafter. In 2010, the EPA also issued a final rule, known as the "Tailoring Rule," that makes certain large stationary sources of greenhouse gases and modification projects subject to permitting requirements for greenhouse emissions under the Clean Air Act, as well as requirements to meet "best available control technology" standards established by the states or the EPA on a case-by-case basis. The new permitting program may affect some of the Quintana Funds' portfolio companies' largest facilities, both new and modified, going forward. Several of the EPA's greenhouse gas rules are being challenged in court and, depending on the outcome of these proceedings, such rules may be modified or rescinded or the EPA could develop new rules. In addition, if Congress undertakes comprehensive tax reform in the coming year, it is possible that such reform may include a carbon tax, which could impose additional direct costs on operations and reduce demand for refined products.

In addition to activity at the federal level, almost half of the states (and some Canadian provinces) have begun to address greenhouse gas emissions in some manner, most commonly through requiring reporting of greenhouse gas emissions on an annual basis, but also through regional initiatives, including the Western Climate Initiative and the Regional Greenhouse Gas Initiative, that employ market-based (i.e., cap-and-trade) control programs that typically require major sources of greenhouse gas emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting those greenhouse gases. Although it is not possible to predict at this time how the adoption of climate change laws or regulations by domestic or international governments could affect the businesses of companies within the Quintana Funds' portfolios, such laws and regulations could result in increased compliance costs, additional operational restrictions, and/or reduce demand for the companies' products. Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. Such developments could have a material adverse effect on the businesses of companies within the Quintana Funds' portfolios, and thus, a material adverse effect on the Quintana Funds or their investments.

Taxation of Energy Companies. Investments in companies operating in the energy sector can be subject to numerous taxes and fees by the jurisdictions in which such companies are organized or operate. Companies engaged in oil and natural gas operations or having substantial real property holdings, in particular, can be subject to specific tax regimes, such as petroleum revenue taxes, fees for drilling rights and exploration licenses, oil production fees, real estate taxes and stamp duties.

Terrorist Attacks or Similar Hostilities May Adversely Impact the Results of Operations of Portfolio Companies. Future terrorist attacks or regional hostilities may have adverse effects on the energy industry in general, and on the Quintana Funds and their portfolio companies, in particular. Uncertainty surrounding such attacks or a sustained military campaign may affect the operations of portfolio companies in unpredictable ways, including disruptions of fuel supplies and markets and the possibility that infrastructure facilities, including pipelines, production facilities, processing plants and refineries, could be direct targets of, or indirect casualties of, an act of terror or war. Moreover, portfolio companies may be required to incur significant costs in the future to safeguard certain of their assets against such attacks.

Long-Term Investments. An investment in the Quintana Funds requires a long-term commitment, with no certainty of return. Portfolio companies generate little or no near-term cash flow for the benefit of the limited partners of the Quintana Funds. The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that Quintana Capital Group will be able to locate, consummate and exit investments that satisfy its internal rate-of-return ("IRR") objectives or realize upon their values, or that the Quintana Funds will be able to invest fully their committed capital. Most of the Quintana Funds' investments will be highly illiquid, and there can be no assurance that Quintana Capital Group will be able to realize on such investments in a timely manner. Quintana Capital Group's contemplated exit strategies for its investments can be adversely affected by numerous factors, many of which may be unforeseen or unexpected at the time the investments are made. Consequently, dispositions of the Quintana Funds' investments may require a lengthy time period or may result in distributions in kind to the limited partners. Additionally, the Quintana Funds typically will acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Securities Act") or in a private placement or other transaction exempt from registration under the Securities Act and that complies with any applicable non-U.S. securities laws. Some of the Quintana Funds' investments may be in businesses with little or no operating history. There can be no assurance that the targeted IRR will be attained.

Risk of Limited Number of Investments. Quintana Capital Group may only make a limited number of investments, and, as a consequence, the aggregate return of the Quintana Funds may be substantially adversely affected by the unfavorable performance of even a single investment.

Leverage and Subordination Risk. Certain of the Quintana Funds' investments may be in businesses with high levels of debt or may be investments in leveraged buyouts; leveraged buyouts by their nature require companies to undertake a high ratio of fixed charges to available income. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. Such investments would involve a particularly high degree of risk, given that adverse business developments, fluctuations in cash flow, changes in industry or general economic conditions or other factors could impair the ability of the portfolio company to meet its debt obligations. Investments in a portfolio company will generally be in equity securities or debt securities that are subordinated in right of payment to senior creditors. Because these investments will be among the most junior in the capital structure of a portfolio company, the failure of a portfolio company to meet its obligations to the senior creditors could result in a loss of the entire investment made by the Quintana Funds.

Lack of Liquidity. The limited- partner interests of the investors in the Quintana Funds have not been registered under the Securities Act or any other applicable securities laws. There is no public market for those interests and none is expected to develop. In addition, the limited partner interests are not transferable except with the consent of the relevant Quintana Fund's general partner, which may be withheld by the general partner in its sole discretion, and subject to the terms and conditions of the relevant partnership agreement of the Quintana Fund. Consequently, investors in the Quintana Funds should not expect to be able to liquidate their investment prior to the end of the applicable Quintana Fund's term.

No Right to Control Quintana Capital Group's or the Quintana Funds' Operations. Limited partners in the Quintana Funds will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the Quintana Funds. Similarly, investors will not have the opportunity to take part in or direct the management of any portfolio company of the Quintana Funds. In order to safeguard their limited liability for the liabilities and obligations of a Quintana Fund, Limited Partners must rely entirely on Quintana Capital Group and the applicable Quintana Fund's general partner to conduct and manage the affairs of such fund.

Risks Upon Disposition of Investments. In connection with the disposition of an investment in a portfolio company, the Quintana Funds may be required to make representations about the business, financial condition, results of operations or liabilities of the portfolio company typical of those made in connection with the sale of any business, or may be responsible for the accuracy or completeness of disclosure documents under applicable securities laws. The Quintana Funds may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents prove to be incorrect, inaccurate or misleading. If an investment is sold through a public offering or similar transaction, the Quintana Fund may be subject to liability in accordance with applicable securities laws and may be required to indemnify underwriters to the extent that the disclosure documents for such offering prove to be incorrect, inaccurate or misleading. These arrangements may give rise to contingent liabilities that may be unresolved for significant periods of time, and that may ultimately have to be funded by the limited partners and the general partner of the applicable Quintana Fund. The limited partnership agreements of the Quintana Funds contain provisions to the effect that, if there is any such claim in respect of a portfolio company, it will be funded by the limited partners to the extent that they have received distributions from the applicable Quintana Fund, subject to certain limitations.

Uncertain Timing and Amounts of Distributions. No assurance can be given as to the timing or amount of any distributions to be made by the Quintana Funds. The Quintana Funds' partners do not receive significant cash distributions, if at all, until the relevant Quintana Fund makes investments and such investments result in distributions to that fund or are sold or otherwise liquidated by that fund. There is no assurance that a portfolio company, once a Quintana Fund has invested in it, will operate profitably and that the Quintana Fund's interest in such company will have economic value. Moreover, there is a limited market for the sale or disposition of the types of portfolio company investments in which the Quintana Funds will invest. There can be no assurance that portfolio companies will generate cash flow available for distribution to the Quintana Funds and its partners or that the Quintana Funds will be able to liquidate its investments on favorable terms.

Performance Allocations to the General Partner. The fact that a substantial portion of the Quintana Funds' general partners' compensation is based on the performance of the Quintana Funds may create an incentive for the general partners to cause the funds to make investments that are more speculative than would be the case in the absence of performance-based compensation.

Limited Regulatory Oversight. While the Quintana Funds may be considered similar in some ways to investment companies, they are not required and do not intend to register as such under the Investment Company Act and, accordingly, investors in those funds are not accorded the protections of the Investment Company Act. While Quintana Capital Group is registered as an investment advisor under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), the general partners of the Quintana Funds are not.

Potential Loss of Limited Liability. The liability of each investor in the Quintana Funds will be limited assuming compliance with the laws of each jurisdiction where that fund operates and compliance with that fund’s partnership agreement. However, if a limited partner of a Quintana Fund participates in the control of the business of that fund, it is possible that under applicable law such limited partner could be held liable for obligations of the Quintana Fund to the same extent as the fund’s general partner.

Follow-On Investments. The Quintana Funds may be called upon to provide follow-on funding for their portfolio companies or may otherwise have the opportunity to increase their investments in such portfolio companies. There can be no assurance that the Quintana Funds will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by the Funds not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish that fund’s ability to influence the portfolio company’s future development.

Reliance on Management of Portfolio Companies. While it is the intent of Quintana Capital Group to recommend investments in companies with proven management teams in place and to monitor the performance of each portfolio company’s management team after an investment is made by a Quintana Fund, there can be no assurance that these management teams will continue to successfully operate such portfolio companies.

Importance of Certain Personnel. The success of the Quintana Funds depends in substantial part on the skill and expertise of the employees of Quintana Capital Group or its service providers in making and disposing of investments and otherwise managing the affairs of the Quintana Funds. There can be no assurance that Quintana Capital Group’s employees will continue to be available throughout the life of the applicable Quintana Fund. The loss of key personnel could have a material adverse effect on the Quintana Funds.

Relevance of Prior Performance. The performance of other investments led by employees of Quintana Capital Group is not necessarily indicative of the opportunities available to the Quintana Funds or the results that will be achieved by the Quintana Funds. Further, in considering historical returns, investors and prospective investors in the Quintana Funds should take into account the fact that the investment environment in which the Quintana Funds operate may be different from that in which the results of other investments led by Quintana Capital Group’s employees were generated.

Indemnification. The Quintana Funds are required to indemnify Quintana Capital Group, the general partner of the applicable Quintana Fund, and their affiliates and each of their respective members, officers, directors, employees, stockholders, shareholders or partners, for liabilities incurred in connection with the affairs of the relevant Quintana Fund. Such liabilities may be material. For example, in their capacity as directors of portfolio companies, the members, managers or affiliates of a Quintana Fund’s general partner may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of a Quintana Fund would be payable from the assets of that fund, including the unpaid capital commitments of the limited partners of that fund.

Risk Arising from Provision of Managerial Assistance. Quintana Capital Group typically will designate directors to serve on the boards of directors of portfolio companies that the Quintana Funds invest in. The designation of board members and other representatives and the exercise of other management rights could expose the assets of the applicable Quintana Fund to claims by a portfolio company, its security holders or its creditors, including claims that that fund is a controlling person and thus is liable for securities laws violations by a portfolio company. These measures also could (i) result in claims against, or liabilities to, the Quintana Funds in the event of the bankruptcy or reorganization of a portfolio company; (ii) result in claims against the Quintana Funds if the designated directors violate their fiduciary or other duties to a portfolio company or fail to exercise appropriate levels of care under applicable corporate or securities laws, environmental laws or other legal principles; and (iii) expose the Quintana Funds to claims that it has interfered in management to the detriment of a portfolio company. While Quintana Capital Group intends to manage the Quintana Funds in a way that will minimize the exposure to these risks, the possibility of successful claims cannot be precluded.

ERISA Considerations. In the event a Quintana Fund is operated to qualify as a VCOC in order to avoid holding “plan assets” within the meaning of ERISA, that fund may be restricted or precluded from making certain investments. In addition, it could be necessary for that fund’s general partner to liquidate the fund’s investments at a disadvantageous time in order to avoid holding ERISA “plan assets,” which may result in lower proceeds to the Quintana Funds than might have been the case without the need to qualify as a VCOC.

General Tax Considerations. The Quintana Funds are and expect to continue to be treated as partnerships for U.S. federal income tax purposes. Each partner in a fund, in determining its U. S. federal income tax liability, will take into account its allocable share of items of income, gain, loss, deduction and credit of the fund, without regard to whether it has received distributions from the fund. Accordingly, in any particular year a partner may have taxable income and a resulting tax liability even though the partner has not received cash from the fund with which to pay such taxes. As is generally the case for similar private equity investment vehicles, an investment in the Quintana Funds will give rise to a variety of complex U.S. federal income tax and other tax issues for limited partners. Certain of those issues may relate to special rules applicable to certain types of investors, such as tax-exempt entities, life insurance companies, banks, individuals, dealers in securities and non-U.S. persons and entities.

Possible U.S. Federal Income Tax Legislative Changes. Given the changing political landscape in the United States and sweeping economic changes, it appears likely that changes to U.S. federal income tax laws will be made to increase U.S. federal income tax revenues. For example, proposals to increase maximum tax rates, impose additional limitations on, or eliminate, the deductibility of certain costs and expenses and close “loopholes” that permit the avoidance or reduction of taxes have been proposed or discussed.

In recent years, legislation has been proposed that would, if enacted into law, make significant changes to United States tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and natural gas exploration and production companies. Such tax legislation changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain domestic production activities, and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether any of these or similar changes will be proposed in the future and, if enacted, how soon any such changes could become effective.

The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and natural gas exploration and development, and any such change could increase the taxable income allocable to the companies in which the Funds invest.

Tax-Exempt and Non-U.S. Investor Tax Considerations. An investment in a Quintana Fund (other than through the parallel Quintana Funds structured to meet the goals of tax exempt and non-U.S. investors) can be expected to result in the incurrence of unrelated business taxable income (“UBTI”) by U.S. tax-exempt limited partners or effectively connected income (“ECI”) by non-U.S. limited partners. Investors that desire to minimize UBTI or ECI should consider participating in the relevant fund through one of the parallel funds. The parallel fund entities are and will continue to be separate Cayman limited partnerships that will invest in the applicable Quintana Fund (or along side the relevant fund) in a manner that minimizes exposure to UBTI or ECI, as applicable.

Competitive Nature of the Fund’s Business. The private equity industry is highly competitive. Quintana Capital Group and the general partners of the Quintana Funds will be competing for investments against other groups, including other private equity investment and hedge funds, large and well-capitalized industrial groups, project developers and operators, commercial, investment and merchant banks. Some of these competitors could have financial and strategic resources significantly in excess of those of the Quintana Funds, may be willing to provide financing and other operational assistance to companies in the energy industry on more favorable terms than the Quintana Funds and may make competing offers for investment opportunities that are identified by the Quintana Funds. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Quintana Funds and adversely affecting the terms upon which investments can be made. Consequently, Quintana Capital Group may be unable to identify a sufficient number of investment opportunities for the Quintana Funds or to acquire them on attractive terms. Although Quintana Capital Group believes that significant opportunities currently exist, there can be no assurance that Quintana Capital Group will be able to identify and consummate a sufficient number of opportunities to permit the Quintana Funds to either invest all of their committed capital or to diversify ~~its~~their investments to the extent described in the applicable fund’s offering documents. Finally, as the Quintana Funds’ investments will be concentrated in the energy industry, changes in the energy industry may affect the availability or desirability of investments in the energy industry, and may adversely affect the returns realized by limited partners in the Quintana Funds.

Unspecified Use of Proceeds. Investors and prospective investors in the Quintana Funds do not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Quintana Funds and, accordingly, will be dependent upon the judgment and ability of Quintana Capital Group and the relevant general partner in investing and managing the capital of the Quintana Funds. Quintana Capital Group cannot assure investors in the Quintana Funds that the fund will be successful in obtaining suitable investments, or that if such investments are made, the objectives of that fund will be achieved.

Adequacy and Availability of Insurance. While Quintana Capital Group will seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. In addition, certain losses of a catastrophic nature, such as those caused by wars,

terrorist attacks, earthquakes, weather or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the Quintana Fund's profitability. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance. As a result, it is unlikely that any of a Quintana Fund's investments will be insured against damages attributable to acts of terrorism. If a major uninsured loss were to occur with respect to an investment, the applicable Quintana Fund could lose both its capital invested in and anticipated profits related to such investment.

Financial Market Conditions Risk. Investments may require large and various forms of financing. In some cases, the Quintana Funds will only be able to make investments to the extent that financial market conditions and other factors are such that banks and other lenders and investors, particularly those providing senior debt, are willing to enter into limited recourse debt financing undertakings on terms and conditions that do not adversely affect a portfolio company of a fund. Given the relatively high levels of debt that may be undertaken by portfolio companies, any material increase in interest rates and/or risk margins could have a detrimental effect on investment returns. Further, a material increase in interest rates and/or risk margins during the term of the Quintana Funds could materially and adversely affect a Quintana Fund's ability to exit their investments.

Credit Support. The Quintana Funds may make contingent funding commitments to their portfolio companies and provide credit support for such obligations or may borrow at the fund level in order to defer capital calls. Such credit support may take the form of borrowings under the fund's credit facility, a guarantee, a letter of credit or a pledge of a portion of that fund's capital commitments. Such funding commitments may be secured by an assignment of the general partner's rights to draw down capital from the limited partners and in such event the limited partners may be required to acknowledge and consent to such assignment. Utilization of the credit support will result in fees, expenses and interest costs to the Quintana Funds. In the event that one or more limited partners fail to satisfy a drawdown or otherwise default on their contribution obligations pursuant to the credit support, such amount would be drawn from non-defaulting limited partners pro rata up to the remaining amount of their respective unfunded capital commitments. In addition, the credit support may limit the limited partners' ability to use their interests as collateral for other indebtedness.

Certain Effects of Default and Bankruptcy. Each of the Quintana Funds' portfolio companies or their assets may be pledged to third-parties, including senior lenders, and could be foreclosed upon or otherwise acquired by such parties under certain circumstances, including an incipient and/or unremedied default. The Quintana Funds may make investments in portfolio companies that experience financial difficulties and become insolvent or file for bankruptcy protection. In the event of the bankruptcy of a portfolio company, various U.S. and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of the Quintana Fund. For example, a court may subordinate the Quintana Fund's investment to other creditors or require the fund to return amounts previously paid to it by a portfolio company that became insolvent or files for bankruptcy, a risk that could increase if that fund has management rights in such portfolio company.

No Right to Control Portfolio Companies. Some of the Quintana Funds' investments may be minority investments. Certain of the investments may be made in "club" deals alongside funds sponsored by other private equity firms. There can be no assurance that Quintana Capital Group will be able to negotiate control provisions or otherwise exercise control in such situations. Disagreements with management or other shareholders (including other private equity firms) may limit the Quintana

Funds' ability to bring about operating, strategic or other changes at such companies and may limit exit opportunities.

Compliance with Anti-Money Laundering Requirements. In response to increased regulatory concerns with respect to the sources of funds used in investments and other activities, the general partner of a Quintana Fund may request limited partners to provide additional documentation verifying, among other things, such limited partner's identity and source of funds used to purchase the limited partner interests in the Quintana Fund. The general partner may decline to accept a subscription on the basis of such information that is provided or if such information is not provided. Requests for documentation and additional information may be made at any time during which a limited partner holds an interest in a Quintana Fund. Quintana Capital Group or the general partner may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances, without notifying the limited partners that the information has been provided. Quintana Capital Group will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives or special measures. Governmental authorities are continuing to consider appropriate measures to implement and at this point it is unclear what steps the general partner may be required to take; however, these steps may include prohibiting a limited partner from making further contributions of capital to that fund, depositing distributions to which a limited partner would otherwise be entitled in an escrow account or causing the withdrawal of a limited partner from the Quintana Funds.

Expedient Transactions. Quintana Capital Group's investment analyses and decisions may frequently be required to be undertaken on an expedient basis to take advantage of investment opportunities. In such cases, the information available to Quintana Capital Group at the time of an investment decision may be limited. Therefore, no assurance can be given that Quintana Capital Group will have knowledge of all relevant circumstances that may adversely affect an investment.

ITEM 9. DISCIPLINARY INFORMATION

Not applicable.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Quintana Capital Group acts as investment adviser to the Quintana Vehicles, and affiliates of Quintana Capital Group are the general partners of the Quintana Vehicles. Employees of Quintana Capital Group own capital interests and carried interests in the general partners of the Quintana Vehicles.

Corbin J. Robertson, Jr., the Managing Partner of Quintana Capital Group, is involved in the business of Natural Resource Partners, L.P. ("NRP"). Mr. Robertson is the Chairman and CEO of, and a significant owner in, the general partner of NRP. NRP's business strategy is focused on the ownership of non-operated, royalty-producing coal, other hard mineral, and oil-and-gas properties in North America and the leasing of those properties. For so long as Mr. Robertson remains affiliated with the general partner of NRP, the Quintana Funds will not invest in non-operated royalty producing coal or other hard mineral properties, or businesses involving the transportation or storage of such minerals, without first offering such potential investments to NRP.

Donald L. Evans, a Principal of Quintana Capital Group, also acts as an advisor to Energy Capital Partners I, L.P. ("ECP"), a private investment fund that is not affiliated with the Quintana Funds. For

opportunities within the investment focus of ECP, if Don Evans is the source of the opportunity, he must present it to both ECP and the Quintana Funds. Unless he is the source of an opportunity, Secretary Evans is not required to present to the Quintana Funds any opportunities that he becomes aware of solely in his capacity as an advisor to ECP, nor is he required to present to ECP opportunities that he becomes aware of solely in his capacity as a Principal of Quintana Capital Group.

Corbin J. Robertson, III, an owner and director of Quintana Capital Group, is the Managing Member of C III Capital Management, LLC, an investment adviser. C III Capital Management, LLC acts as an investment adviser to a generalist private-equity fund and a hedge fund. If Mr. Robertson, III is offered an investment opportunity within the investment focus of the Quintana Funds, he must offer that opportunity to the Quintana Funds in most circumstances.

William K. Robertson, an owner and director of Quintana Capital Group, is the Managing Member of an entity that may raise outside capital to invest in development-stage and infrastructure investments. If Mr. Robertson is offered an investment opportunity within the investment focus of the Quintana Funds, he must offer that opportunity to the Quintana Funds under most circumstances.

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

Code of Ethics

Quintana Capital Group has established a comprehensive Code of Ethics that is applicable to all of its officers and employees, as well as certain independent contractors (collectively, “Quintana Personnel”). The Code of Ethics sets forth standards of ethical conduct for the Quintana Personnel. The Code of Ethics addresses standards for treating clients ethically, potential conflicts of interest and personal trading by Quintana Personnel. In addition, Quintana Capital Group has established policies and procedures that address, among other things, potential conflicts of interest that might arise in the management of the Quintana Funds.

The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Quintana Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Quintana Vehicle, subject to the terms of the Code of Ethics. The Code of Ethics generally permits such transactions, however, only if (i) the transaction is “pre-cleared” by Quintana Capital Group’s Chief Compliance Officer or his designee or (ii) the transaction is exempt from pre-clearance under the Code of Ethics. Under the Code of Ethics, Quintana Personnel also are required to file certain periodic reports and certifications with Quintana Capital Group’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act.

Quintana Capital Group will provide a copy of its Code of Ethics to any Quintana Vehicle, any investor in a Quintana Vehicle or any prospective client or investor in a Quintana Vehicle upon request. To receive a copy of the Code of Ethics, please contact the Chief Compliance Officer at (713) 751-7500 or by writing to QEP Management Co., L.P., Attn: Chief Compliance Officer, at 601 Jefferson St., Suite 3600, Houston, Texas 77002.

Participation or Interest in Client Transactions; Related Person Investments

For information regarding circumstances in which Quintana Capital or a related person (a) recommends to Quintana Vehicles, or buys or sells for Quintana Vehicles’ accounts, securities in which Quintana Capital or a related person has a material financial interest, (b) invests in the same securities

that Quintana Capital or a related person recommends to Quintana Vehicles, or (c) recommends securities to Quintana Vehicles, or buys or sells securities for Quintana Vehicle accounts, at or about the same time that Quintana Capital or a related person buys or sells the same securities for Quintana Capital's own (or the related person's own) account, as well as related conflicts of interest, please see "Conflicts of Interest" below.

Conflicts of Interest

Participation or Interest in Client Transactions

Quintana Capital Group, its affiliates, and its personnel engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds or accounts, and providing investment-advisory and other services to funds and operating companies.

In the ordinary course of conducting its activities, the interests of a Quintana Vehicle may conflict with the interests of Quintana Capital Group, its employees, other Quintana Vehicles, or their respective affiliates. Some of these conflicts of interest, as well a description of how Quintana Capital Group addresses those conflicts of interest, are described below.

Investment in the Quintana Vehicles

Quintana Capital Group, its affiliates, and its employees may invest in Quintana Vehicles, either through their general partners, as limited partners, or otherwise. A Quintana Vehicle may, in its discretion, reduce all or a portion of the management fee and performance allocation related to investments held by these related parties.

Conflicts Associated with Allocation of Investment Opportunities

Quintana Capital Group and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of various investment funds and the provision of investment advisory and other services to funds and operating companies. In connection with its investment activities, Quintana Capital Group may encounter situations in which it must determine how to allocate investment opportunities among various Quintana Vehicles and other persons, which may include, but are not limited to, the following:

- The Quintana Vehicles;
- Any parallel investment entities that have been formed to invest side by side with one or more Quintana Funds, which may include parallel investment entities formed to facilitate investments by certain foreign or tax-exempt persons or business associates and other "friends and family" of Quintana Capital Group or its personnel;
- Any alternative investment vehicles that have been formed to address, for example, specific tax, legal, business, accounting or regulatory-related matters that may arise in connection with a transaction or transactions;
- Any Co-Investment Vehicles that have been formed to invest side by side with one or more Quintana Funds in particular transactions entered into by the Quintana Funds (the investors in such Co-Investment Vehicles may include individuals and entities that are also investors in one or more Quintana Funds (collectively, "Quintana Investors") or individuals and entities that are not investors in any Quintana Funds (collectively, "Third Parties"));
- Quintana Investors or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side by side with one or more Quintana Vehicles in particular transactions entered into by such Quintana Vehicles;

- Quintana Investors or Third Parties acting as “co-sponsors” with Quintana Capital Group with respect to a particular transaction; and
- Quintana Capital Group’s affiliates (“Related Persons”).

General Allocation of Investment Opportunities

Subject to Quintana Capital Group’s fiduciary duties and applicable law, as well as any relevant restrictions or other limitations contained in the offering and organizational documents for the Quintana Vehicles or side letters relating to those vehicles (the terms of which are typically negotiated in advance with certain prospective investors in the Quintana Vehicles), Quintana Capital Group will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Quintana Capital Group may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Quintana Vehicles with differing fee, expense and compensation structures, Quintana Capital Group may have an incentive to allocate investment opportunities to the Quintana Funds or other vehicles from which Quintana Capital Group or its Related Persons may derive, directly or indirectly, a higher fee, compensation or other benefit. Other Quintana Vehicles may invest in assets eligible for purchase by a Quintana Vehicle. In addition, principal executive officers and other personnel of Quintana Capital Group are in some circumstances permitted to invest directly in Quintana Vehicles and will participate indirectly in investments made by Quintana Vehicles in which they invest, pro rata, in accordance with their respective capital accounts. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Quintana Vehicle.

In addition, the appropriate allocation among the Quintana Vehicles or other accounts or persons of expenses and fees generated in the course of evaluating and making investments often may not be clear (for example, if two or more Quintana Vehicles considered making an investment that was not consummated). When Quintana Capital Group incurs expenses related to Quintana Vehicles, it will typically allocate such expenses among all funds eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Quintana Capital Group (or its Related Persons, as applicable) using its best judgment, considering such factors as it deems relevant, but in its sole discretion. The allocations of such expenses may not, and often will not, be proportional.

In resolving conflicts, Quintana Capital Group may consider various factors, including the interests of the applicable Quintana Vehicles with respect to the immediate issue or with respect to their longer term courses of dealing. In the case of all conflicts involving the Quintana Vehicles or other accounts or persons, Quintana Capital Group’s determination as to which factors are relevant, and the resolution of such conflicts, will be made in Quintana Capital Group’s sole discretion. Please see “Resolution of Conflicts” below for a description of the means by which Quintana Capital Group and its Related Persons may seek to alleviate conflicts of interest among the Quintana Vehicles or other accounts or persons.

In exercising its discretion to decide how to allocate investment opportunities among each Quintana Vehicle, Quintana Capital Group may consider some or all of a wide range of factors, which may include the following:

- The Quintana Vehicle’s investment objectives and investment focus;
- The Quintana Vehicle’s liquidity and reserves;
- The Quintana Vehicle’s portfolio diversification;
- Transaction sourcing;

- The Quintana Vehicle's targeted rate of return;
- The stage of development of the prospective portfolio company or other investment;
- The availability of other suitable investments for the Quintana Vehicle;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- Sector allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable offering and organizational documents.

In addition, in exercising its discretion to decide how to allocate investment opportunities among the Quintana Vehicles and related vehicles and other persons (such as Quintana Investors, Third Parties, and Related Persons), Quintana Capital Group may consider some or all of a wide range of factors, which may include the following:

- Quintana Capital Group's evaluation of the size and financial resources of the other person and Quintana Capital Group's perception of the ability of that person (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Quintana Vehicles without harming or otherwise prejudicing such Quintana Vehicles, in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- Any confidentiality concerns Quintana Capital Group may have that may arise in connection with providing the other person with specific information relating to the investment opportunity in order to permit such person to evaluate the investment opportunity;
- Quintana Capital Group's perception of its past experiences and relationships with the other person, such as the willingness or ability of the other person to respond promptly or affirmatively to potential investment opportunities previously offered by Quintana Capital Group;
- Quintana Capital Group's perception of whether the investment opportunity may subject the other person to legal, regulatory, reporting, public relations, media or other burdens that make it less likely that the other person would act upon the investment opportunity if offered;
- Quintana Capital Group's evaluation of whether the profile or characteristics of the other person may have an effect on the viability or terms of the proposed investment opportunity and the ability of the Quintana Funds to take advantage of such opportunity (for example, if the other person is involved in the same industry as a target company in which a Quintana Fund wishes to invest, or if the identity of the other person, or the jurisdiction in which the other person is based, may affect the likelihood of a Quintana Fund being able to capitalize on a potential investment opportunity); and
- Whether Quintana Capital Group believes, in its sole discretion, that allocating investment opportunities to a person will help establish, recognize, strengthen, or cultivate relationships that may provide indirectly longer-term benefits to the Quintana Vehicles or Quintana Capital Group.

Quintana Capital Group's exercise of its discretion in allocating investment opportunities among the persons and in the manner discussed above may not, and often will not, result in proportional

allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While Quintana Capital Group will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Quintana Vehicle's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which Quintana Capital Group may be subject, discussed herein, did not exist.

In certain cases, Quintana Capital Group may cause a Quintana Vehicle to purchase investments from another Quintana Vehicle or a Related Person, or it may cause a Quintana Vehicle to sell investments to another Quintana Vehicle or a Related Person. In connection with such transactions, Quintana Capital Group, the Related Persons, or their professionals (i) may have significant investments or intentions to invest in the Quintana Vehicle or a Related Fund that is selling or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the underlying investment). Quintana Capital Group and the Related Persons may receive management or other fees in connection with their management of the relevant Quintana Vehicles involved in such a transaction or in connection with the transaction itself, and may also be entitled to share in the investment profits of the relevant Quintana Vehicles. Quintana Capital Group and the Related Persons may be presented with certain conflicts of interest in effecting these transactions, certain of which conflicts are described in further detail below. To address these conflicts of interest, Quintana Capital Group will cause a Quintana Vehicle to engage in such transactions only if it determines that the terms and conditions of such transaction are substantially as advantageous to such Quintana Vehicle as the terms it would obtain in a comparable arm's-length transaction with a third party.

Conflicts may arise when a Quintana Vehicle makes investments in conjunction with an investment being made by other Quintana Vehicles, or in a company in which another Quintana Vehicle or a Related Fund has already made an investment. Investment opportunities may be appropriate for one or more Quintana Vehicles at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may also arise in determining the terms of investments, especially when Quintana Capital Group or Related Persons control the structure of a transaction and its capitalization. There can be no assurance that the return on a Quintana Vehicle's investments will not be less than the returns obtained by other Quintana Vehicles or Related Persons participating in a given transaction.

Employees and Related Persons of Quintana Capital Group have made or may make capital investments in or alongside certain Quintana Vehicles, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments. Employees and Related Persons may also invest in a transaction that the Quintana Funds have reviewed and determined not to invest in. In some cases, the Quintana Funds will have incurred expenses in their review of the transaction, and conflicts may arise when determining whether those expenses should be expenses of the Quintana Funds or reimbursed by the Employee or Related Person making the investment.

Quintana Capital Group will determine all matters relating to structuring transactions and capitalizing portfolio companies, including the amount and terms of securities and allocation of securities among a Quintana Vehicle and the involved Related Persons, using its best judgment considering all factors it deems relevant, but in its sole discretion. The allocation of securities as among Quintana Vehicles and as between Quintana Funds and other Quintana Vehicles and Related Persons may be affected by a fund's stage in its lifecycle. For example, a newly organized fund may seek to purchase a disproportionate amount of investments until it is substantially invested.

From time to time, Quintana Capital Group or a Related Person may come into possession of material, nonpublic information, and such information may limit the ability of a Quintana Vehicle to buy and sell investments. In addition, Quintana Capital Group may be restricted by contract from using confidential information that it, or a Related Person, has for the benefit of a Quintana Vehicle.

Conflicts Relating to Existing Investments

Further conflicts may arise once a Quintana Vehicle has made an investment in a company in which another Quintana Vehicle or a Related Person has also invested. For example, questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, raise conflicts of interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Quintana Vehicles or Related Persons may or may not provide such additional capital, and if provided, each Quintana Vehicle and each Related Person will supply such additional capital in such amounts, if any, as determined by Quintana Capital Group and the other relevant Related Persons in their sole discretion. Quintana Capital Group and each other Related Person will resolve all such conflicts using their best judgment but in their sole discretion, subject in certain cases to approval by the advisory committees of the participating investment funds.

Investments to finance follow-on acquisitions are a regular part of the business of the Quintana Vehicles and certain Related Persons. Follow-on investments may present conflicts of interest, including determination of the equity component and other terms of the new financing. In addition, a Quintana Vehicle may participate in releveraging and recapitalization transactions involving portfolio companies in which other Quintana Vehicles or Related Persons have invested or will invest. Recapitalization transactions may present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. Quintana Capital Group and each other Related Person will resolve all such conflicts using their best judgment but in their sole discretion, subject in certain cases to approval by the respective advisory committees of the participating investment funds.

Quintana Vehicles or the Related Persons may in many cases own a significant or controlling percentage of the common equity of portfolio companies which, depending upon the amount of equity owned by them, any relevant contractual arrangements between such portfolio company and the participating funds, and other relevant factual circumstances, could result in an extension to one year of the ninety-day bankruptcy preference period with respect to payments made to a Quintana Vehicle or subordination of its claims to other creditors or recharacterization of debt claims into equity claims. In addition, because of their equity ownership, representation on the boards of directors or contractual rights, the Quintana Vehicles and the Related Persons may be deemed to control, participate in the management of or influence the conduct of portfolio companies. The effect of these relationships will vary from jurisdiction to jurisdiction. These factors could expose the assets of a Quintana Vehicle to claims by a portfolio company, its security holders, its creditors or governmental agencies.

If a Quintana Vehicle purchases in the secondary market at a discount debt securities of a company in which a Quintana Vehicle has, for example, a substantial equity interest, (a) a court might require a Quintana Vehicle to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Quintana Vehicle

might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

All or a substantial portion of a Quintana Vehicle's investments may consist of securities that are subject to restrictions on resale by a Quintana Vehicle because they were acquired in a "private placement" transaction or because a Quintana Vehicle is deemed to be an affiliate of the issuer of such securities. Generally, a Quintana Vehicle will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, a Quintana Vehicle may be deemed an "underwriter," or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act.

A Quintana Vehicle may directly or indirectly control or be under common control with issuers of securities held by a Quintana Vehicle that were issued under an indenture qualified under the Trust Indenture Act of 1939, especially when another Quintana Vehicle or a Related Person is deemed to control the issuer of the securities. In such cases, the securities held by a Quintana Vehicle would be required by the Trust Indenture Act to be disregarded for the purposes of determining whether the holders of the required principal amount of such issuer's securities have concurred in certain directions or consents.

Conflicts Relating to the General Partners, Quintana Capital Group and Certain Related Persons

Quintana Capital Group generally may, in its discretion, contract with any Related Person of Quintana Capital Group (including a portfolio company of a Quintana Vehicle) to perform services for Quintana Capital Group in connection with its provision of services to the Quintana Vehicles. When engaging a Related Person to provide such services, Quintana Capital Group may have an incentive to recommend the Related Person even if another person may be more qualified to provide the applicable services or can provide such services at a lesser cost.

Quintana Capital Group generally may, in its discretion, recommend to a Quintana Vehicle or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) a Related Person or (ii) an entity with which Quintana Capital Group or a member of its personnel has a relationship or from which Quintana Capital Group or a member of its personnel otherwise derives financial or other benefit. When making such a recommendation, Quintana Capital Group may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services or can provide such services at a lesser cost.

It is expected that most or all of the officers and employees responsible for managing a Quintana Vehicle will have responsibilities with respect to other funds or accounts managed by Quintana Capital, including funds and accounts that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

The general partners of many Quintana Vehicles are entitled to performance allocations under the terms of the limited partnership agreements of such Quintana Vehicles. Such general partners are affiliates of Quintana Capital Group. The existence of the general partners' performance allocations may create an incentive for the general partners to cause such Quintana Vehicles to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

The Quintana Vehicles may have tax-exempt, taxable, foreign and other investors, whereas most members of the general partners of the Quintana Vehicles are taxable at individual U.S. rates. Potential conflicts exist with respect to various structuring, investment and other decisions because of

divergent tax, economic or other interests, including conflicts among the interests of taxable and tax-exempt investors, conflicts among the interests of domestic and foreign investors, and conflicts between the interests of investors and management. For these reasons, among others, decisions may be more beneficial for one investor than for another investor, particularly with respect to investors' individual tax situations.

A Quintana Vehicle may, from time to time, make co-investments with a Related Person in transactions sourced by the Related Person, or vice versa. Limited partners in a Quintana Fund may also make co-investments with the Quintana Funds in portfolio companies, as may personnel of Quintana Capital Group and the Related Persons. For further information, see "Co-Investment Opportunities" and "Allocations to Related Persons" below.

Co-Investment Opportunities

For each such Quintana Vehicle or other person discussed above, subject to applicable legal, contractual or similar restrictions, Quintana Capital Group generally may decide, in its sole discretion, how to allocate investment opportunities. Subject to any restrictions contained in the offering or organizational documents of the relevant Quintana Vehicle or any side-letter or other terms negotiated with respect to such Quintana Vehicle, in general, (i) no Quintana Investor has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Quintana Capital Group or its Related Persons, (iii) co-investment opportunities may, and typically will, be offered to some and not other Quintana Investors, in the sole discretion of Quintana Capital Group or its related persons, and (iv) certain persons other than Quintana Investors (e.g., Third Parties) may be offered co-investment opportunities, in the sole discretion of Quintana Capital Group or its related persons.

Allocations to Related Persons

Quintana Capital Group's employees and affiliates (the "Related Persons") are the primary source of investment opportunities that are recommended to the Quintana Vehicles. Conflicts may arise when the Related Persons seek to invest personally in an opportunity or wish to recommend that opportunity to a third party.

As discussed in "*Item 10. Other Financial Industry Activities and Affiliations*," some of the Related Persons are affiliated with other pooled investment vehicles or otherwise owe duties to entities other than Quintana Capital Group. Additionally, potential conflicts of interest may arise from Donald L. Evans' role as Chairman of the Board of Directors of Energy Future Holdings Corp. ("EFH"), an energy holding company with interests in power generation, electric transmission and electric distribution utilities, and as an advisor to Energy Capital Partners I, L.P. ("ECP"), a private investment fund which is not affiliated with the Quintana Funds. Secretary Evans' activity with respect to ECP is focused on power generation, electric transmission and electric and natural gas distribution utilities. Secretary Evans is required to present to EFH any business opportunities within its lines of business that are presented to him in his capacity as Chairman of the Board of EFH. For opportunities within the investment focus of ECP, if Secretary Evans is the source of the opportunity, he must present it to both ECP and the Quintana Funds. Unless he is the source of an opportunity, Secretary Evans is not required to present to the Quintana Funds any opportunities that he becomes aware of solely in his capacity as an advisor to ECP, nor is he required to present to ECP opportunities that he becomes aware of solely in his capacity as a Principal of Quintana Capital Group.

Finally, Quintana Capital Group or a Related Person may source investment opportunities with the expectation that that Related Person or a third party invest in that opportunity. Generally, these

opportunities are first offered to Quintana Capital Group, which determines whether to recommend an investment in the opportunity by a Quintana Vehicle. If a Related Person has an interest in that opportunity and is a member of one of Quintana Capital Group's investment committees, he would abstain from the determination of whether the opportunity is recommended to a Quintana Vehicle. Quintana Capital Group's investment review process involves a substantial number of persons, which Quintana Capital Group believes mitigates the ability of any person to control an investment decision in such case.

Quintana Capital Group's Code of Ethics would require these Related Persons to disclose periodically ownership interests in the situations discussed above, and co-investment is generally subject to preclearance in accordance with Quintana Capital Group's Code of Ethics. For further information regarding the resolution of conflicts, read "Resolution of Conflicts" below.

Principal Transactions

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. The Advisers Act generally requires that, when an investment adviser or an affiliate thereof proposes to purchase a security from, or to sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction.

In connection with Quintana Capital Group's management of the Quintana Vehicles, Quintana Capital Group or the Quintana Vehicles may, in certain circumstances, engage in principal transactions. Quintana Capital Group has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that the requisite disclosures be made to the applicable Quintana Vehicle regarding any proposed principal transactions and the Quintana Vehicle's prior consent to the transaction be received. In addition, the offering documents, limited partnership agreements and related documents relating to the Quintana Vehicles may contain additional restrictions on the ability of the Quintana Vehicles or Quintana Capital Group to engage in principal transactions.

In the past, Related Persons have made investments prior to the closing of a Quintana Fund with the intention of transferring that investment to a Quintana Vehicle upon closing, which is referred to as "warehousing." In all cases, these warehoused investments have been transferred to the applicable Quintana Vehicle at the Related Person's cost plus a carrying cost.

Other Potential Conflicts

Quintana Vehicles and the Related Persons will often engage common legal counsel and other advisers to represent all of the Quintana Vehicles or Related Persons in a particular transaction, including a transaction in which a Quintana Vehicle, other Quintana Vehicles or Related Persons have conflicting interests because they are investing in different securities of a single portfolio company. In the event of a significant dispute or divergence of interest between a Quintana Vehicle, other Quintana Vehicles or Related Persons, such as in a work-out or other distressed situation, separate representation may become desirable, in which case Quintana Capital Group and the other Related Persons may hire separate counsel in their sole discretion, and in litigation and other circumstances, separate representation may be required. Law firms engaged to represent Quintana Vehicles and Related Persons, partners in those firms or entities affiliated with those firms may be investors in such Quintana Vehicle, other Quintana Vehicles or Related Persons, and may also represent one or more portfolio companies or limited partners of such Quintana Vehicle, other Quintana Vehicles, or Related Person.

Certain members of a Quintana Fund's advisory committee may be, officers or directors of, or otherwise affiliated with, limited partners of a Quintana Vehicle or one or more other Quintana Vehicles or Related Person. The general partner of a Quintana Vehicle or a Related Person may from time to time utilize the services of limited partners and their affiliates on an arm's length basis, as it deems appropriate.

Quintana Capital Group may, in its discretion, have, and may, in its discretion, cause the Quintana Vehicles or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of Quintana Capital Group. The Quintana Vehicles or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between Quintana Capital Group and the Quintana Vehicles (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that Quintana Capital Group may favor the engagement or continued engagement of such persons even if a better price or quality of service could be obtained from another person.

Given the collaborative nature of Quintana Capital Group's business and the portfolio companies in which the Quintana Vehicles have invested, there are often situations in which Quintana Capital Group is in the position of recommending portfolio company services to other portfolio companies. Quintana Capital Group may have a conflict of interest in making such recommendations, in that Quintana Capital Group has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Quintana Vehicles, while the products or services recommended may not be necessarily be the best available to the portfolio companies held by the Quintana Vehicles or the most favorably priced.

Quintana Capital Group has service providers, including for example, investment bankers, outside legal counsel and pension consultants, who are investors in Quintana Vehicles or who provide services to businesses that are competitors of Quintana Capital Group. Quintana Capital Group may have a conflict of interest with the Quintana Vehicles in recommending the retention or continuation of a service provider if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Quintana Vehicles or will provide Quintana Capital Group information about Quintana Capital Group's competitors. There is a possibility that Quintana Capital Group, because of such belief or for other reasons, may favor such retention or continuation even if a better price or quality of service could be obtained from another person.

Quintana Capital Group may have an incentive to recommend the products or services of certain investors in the Quintana Vehicles or their related businesses to the Quintana Vehicles or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Quintana Vehicles or the portfolio companies.

Resolution of Conflicts

Quintana Capital Group will deal with all conflicts of interest using its best judgment, but in its sole discretion.

When conflicts arise between a Quintana Vehicle and a Related Person, Quintana Capital Group will represent the interests of such Quintana Vehicle, and the applicable Related Person will represent his interests and will not take part in the resolution of the conflict on behalf of Quintana Capital Group. In resolving conflicts, Quintana Capital Group and the other Related Persons may consider various factors, including the interests of the funds and accounts they advise in the context of both the

immediate issue at hand and the longer term course of dealing among such Quintana Vehicle and the Related Person.

When conflicts arise between a Quintana Vehicle and another Quintana Vehicle, Quintana Capital Group will resolve the conflict. In doing so, it may consider various factors, including the interests of such Quintana Vehicle and the other Quintana Vehicle with respect to the immediate issue and/or with respect to the longer term course of dealing among the funds. In the case of all conflicts involving a Quintana Vehicle, Quintana Capital Group's determination as to which factors are relevant, and the resolution of such conflicts, will be made in Quintana Capital Group's sole discretion.

The following factors may alleviate, but will not eliminate, conflicts of interest among Quintana Vehicles and Related Persons:

- A Quintana Vehicle will not make any investment unless Quintana Capital Group and the Quintana Vehicle's general partner believe that such investment is an appropriate investment considered solely from the viewpoint of such Quintana Vehicle;
- Many important conflicts of interest will be resolved pursuant to set procedures, restrictions or other provisions contained in the relevant offering or organizational documents for the Quintana Vehicles;
- With respect to Quintana Funds, the advisory committees for a Quintana Fund, whose members are not affiliated with the general partner of such fund, play an important role in resolving conflicts of interest by approving or disapproving decisions that involve certain conflicts of interest referred to it by such fund's general partner in accordance with the relevant offering or organizational documents for the Quintana Fund; and
- When Quintana Capital Group deems appropriate, in its sole discretion, unaffiliated third parties may be used to help resolve conflicts. In addition, the willingness of a third party to make an investment on the same or similar terms as a Quintana Vehicle may demonstrate the fairness of the transaction to such Quintana Vehicle.

ITEM 12. BROKERAGE PRACTICES

Investment or Brokerage Discretion

For each of the Quintana Vehicles, Quintana Capital Group has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. Quintana Capital Group will seek the best price and execution available except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services. "Best execution" means obtaining for a Quintana Vehicle the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), subject to the circumstances of the transaction and the quality and reliability of the executing broker or dealer.

In selecting brokers or dealers, Quintana Capital Group will consider various factors, including: the reputation, experience and financial stability of the broker-dealer; the ability to maintain Quintana Capital Group's anonymity; the ability to provide competitive pricing; the size and timing of the transaction; the ability and willingness to commit capital and provide prompt and accurate execution and settlement; whether the broker-dealer makes a market in a security and/or finds sources of liquidity; the nature of the market for the security and the difficulty of execution; the broker-dealer's trading expertise, including its ability to minimize total trading costs and to trade without unduly impacting the market; the belief that the broker-dealer charges a fair and reasonable fee for each trade, and that the Quintana Vehicles have been treated fairly and honestly in prior trades; and the quality of

execution, quality of the broker-dealer relationship, quality of service rendered by the broker-dealer in prior transactions, and quality of any proprietary research and investment ideas.

Quintana Capital Group has no formal arrangements with specific brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from client transactions (so called "soft dollar" arrangements). However, brokers or dealers may be selected who provide research reports and services to Quintana Capital Group, including: proprietary broker-dealer company research and analyses; oral and written reports, statistics and advice about the economy, industries and individual securities' or company investment opportunities; and reports on underwriting activity, bank rates, loan defaults, loan new issuance volumes and other capital markets statistics, both of which may be attractive for one or more Quintana Vehicles or to Quintana Capital Group; and opportunities to confer with company management. In accordance with Section 28(e) of the Securities Exchange Act of 1934, broker-dealers providing such services may be paid commissions on transactions for Quintana Vehicles in excess of those that other broker-dealers not providing such services might charge so long as Quintana Capital Group determines in good faith the amount of commissions is reasonable in relation to the value of the brokerage and research services provided, taking into account all of the accounts over which Quintana Capital Group exercises investment discretion. Recognizing the value of the brokerage and research services provided, Quintana Capital Group may allow a brokerage commission or negotiated term in excess of that which another broker might have charged for effecting the same transaction. The soft dollar benefits that Quintana Capital Group receives are used to service all of its clients, not just the Quintana Vehicle that paid for such soft dollar benefits. Quintana Capital Group does not attempt to allocate soft dollar benefits to the Quintana Vehicles proportionately to the soft dollar credits each Quintana Vehicle generates. Quintana Capital Group receives a benefit when it uses brokerage commissions relating to trades for Quintana Vehicles to obtain research or other reports or services from brokers or dealers because Quintana Capital Group does not have to pay for the research, reports or services. This could provide an incentive for Quintana Capital Group to select or recommend a broker-dealer based on its interest in receiving the research or other products or services provided by such broker-dealer, rather than on the Quintana Vehicles' interest in receiving most favorable execution.

Quintana Capital Group will periodically evaluate the overall reasonableness of the brokerage commissions and negotiated terms paid to or made with broker-dealers with respect to client transactions by, among other things, seeking to compare such commissions and terms with the commission rates and negotiated terms being charged by and entered into with other comparable broker-dealers. Quintana Capital Group will also periodically review the past performance of the broker-dealers with whom it has placed orders to execute Quintana Vehicle transactions in light of the factors discussed above.

Trade Aggregation

Quintana Capital Group may cause the Quintana Vehicles to purchase and sell publicly traded securities through brokers. If Quintana Capital Group has determined to sell or purchase a publicly traded security at the same time for more than one Quintana Vehicle, Quintana Capital Group will generally place combined orders for all Quintana Vehicles while assigning pre-order allocations. If an order for more than one Quintana Vehicle cannot be fully executed, Quintana Capital Group will allocate the investments on a fair and reasonable basis. Quintana Capital Group generally aggregates trade orders so that each participating Quintana Vehicle will receive the average price for the transaction.

Because Quintana Capital Group renders advice to pooled investment vehicles, and investments are made on a negotiated basis, opportunities for trade aggregation are rare with respect to different

Quintana Vehicles. Ultimately, the Quintana Vehicles can benefit when Quintana Capital Group aggregates trades because Quintana Capital Group is able to obtain volume discounts on execution costs. On the other hand, situations may occur where one Quintana Vehicle could be disadvantaged because:

- the average price received for an aggregate order may be worse than what such Quintana Vehicle would have received had it traded a smaller quantity of shares on its own, or
- the investment activities Quintana Capital Group conducts for other Quintana Vehicles may result in, among other things, multiple clients needing to dispose of commonly held securities or other common investment positions at the same time.

When Quintana Capital Group does not aggregate trades, the Quintana Vehicles pay higher execution costs than they would had Quintana Capital Group aggregated the trades.

ITEM 13. REVIEW OF ACCOUNTS

Review of Accounts

The investment portfolios of the Quintana Funds are generally private, illiquid and long-term in nature; accordingly, Quintana Capital Group's review of them is not directed toward a short-term decision to dispose of securities. However, Quintana Capital Group closely monitors the portfolio companies of the Quintana Funds and generally maintains an ongoing oversight position in such portfolio companies.

Quintana Capital Group holds weekly meetings to review the portfolio companies held by the Quintana Funds. In addition, Quintana Capital Group's investment professionals meet quarterly to conduct more in-depth reviews of each Quintana Fund's portfolio investments. These reviews focus on operations, financial performance, and the strategic direction of each portfolio investment of the Quintana Funds. Quintana Capital Group also holds an annual meeting for the Quintana Funds, to which limited partners of the active Quintana Funds are invited. At the annual meeting, Quintana Capital Group and portfolio-company management update the limited partners on the status of the funds' material investments.

Reporting

Quintana Capital Group generally does not provide formal written reports to any Quintana Vehicle unless specifically requested by the general partner of the vehicle.

Investors in the Quintana Funds receive written financial information in connection with their investment. On an annual basis, investors receive a copy of the audited financial statements of the applicable Quintana Fund, which include a balance sheet of the applicable Quintana Fund, a statement of the net income or net loss of such Quintana Fund for the prior year, a statement of changes in financial position or a cash flow statement of such Quintana Fund, a supplemental statement of such investor's capital account, and for certain Quintana Funds a statement showing the balance of the holdback account and a hypothetical calculation of the general partner giveback as of such date. Investors in the Quintana Funds also receive quarterly unaudited financial statements and a statement of such investor's capital account and changes for such quarter. On an annual basis, each investor will also receive information necessary for income tax reporting.

In addition to the information provided to all investors in a Quintana Fund, Quintana Capital Group may arrange to provide certain investors additional information or more frequent reports that other investors do not receive.

In addition, Quintana Capital Group may adjust the information provided or disclosed to an investor, in the general partner's discretion, so that any financial information, valuation, or other confidential information relating to the Quintana Fund's current, past, or prospective portfolio companies is not disclosed to any investor that is directly or indirectly subject to Section 552(a) of Title 5, United States Code (the "Freedom of Information Act") or similar public disclosure law under federal, state, or local law.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Quintana Capital Group may, at times, receive an economic benefit from non-clients for providing advisory services to its client funds. For example, when Quintana Capital Group conducts certain private equity-related transactions on behalf of the Quintana Vehicles, it might receive fees from portfolio companies in which the Quintana Vehicles are invested. From these relationships, Quintana Capital Group may receive:

- transaction fees (e.g., advisory fees Quintana Capital Group charged to any portfolio company and organizational or success fees Quintana Capital Group received in connection with any fund investment),
- monitoring fees,
- investment banking, underwriting, and/or syndication fees,
- break-up fees, and/or
- directors' fees (including in-kind compensation).

In most cases, these fees are offset against management fees payable by the applicable Quintana Vehicle and its investors. The limited partnership agreements of each Quintana Vehicle set out the terms of these arrangements, which may vary between Quintana Vehicles. See "*Item 5. Fees and Compensation.*"

Quintana Capital Group does not have any placement or "finders" arrangements for referrals of client funds. However, our affiliates have entered into placement or "finders" arrangements for soliciting investors in the Quintana Funds. The Quintana Funds disclose in their offering documents that they may enter into these arrangements. In addition, the Quintana Funds generally require investors to acknowledge any fee payments relating to solicitation arrangements.

For additional information regarding any economic benefits provided to Quintana Capital Group by non-clients, including a description of related conflicts of interest, please see "*Item 10. Other Financial Industry Activities and Affiliations*" above. In addition, Quintana Capital Group and its related persons may, in certain instances, receive discounts on products and services provided by portfolio companies held by Quintana Vehicles.

ITEM 15. CUSTODY

Due to Quintana Capital Group's access to client funds and authority to deduct fees and other expenses from a client's account and services by our affiliates as general partners of the Quintana Funds, Quintana Capital Group is deemed under Rule 206(4)-2 of the Advisers Act, as amended, to have custody of its clients' funds.

Quintana Capital Group utilizes the services of a bank or other qualified custodian (as defined under Rule 206(4)-2) to hold all assets of our clients. Quintana Capital Group also ensures that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities, under our name as agent or trustee for the clients.

Quintana Capital Group also maintains custody of uncertificated securities acquired directly from the issuers in private placements and deposits other funds and securities with its qualified custodian. Quintana Capital Group gives our clients notice in writing of the name and address of the qualified custodian(s) used and the manner in which the assets are maintained, promptly upon the opening of the account and after any change in the information.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, Quintana Capital Group is not subject to this requirement because all private equity funds managed by us are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In these cases, Quintana Capital Group distributes audited financial statements to all limited partners of the Quintana Funds within 120 days of the end of the fiscal year of the fund.

ITEM 16. INVESTMENT DISCRETION

Under the management agreement of each Quintana Fund, and subject to the direction and control of the general partner of such Quintana Fund, Quintana Capital Group has discretionary authority to manage the securities accounts on behalf of the Quintana Funds and in so doing it performs the day-to-day investment operations of each Quintana Fund in accordance with the terms and conditions of the management agreement and partnership agreement of such Quintana Fund.

Co-Investment Vehicles are occasionally established to invest alongside one or more Quintana Funds in one or more particular investment opportunities. Because each Co-Investment Vehicle generally is contractually required, as a condition of its investment, to exit its investment in the particular investment opportunity at the same time and on the same terms as the applicable Quintana Fund that also is invested in the particular investment opportunity, Quintana Capital Group generally has no discretion to invest the assets of a Co-Investment Vehicle independent of such contractual requirements.

ITEM 17. VOTING CLIENT SECURITIES

Quintana Capital Group has implemented proxy voting policies and procedures in accordance with securities laws and its fiduciary obligations to its clients. Quintana Capital Group strives to vote securities held by the Quintana Funds in a manner consistent with each Quintana Fund's best interests.

Quintana Capital Group votes proxies in accordance with its written policies and related procedures and guidelines. From time to time, Quintana Capital Group may determine its in the best interests of the Quintana Funds to depart from these specific policies. Quintana Capital Group considers multiple factors when determining whether to vote one way or other, which encompass an analysis of both the short- and long-term effects that may affect the Fund. Specifically, Quintana Capital Group will generally cast proxy votes against proposals that will have a dilutive effect on the value of the underlying security or that would make it more difficult to replace members of the issuer's board of directors.

Quintana Capital Group generally expects to vote proxies in accordance with the recommendation of company management for routine matters that do not measurably change the structure, management, control or operation of the company or its employee or management

compensation policies, and that are consistent with customary industry standards and practices, as well as applicable law. Examples of routine matters include uncontested elections for directors, selection of auditors, and increases in common stock. Any matter that would fundamentally alter a portfolio company's organization, its governance, tax status, compensation structure, or similar matter is deemed to be a non-routine matter. Non-routine matters are generally of such significance that the Funds will vote the shares they hold.

In addition, Quintana Capital Group will vote against a proposal or recommendation of management if it determines that such a vote is in the best interest of the Quintana Fund.

Prior to voting, Quintana Capital Group will determine whether an actual or potential conflict of interest with Quintana Capital Group or any other interested person exists in connection with the proposal(s). If an actual or potential conflict of interest is found to exist, the advisory committee for the Quintana Fund will review the vote recommendation of Quintana Capital Group to confirm that its vote recommendation is in the best interest of the applicable Quintana Fund under the circumstances and the advisory committee shall determine whether and how to vote the proxies.

It is always possible that, after appropriate analysis, Quintana Capital Group may decide that declining to cast a vote at all is in the best interest of the applicable Quintana Fund.

A copy of the proxy voting policy and procedures is provided to each Quintana Fund and delivered to each investor upon investment in a Quintana Fund. A copy is also available upon request. We provide information regarding any proxies actually voted by us on behalf of a Quintana Fund to such Quintana Fund and any investor in such Quintana Fund upon the request of such Quintana Fund or the investor.

In accordance with the requirements of the Advisers Act, Quintana Capital Group will maintain records of its proxy voting, if any, for at least five years and, at a Quintana Vehicle's request, will furnish proxy voting information to the requesting Quintana Vehicle. Quintana Vehicles may request proxy voting information by contacting the Chief Compliance Officer at (713) 751-7500 or by writing to QEP Management Co., L.P., Attn: Chief Compliance Officer, at 601 Jefferson St., Suite 3600, Houston, Texas 77002.

ITEM 18. FINANCIAL INFORMATION

Not applicable.