

## **Form ADV Part 2A: Firm Brochure**

# **First Reserve Momentum (US) LLC**

March 25, 2015

### **Principal Office**

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This brochure provides information about the qualifications and business practices of First Reserve Momentum (US) LLC (the “Registrant”) and its affiliated relying advisers. If you have any questions about the contents of this brochure, please contact us at +44 (0) 20 3023 3857. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Momentum (as defined below) is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Additional information about the Registrant is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

**Item 2: Material Changes**

This brochure contains information about the Registrant and its affiliated relying advisers upon its initial registration as an investment adviser with the SEC. There are no material changes to report since the last update of this filing in September 2014.

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## Item 4: Advisory Business

The Registrant, a wholly-owned subsidiary of First Reserve Momentum LLP (“Momentum UK”), provides, in conjunction with Momentum UK, advisory services to First Reserve Momentum GP Ltd (the “General Partner” and together with the Registrant and Momentum UK, “Momentum”) in respect of First Reserve Momentum L.P. (the “Client”). The General Partner is general partner of the Client and ultimately responsible for the management and conduct of the activities of the Client.

The Client is a private investment vehicle that makes early stage growth investments in services and infrastructure assets in key energy sub-sectors, notably equipment and services companies on a global basis with a focus on Europe and North America.

The General Partner may establish alternative investment partnerships, parallel funds or other investment vehicles to address tax, regulatory or other concerns of certain limited partners. In addition, if the General Partner elects to make co-investment opportunities available to investors, the General Partner may establish a co-investment vehicle to facilitate such co-investments, the terms of which may differ from those applicable to the Client.

The Registrant was formed in August 2014 as a Delaware limited liability company. Momentum UK was formed in the United Kingdom in 2013 as a limited liability partnership, registration number: OC382192, and is primarily owned by First Reserve Momentum Corporate Limited (“Momentum Corp”). Momentum Corp is a company wholly owned by the Client.

As noted above, the general partner of the Client is the General Partner. The Client’s limited partners are the Management Interest Entity (as defined below), Energy Growth Investors (Guernsey) L.P. (the “EGI Investor”) and FR Energy Growth Capital Investor L.P. (the “FR Investor”).

The FR Investor, and its general partner, FR Energy Growth Capital Investor GP Ltd., are both vehicles owned by FR XII Bravo AIV, L.P. and FR XII-A Bravo AIV, L.P. (together, the “FR Bravo AIVs”). The FR Bravo AIVs are alternative investment vehicles of First Reserve Fund XII, L.P. (“FR XII”), a private equity fund managed by First Reserve XII Advisors, L.L.C. (“FR XII Advisors”), and as such, the Client is indirectly, a portfolio company of FR XII.

As of December 31, 2015 Momentum had a total of \$200,994,925.00 in regulatory assets under management on a discretionary basis.<sup>1</sup>

## Item 5: Fees and Compensation

As agreed between Momentum UK and the General Partner, Momentum UK is entitled to be paid by the General Partner an annual fee as may be agreed from time to time between the General Partner and Momentum UK, subject to an annual minimum fee equal to 2.0% of the aggregate unfunded commitment amounts or, on and after June 30, 2015, the aggregate capital contributions, of the limited partners of the Client. Momentum UK will in turn pay an annual fee to the

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<sup>1</sup> Ultimate investment discretion with respect to the Client is retained by the General Partner.

Registrant, in an amount equal to budgeted costs of the Registrant, as agreed between the Registrant and Momentum UK, from time to time, plus 10%, to cover the Registrant's overhead. The fees described above are not paid more than 6 months in advance.

The General Partner receives an annual fee from the Client primarily to cover the overhead costs of the General Partner including the fee paid by the General Partner to Momentum UK, including in respect of the fee paid by Momentum UK to the Registrant. Should the General Partner terminate the arrangement with Momentum UK, or at the time of the Client's dissolution, any un-earned fees will be refunded on a pro-rated basis.

### Expenses

In addition to the Profit Share (described below), investors in the Client bear indirectly the expenses charged to the Client. Those expenses vary and typically include, but are not limited to, the following: organizational expenses; fees, costs, and expenses of any administrators, custodians, attorneys, accountants, and other professionals; all out-of-pocket fees, costs, and expenses incurred in developing, negotiating, structuring, trading, settling, monitoring, holding, and disposing of actual investments; broken deal expenses; custodial expenses, other bank service fees, and other investment costs, fees, and expenses; interest on and fees and expenses arising out of all Client indebtedness; the costs of any litigation, directors' and officers' liability or other insurance, and indemnification or extraordinary expenses or liabilities relating to the affairs of the Client; expenses of liquidating the Client; and certain taxes, fees, or other governmental charges and all expenses incurred in connection with any tax audit, investigation, settlement, or review of the Client. The Management Interest Entity does not bear certain of the selling, general and administrative expenses of the Client as specified in the governing document of the Client.

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

Certain members and certain employees of Momentum invest in the Client through a separate partnership entity (the "Management Interest Entity") that holds a profit share interest ("Profit Share") in the Client. The Profit Share represents such members and employees entitlement to a percentage of the net profits realized on the disposition of the Client's investments, as well as the current income generated by such investments. As such type of compensation is directly computed on the basis of such profits, the members and employees of Momentum may have an incentive to recommend investments on behalf of the Client that are riskier or more speculative than would be the case in the absence of such compensation.

However, in accordance with Momentum's conflicts of interest policy and procedures, Momentum will ensure that the timing of any investment recommendations for disposals of the Client's investee companies will be made in the best interest of the Client.

## **Item 7: Types of Clients**

Momentum's only client is the Client, which is, as described in Item 4 above, indirectly, a portfolio company of FR XII. The Client's investors are the Management Interest Entity, the EGI Investor and the FR Investor. See Item 4 above for a more detailed description of Momentum's ownership structure.

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

### Methods of Analysis and Investment Strategies

As mentioned above, the Client will seek to make early stage growth investments in services and infrastructure assets in key energy sub-sectors, notably equipment and services companies on a global basis with a focus on Europe and North America.

The following is a summary of the methods of analysis and investment strategies generally employed by Momentum. The offering materials and other constituent documents should be reviewed for full details on the Client's investment, operational and other actual and potential risks. While investment processes may vary from transaction to transaction, and any stage may be compressed in certain special situations, all investments generally go through a similar process. First, an introduction to the potential investment describing its basic characteristics and the recommended next steps with respect to the investment opportunity. Subject to feedback and additional information, the introduction would be followed by a preliminary investment memorandum (the "PIM"). The PIM describes in more detail the nature of the opportunity and Momentum's investment concept.

Should the decision be made to proceed with the investment, further diligence including but not limited to an analysis of the financial, legal, regulatory and commercial aspects of the investment will be undertaken. An Interim Update Memorandum (the "IUM") may be provided to the Investment Advisory Committee of Momentum UK (the "IAC"). Following any comments and/or recommendations from the IAC on the IUM, the IUM is then presented to the General Partner to provide any material updates that have resulted from Momentum's diligence efforts. A final Investment Review Package (the "IRP") which articulates the intended Client strategy for a specific investment is compiled by Momentum and discussed with the IAC and, following any comments and/or recommendations from the IAC on the IRP, is then presented to the General Partner for a final decision.

After an investment is made, the Registrant and Momentum UK will closely monitor the investment on behalf of the General Partner for the Client. During weekly investment staff meetings, the Client's portfolio will generally be reviewed to promote timely updates as to each investment's progress. In addition, Momentum UK is expected to have at least one representative on the board of the investment which is expected to meet no less than quarterly for a formal review of the performance of the investment.

### Summary of the Principal Investment Risks

Investing involves substantial risks, including the risk of total loss of capital, and may not be suitable for all investors. No guarantee or representation is made that the Client's investment program, including, without limitation, the Client's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time.

The following are certain of the principal risks associated with the investment activities of the Client:

**Failure to Successfully Identify Investment Opportunities.** Momentum may not be able to access relevant investment opportunities. General fluctuations in the market prices of securities and economic conditions generally, and in particular of the type experienced since 2008, may reduce the availability of attractive investment opportunities for the Client and may affect the Client's ability to obtain debt financing to support the investments. This could make it difficult for Momentum to both identify investment opportunities and progress them towards completion on behalf of the General Partner.

**Risk Associated with Investing in Private Securities of Small Companies.** The Registrant and Momentum UK will be advising the General Partner to invest (on behalf of the Client) in small-to-medium sized energy equipment and services companies to take advantage of the expected growth trajectory in that sector. The size of the companies will also present a unique set of risks; notably (i) product/service concentration; (ii) regional and client concentration; (iii) earnings volatility; (iv) untested management and lack of management reporting processes; and (v) founder challenges. Furthermore, the Client may not be able to sell the securities it owns in small companies by the end of the life of the Client.

**Potential for Legal Claims.** The Client may own a significant portion of the securities of the companies which it acquires; including ownership positions which may represent a majority of the company's voting securities. As such, the Client may be entitled to elect substantially all of the company's directors and exert significant influence over the company's business, operations, affairs and transactions. These capabilities could lead the Client to be viewed as controlling the company or being considered a controlling shareholder. As a result, the Client may be exposed to claims, lawsuits or investigations by minority shareholders, creditors, government or regulatory authorities or other persons.

**Reliance of Key Personnel.** The success of the Client will depend in substantial part on the skill and expertise of Momentum's investment professionals. There can be no assurance that the investment professionals will continue to be members and/or employed by Momentum in the future. The loss of key personnel could have a material adverse effect on the Client.

**No Assurance of Investment Return.** There can be no assurance that Momentum will be able to generate returns for the Client or that the returns will be commensurate with the risks of investing in the type of investments in which the Client participates. Accordingly, an investment in the Client should only be considered by persons who can afford a loss of their entire investment. Past activities of investment entities associated with Momentum provide no assurance of future success. There can be no assurance that projected or targeted returns for the Client will be achieved.

**Energy and Natural Resources Industries.** Investments in the energy and natural resources industries are subject to certain special risks, including, but not limited to, the following:

*Volatility of Commodity Prices.* The performance of the Client's investments will be to a large degree dependent upon prevailing prices of oil, natural gas, coal and other commodities. Commodity prices have been, and may in the future be, volatile and subject to wide fluctuations in response to uncertain market factors that are beyond the control of Momentum.

*Regulatory Risk; Government, Agency and Rate Risk.* The energy and natural resources industries are subject to comprehensive U.S. and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, decreased revenues, restrictions and delays that could materially and adversely affect the investments and the prospects of the Client. Such investments may also involve an ongoing commitment to or from a government agency and may derive a significant portion of their revenues from regulated tariffs or other usage or throughput-related fees. The nature of these obligations exposes the owners of natural resources related investments to a higher level of regulatory control and political risk than typically imposed on other businesses.

*Uncertainty of Estimates.* Estimates of energy and natural resources reserves (e.g., hydrocarbon reserves or mineral reserves) are often a key factor in valuing certain energy and natural resources companies and related infrastructure assets or businesses. The process of estimating reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data. These estimates are subject to wide variances based on changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such estimates to be significantly revised from time to time, creating significant changes in the value of the assets or businesses owning such reserves.

*Environmental Matters.* Environmental laws, regulations and regulatory initiatives play a significant role in the energy and natural resources industries and can have a substantial impact on investments in these industries or investments in infrastructure related to these industries. The energy and natural resources industries will continue to face considerable oversight from environmental regulatory authorities and significant influence from non-governmental organizations and special interest groups. The Client may invest in investments that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on potential investments.

*Catastrophe Risk; Force Majeure.* The operations of energy and natural resources companies targeted by the Client are subject to many hazards inherent in the transporting, processing, storing, refining distributing, mining or marketing of natural resources like natural gas, natural gas liquids, crude oil, coal, minerals, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities or potential unplanned interruptions caused by significant catastrophic or force majeure events.

*Drilling, Exploration and Development Risks.* The Client may invest in businesses or projects that engage in exploration and development, a speculative business involving a high degree of risk. Oil and gas drilling may involve unprofitable efforts, not only from dry holes, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.



*Political and Societal Challenges.* Energy and energy-related projects may be subject to siting requirements. Siting of energy projects is also frequently subject to regulation by applicable state, county and local authorities. For example, proposals to site an energy plant, and consequently the supporting infrastructure, may be challenged by a number of parties, including non-governmental organizations (“NGOs”) and special interest groups based on alleged security concerns, disturbances to natural habitats for wildlife and adverse aesthetic impacts, including the common “not in my backyard” phenomenon. Concerns can also arise regarding some of the techniques used in the extraction of shale gas in order to enhance recovery, such as the use of natural gas hydraulic fracturing (also known as “fracking”), which may require governmental permits or approvals and which have recently been the subject of heightened environmental concerns and public opposition in some jurisdictions. The failure of any investment or project to receive, renew or maintain any required permits or approvals or any inability to satisfy any requirement of any permits or approvals may result in increased compliance costs, the need for additional capital expenditures or a suspension of project operations.

*Sovereign Risk.* The rights of certain investments or their clients to extract mineral resources, or to generate, deliver or sell energy or related services and equipment may be granted by or derive from approval by governmental entities and are subject to special risks, including the risk that the relevant governmental entity will exercise sovereign rights and take actions contrary to the rights of the Client or the relevant investment or project under the relevant agreement.

*Terrorist Activities.* The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for commodities and electricity and could affect the financial results of the Client. Further, the United States government has issued public warnings indicating that energy assets might be a specific target of terrorist organizations. As a result of the terrorist attacks on September 11, 2001, insurers significantly reduced the amount of insurance coverage available for liability to persons other than employees for claims resulting from acts of terrorism, war or similar events. A terrorist attack on an energy-related asset that is not owned by an investment may also have adverse consequences for all energy-related assets of that type or in the same vicinity, including those owned by an investment, and may result in an investment being forced to increase preventative security measures or expand its insurance coverage, adversely affecting the profitability of the investment therein.

*Nature of Utility and Energy Infrastructure Assets Generally and Ongoing Changes.* The Client may make certain investments in or relating to electric utility industries and energy infrastructure assets both in the United States and abroad. In many regions, including the United States, the market dynamics of the industries may change, primarily in wholesale markets, as a result of changing consumer demands, technological advances, greater availability of low cost natural gas and other factors. To the extent that the Client invests in such businesses without Power Purchase Agreements (“PPAs”) or other risk management mechanisms, the economics of independent power generation projects into which the Client may invest may come under pressure. Unanticipated changes in the availability or price of inputs necessary for the operation of a utility or a power generation asset may adversely affect the overall profitability of the investment.

*Technical Risk.* Investments in the energy industry may be subject to technical risks, including the risk of mechanical breakdown, spare parts shortages, failure to perform according to design specifications and other unanticipated events which adversely affect operations. While the Client intends to seek investments in which creditworthy and appropriately bonded and insured third parties bear much of these risks, there can be no assurance that any or all such risks can be mitigated or that such parties, if present, will perform their obligations.

*Weather and Climatological Risks.* Certain energy companies may be particularly sensitive to weather and climate conditions.

The foregoing is not intended to serve as an exhaustive list or a comprehensive description of all risks that may arise in connection with the management and operation of the Client. Investors should review the Client's governing documents to understand the risks and potential conflicts of interest.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or the integrity of the adviser's management. Neither Momentum nor any of its officers, partners and/or members, directors, employees or other management persons, have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

While Momentum UK and the General Partner are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Advisers Act and the rules promulgated thereunder. As discussed in Item 4 above, the Registrant and Momentum UK provide advisory services to the General Partner in respect of the Client, which is, indirectly, a portfolio company of FR XII, a private equity fund managed by FR XII Advisors, who, in reliance on the Form ADV of its affiliate, First Reserve Management LP ("First Reserve"), is an investment adviser registered under the Advisers Act. First Reserve and its affiliates, including FR XII Advisors provide investment advice to investment funds, including FR XII and its alternative investment vehicles and in addition employees of First Reserve serve on the Board of the General Partner and on the IAC of Momentum UK. Momentum is not involved in the investment advisory services provided by First Reserve and its other affiliates except in respect of the Client as described herein. Momentum agrees to provide a list of First Reserve's affiliates upon request.

Momentum and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

Momentum and its management persons are not registered as, and do not have any application to register as, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Certain employees of Momentum hold certain profit interests through former employment in unrelated third-party private pooled investment vehicles (collectively, the “Unrelated Funds”) that may invest in similar types of assets as the Client and in that regard, such employees will benefit from the successful sale of the relevant Unrelated Funds’ assets. In certain situations, the Unrelated Funds may sell assets that may fit the investment criteria of the Client and which Momentum may wish to research and/or invest in. Such employees of Momentum will disclose their respective conflicts to the General Partner and recuse themselves from any discussion regarding any assets previously held by the Unrelated Funds. As discussed below in Item 11, such employees of Momentum are subject to the Registrant’s Code of Ethics and its standards of ethical conduct.

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

The Registrant has adopted a written Code of Ethics (the “Code”) that sets forth standards of ethical conduct for employees and is designed to address and avoid potential conflicts of interest, as required under Rule 204A-1 under the Advisers Act. Among other things, the Code requires the Registrant and its employees to act in a manner consistent with their fiduciary duty to their clients, abide by all applicable regulations, and pre-clear and report on certain types of personal securities transactions. The Registrant also maintains policies and procedures to restrict affiliate transactions and avoid insider trading and the appearance of insider trading. The Registrant’s restrictions on personal securities trading apply to employees, as well as employees’ family members living in the same household. Momentum UK and the General Partner, as well as their respective personnel, are subject to the Code and the Registrant’s other policies and procedures.

Employees must report every account that they or members of their household use for trading securities covered by the policy and, if they directly or indirectly influence or control trading in the account, they must generally pre-clear covered securities transactions, including IPOs and private placements, and provide copies of periodic account statements, or have them sent by their broker, to the Registrant’s Chief Compliance Officer or his/her designee. Trading by employees and members of their household is monitored by the Registrant’s Chief Compliance Officer or his/her designee.

A copy of the Registrant’s Code is available upon request by contacting us at +44 (0) 20 3023 3857.

## **Item 12: Brokerage Practices**

The Client focuses on making investments in private securities and as such does not generally utilize the services of broker-dealers. In the event that it chooses to use a broker-dealer for limited purposes, the Registrant and Momentum UK, along with the General Partner will seek to obtain best execution, taking into account the following factors, amongst others: (i) the ability to effect

prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity, and stability of the broker-dealer; and (iv) the competitiveness of commission rates in comparison with other broker-dealers satisfying Momentum's other selection criteria.

Momentum does not participate in any soft dollar arrangements.

Momentum will not consider whether it, or any of its related persons, receive referrals from a broker-dealer before selecting that broker-dealer to execute client transactions.

### **Item 13: Review of Account**

All investments will be reviewed by Momentum's investment professionals. Investments within the Client's portfolio will be reviewed on an ongoing basis and Momentum's investment professionals will meet regularly to discuss items such as investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

The Client generally furnishes each investor with written annual reports that include audited financial statements of the Client prepared in accordance with generally accepted accounting principles and written quarterly reports.

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

In addition to the Management Interest Entity, the Client is comprised of only two investors and will not be open to additional investors.

Momentum does not expect to enter into arrangements with unaffiliated third-parties for referring clients to Momentum.

### **Item 15: Custody**

Momentum expects to have access to the Client's accounts because the General Partner will control the Client's funds and assets. Investors will not receive statements from any custodians. Instead, the Client will be subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements will be distributed to each investor. The audited financial statements will be prepared in accordance with GAAP and distributed within 120 days of the Client's fiscal year end.

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

In accordance with the terms and conditions of the Client's governing documents, the General Partner has discretionary authority to determine, without obtaining specific consent from the

Client or its investors, the securities and the amounts to be bought or sold on behalf of the Client, and to perform the day-to-day investment operations of the Client.

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

In accordance with its fiduciary duty to clients and Rule 206(4)-6 under the Advisers Act, the Registrant has adopted and implemented written policies and procedures governing the voting of the Client's securities.

The Client will invest in private companies, and it is not expected that these entities will be required to vote proxies. In the event that the entities are required to vote proxies, it is the Registrant's policy to exercise the proxy vote in the best interest of the Client, taking into consideration all relevant factors, including without limitation, acting in a manner that Momentum believes will maximize the economic benefits to the Client and promote sound corporate governance by the issuer. Momentum UK would generally seek power of attorney from the General Partner to act on its behalf in voting proxies.

Conflicts of interest may arise between the interests of the Client on the one hand and the Registrant and its affiliates on the other hand. If the Registrant determines that it or its affiliates may have, or are perceived to have, a conflict of interest when voting proxies, the Registrant will vote in accordance with its proxy voting policies and procedures. A copy of the Registrant's proxy voting policies and procedures and/or its proxy voting record will be made available to investors upon request.

Momentum does not direct the Client's participation in class actions.

## **Item 18: Financial Information**

A balance sheet is not required to be provided as Momentum (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.