



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

**March 2017**

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**This brochure provides information about the qualifications and business practices of Ridgewood Energy Corporation. If you have any questions about the content of this brochure, please contact us at 201.447.9000 or by e-mail at: [investorrelations@ridgewoodenergy.com](mailto:investorrelations@ridgewoodenergy.com). 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 Ridgewood Energy Corporation also is available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2: Material Changes**

Ridgewood Energy Corporation has not made any material changes to its business since the filing of its initial Brochure or its Brochure dated March 2016. Although the updates in this March 2017 Brochure are not material, we encourage all recipients to read this Brochure carefully in its entirety.

In the future, if there are material changes to the Brochure, this section will describe such changes and identify the location of such changes in the Brochure.

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#### **Item 4: Advisory Business of Ridgewood Energy**

Ridgewood Energy Corporation (“Ridgewood Energy” or the “Company”) is a Delaware Corporation that was founded in 1982 by Robert E. Swanson. Ridgewood Energy remains privately owned by Mr. Swanson, certain family trusts and Mr. Swanson’s son, Matthew E. Swanson. Robert E. Swanson is the Company’s sole director.

Ridgewood Energy is primarily engaged in the business of furnishing investment, supervisory and management services to pooled investment vehicles it sponsors (the “Ridgewood Funds”). There are two categories of Ridgewood Funds. The first are the Ridgewood Funds that were primarily raised through a network of independent FINRA registered broker-dealers; referred to in this Brochure as the “IBD Funds”. The Company does not anticipate sponsoring any new IBD Funds. The second are the Ridgewood Funds that only accept investments from institutions meeting the definition of qualified purchaser under the Investment Company Act of 1940; these funds are referred to in this Brochure as the “Institutional Funds”. Ridgewood Energy also provides advisory and management services to a group of related institutional investors (collectively, the “Institutional Clients”; together with the Ridgewood Funds, the “Clients”) in connection with investments in the Projects.

The Ridgewood Funds and the Institutional Clients invest, directly or through special purpose companies (each, an “SPC”), in working interests in oil and gas projects (the “Projects”) in the U.S. waters of the Gulf of Mexico (the “US GOM”).

Generally, the services Ridgewood Energy provides its Clients include (the “Services”):

- Performing due diligence on, and selecting or recommending Projects for investment by the Clients.
- Monitoring the drilling activities of exploratory and developmental Projects and the development and production of successful Projects.<sup>1</sup> The day-to-day operations of the Projects are the responsibility of a project operator under an agreement (a joint operating agreement) with the Ridgewood Funds or SPC that owns an interest in such Project and other owners of the Project.
- Handling financial matters, such as audits and tax matters, regulatory issues (including filings with regulatory agencies), legal matters and other general corporate and related matters.
- Handling investor relations matters for the Ridgewood Funds.

Ridgewood Energy has full, exclusive and complete discretion in the management and control of the Ridgewood Funds, including the authority to select investments on behalf of each Ridgewood Fund.

As of December 31, 2016, the total amount of assets under management by Ridgewood Energy was \$4,382,149,515.32, inclusive of \$2,402,917,222.00 of uncalled capital commitments from limited partners of one or more of the Institutional Clients.

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<sup>1</sup> The term successful as used in this context refers only to the determination that hydrocarbons have been found in sufficient quantities (based on then available data) to warrant completing the well and bringing the project on production.

## Item 5: Fees and Compensation

For the Services, the Ridgewood Funds pay the fees set out in their respective limited liability company or limited partnership agreements (the “Fund Agreement”). The Institutional Clients pay the overhead reimbursement fees as set forth in certain management services agreements with the Company.

While the fees the Ridgewood Funds pay are not negotiable or refundable, Ridgewood Energy has the right to reduce or waive, temporarily or permanently, its fees and has done so in the past. The fees payable to Ridgewood Energy by the Ridgewood Funds have generally included one or more of the following:

Organizational, Distribution (sales & marketing) and Offering Fee (collectively the “Offering Fees”): Offering fees are one-time fees set out as a percentage of the total capital contributions made to the Ridgewood Fund with respect each share of ownership interests. The Offering Fees cover the expenses incurred to establish and to offer and sell interests in the Ridgewood Fund (including any series of ownership interests) including legal expenses, accounting expenses, consulting fees, printing, filing, postage and other expenses. The IBD Fund Offering Fees ranged from 4%-6% and were generally on each IBD Fund effective date and on each date on which it received and collected full payment for additional subscriptions. In the case of the Institutional Funds, the Fund Agreement generally provides for the payment of Offering Fees up to a maximum amount and the payment of any excess to be borne by the Company as an offset against Management Fees.

Management Fee: Until December 31, 2006, the management fee paid by many of the IBD Funds was 2.5% of the total capital contributions to such IBD Funds. Beginning January 2007, the management fee ranges from 1% to 2.5% of the total shareholder contributions and/or commitment depending on the type of IBD Fund. The Fund Agreement may provide that Management Fees are net of dry-hole expenses.

The Management Fee payable by the limited partners of the Institutional Funds have generally been capped at 2% of capital commitments. Management Fees range from 1.00% to 2% depending on the amount of capital commitment made by the limited partner. The Institutional Funds’ Fund Agreements generally provide for a reduction in the management fee after the subject Institutional Fund reaches certain mile stones in respect of its investment activities. Management Fees payable after the milestones are reached are payable as a percentage of capital at work (as defined in the applicable Fund Agreement) and at a lower percentage. In addition, if the Institutional Fund must be extended beyond its specified term, the Management Fee (if any) has been capped at 1% of capital at work.

Ridgewood Energy retains the right at all times to reduce or waive, temporarily or permanently, its Management Fee and has elected to do so in connection with certain IBD Funds.

Investment Fee: The IBD Funds paid up to 5% of the total capital contributions made with respect to each series of interests in such IBD Fund, without considering any discounts or waivers. The investment fee compensated Ridgewood Energy for services associated with locating, investigating, evaluating, and negotiating investment opportunities and negotiating related

transactions. The investment fee was paid on the IBD Funds' effective date and on each date on which it received and collected full payment for additional subscriptions.

*Carried Interest and Distributive Share:* In addition to the foregoing fees, each Fund Agreement for the IBD Funds provides for (1) a "distributive share" payment to Ridgewood Energy of an amount equal to fifteen to twenty-five percent (15% - 25%) of the available cash from operations distributed to such Ridgewood Fund's shareholders, and (2) a carried interest payable to Ridgewood Energy from distributions from a capital transaction (e.g. sale of assets) of 1% of such amount if such distribution is made before each investor in such IBD Fund has received aggregate distributions equal to such investors aggregate capital contribution in such Ridgewood Fund ("Payout"), and thereafter, Ridgewood Energy is entitled to an amount equal to 15% of such distribution from a capital transaction (several more recent Fund Agreements provide that Ridgewood Energy is also entitled to receive a "catch-up" payment after investors have received Payout), and (3) Losses attributable to the IBD Funds' operations are also allocated to the Company.<sup>2</sup>

The Fund Agreements for the Institutional Funds generally provide that Ridgewood Energy is entitled to a carried interest payment after the Institutional Fund limited partners have received distributions equal to their capital contributions and a preferred return. The Fund Agreements generally contain general partner catch-up provisions and general partner claw-back provisions.

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

As discussed in item 5 above, Ridgewood Energy is entitled to carried interest distributions with respect to the Ridgewood Funds. The Company does not consider the carried interest arrangement to create a conflict for it in selecting Projects given that the nature of the Projects and the selection process utilized by the Company to determine whether Project is an appropriate investment for the Ridgewood Funds.

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

***Ridgewood Energy does not provide services to individuals.***

Ridgewood Energy's current Clients are the Ridgewood Funds and the Institutional Clients. As of the date of this Brochure, each Ridgewood Fund is either a Delaware limited partnership or a limited liability company. In addition, one of the Institutional Funds has a parallel co-invest vehicle that participates in certain of the Projects in which the Institutional Fund has invested; the co-invest vehicles limited partners are all limited partners in the Institutional Fund although not all limited partners in the Institutional Fund are limited partners in the co-invest vehicle.

Each Ridgewood Fund is operated in accordance with its Fund Agreement that is provided to every investor in such Ridgewood Fund at the time of its offering. The Fund Agreement is part of the organized structure of each Ridgewood Fund. From time to time, Institutional Funds may enter into side letters or other written understandings with certain limited partners that alter or amend the

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<sup>2</sup> As part of the offering of interests of the IBD Funds Ridgewood Securities Corporation ("RSC"), the Company's affiliate, received a placement agent fee and participating broker-dealers selling commissions for their efforts in selling interests to investors. The placement agent fee to RSC was generally 1% and the broker-dealer selling commissions ranged between 5%-7% as more fully specified in each IBD Fund's Fund Agreement and offering materials.

relevant Institutional Fund's Fund Agreement. The altered terms are often necessitated by the limited partner's structure (e.g. public pension fund) and related to, among other things, excuse rights or transparency, tax status, and confidentiality.

The Ridgewood Funds are structured to comply with the exemption to registration set forth in Rule 506 of Regulation D promulgated under the Securities Act of 1933. Investors in Ridgewood Funds must meet the accreditation standards set forth in such Ridgewood Fund's offering materials before making an investment. Generally, investors must be Accredited Investors (as defined in Regulation D) and either Qualified Clients (as defined in Rule 205-3 of the Investment Advisers Act of 1940) or Qualified Purchasers (as defined in Section 2(a)(51) of the Investment Company Act), although Qualified Purchasers are deemed to be Qualified Clients.

The Ridgewood Funds invest directly, or, in the case of certain Institutional Funds, indirectly through SPCs, in Projects.

Investors in Ridgewood Funds acknowledge that they understand that the Ridgewood Funds are private placements and are not transferrable, and it is possible for the investor to lose the entire amount of the investment.

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

*As of the date of this Brochure, none of the IBD Funds are expected to make investments into new Projects although some have continuing follow-on investment obligations related to their existing portfolio of Projects.*

**Investment Strategy:** The investment strategy of the Ridgewood Funds is to generate cash flow from the production of oil and natural gas. Ridgewood Energy's focus has historically been to invest in Projects in the US GOM. During 2009 Ridgewood Energy began targeting oil opportunities in the deep waters of the US GOM. Ridgewood Energy selects every Project in which the Ridgewood Funds invest and that it recommends to the Institutional Clients for investment.

Ridgewood Energy does not invest the Ridgewood Funds' money in exchange-traded securities, mutual funds, stocks, bonds or other securities, except that funds waiting to be deployed may be invested in securities or obligations of or guaranteed by the U.S. government or an instrumentality thereof or is maintained in bank accounts (such as certificates of deposit, money market, savings and checking accounts).

**Methods of Analysis – Project Sourcing & Selection Process:** Projects are sourced in one of four ways: (i) acquiring leases through bidding at Federal and State lease sales; (ii) participating in Projects offered by third-parties; (iii) participating in Projects by way of Ridgewood Energy approaching third-parties, and (iv) on a more limited basis, acquisitions. Ridgewood Energy performs extensive due diligence on each Project before investing a Ridgewood Fund's money or recommending it to its Institutional Clients. The following are the key areas Ridgewood Energy reviews when performing due diligence on potential Projects:

- Operator and Project Partners. Ridgewood Energy seeks experienced operators. Attractive characteristics of potential Project operators includes a good safety and compliance record, financial stability, sophistication and experience of its geological and geophysical team particularly as it relates to the proposed region, geology and technical environment, drilling success rate in in the US GOM. The other project partners' resources and experience in the industry is also considered. A further consideration is the percentage of the Project the operator will retain and the percentage held by the other participating Project partners.
- Technical and Operational Review. This review includes analysis of the potential Project's geology, seismic profile, locational trends and whether the potential Project has the potential for multiple prospects. The analysis will also focus on project risk factors, such as (but not limited to) reservoir peculiarities, operational, engineering and other related risks. Ridgewood Energy employs advanced 3-D reservoir modeling to determine the mechanisms for optimum well placement and maximum recovery of in-place oil volumes.
- Reserve Potential. Ridgewood Energy estimates potential Project's gross reserves using a Monte Carlo simulation approach utilizing information, such as seismic data, log analysis and performance data from analogous offset wells. Ridgewood Energy assigns an estimate of low, most likely and high values for each of the parameters used to calculate the recoverable reserves associated with the potential Project. The Monte Carlo method, commonly used in the industry, performs thousands of iterations, varying each of these parameters against each other in order to obtain a distribution of results. The P50 of this analysis is the median value, which is the number of results greater than the P50 value equaling the number of results less than the P50 value. It is this value of recoverable reserves that Ridgewood Energy uses in its economic evaluation of a potential project. These estimates are dependent on a variety of geologic, geophysical and engineering factors and risks that are impossible to accurately predict.

If the potential project is an acquisition of a proven undeveloped reserve (a discovery that has not yet been brought on production), Ridgewood Energy reviews the operator's existing data set, including any third-party reserve reports.

- Development Plan. Ridgewood Energy will assess both the proximity and availability of required infrastructure, including production platforms and connecting pipeline. If existing infrastructure does not have the capacity to process production from a potential Project, if successful, Ridgewood Energy will assess whether it is possible to develop, construct, operate and own such infrastructure.
- Investment terms – Costs & Control Rights. Ridgewood Energy's management assesses the economics of a potential Project including (among other things) the overall size of the working interest available, the portion of the budgeted expenses directed toward exploration versus development, if successful, and the proposed timing of expenditures. This review also looks at the proposed contractual terms.

Once the technical and economic analyses described above has been completed and a potential Project is deemed to satisfy Ridgewood Energy's technical criteria, provides an attractive economic



risk/reward ratio and fits within Ridgewood Energy's strategy, a final investment package is provided to the Company's Investment Committee.<sup>3</sup>

Once the Investment Committee decides that an investment in the potential Project should be made, Ridgewood Energy negotiates the participation agreement and joint operating agreement (the "JOA") with the goal of achieving the best possible economics and governance rights for the participating Clients. The JOA is the document that governs the Project partner's participation in the Project, including the rights to make proposals and influence decisions involving certain operational matters.

*Risks: There is no guarantee that the Ridgewood Funds will achieve the desired cash flow or meet their investment objectives. The Projects in which the Company's Clients invest are generally exploratory Projects, and occasionally developmental or proven undeveloped reserves. All Projects are subject to significant risks. The investment strategy for the Ridgewood Funds involves a substantial degree of risk. Ridgewood Funds are appropriate only for sophisticated persons who fully understand the risks and are capable of bearing the risks of the investment, including loss of the entire investment. Investors in Ridgewood Fund are required to review such Ridgewood Fund's offering materials prior to making an investment in such Ridgewood Fund. Each Ridgewood Fund's offering materials provides a more complete discussion of the risks associated with an investment in such Ridgewood Fund, including the risks related to the operations in which such Ridgewood Fund will invest. Below is an explanation of some (but not all) of the many risks associated with engaging in oil and natural gas exploration and production activities. The risks identified below are qualified in their entirety by the risks set forth in each Ridgewood Fund's offering materials.*

- Loss of the Entire Investment in a Project: Once drilling on an exploratory or developmental Project is completed, the operator may discover that it is a dry-hole, meaning that the well was found to be incapable of producing either oil or natural gas in sufficient quantities to justify completion. The entire amount invested in such Project is lost.
- Operational Risks: Exploration, development and production activities in the US GOM involve numerous risks that may cause a delay or cancellation of such activities and/or significantly increase the costs of such activities. Some of these risks include (among other things): (i) unexpected drilling conditions, pressure or irregularities in formations; (ii) equipment failures or accidents; (iii) fires, explosions, blow-outs and surface cratering; (iv) marine risks such as capsizing or collisions; (v) adverse weather conditions, including hurricanes; (vi) shortages or delays in the delivery of equipment; and (vii) Governmental action or inaction, such as new regulations or delay in issuing permits.
- Unforeseen Costs: The actual costs to drill and/or complete a successful Project can materially exceed the operator's best estimates due to unforeseen cost overruns. Cost overruns can occur for any number of operational risks, including those discussed above. In the event of cost overruns, the Ridgewood Funds participating in the Project are responsible for paying their share of those cost overruns. As a result, the Ridgewood Funds may be required to use

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<sup>3</sup> In connection with the IBD Funds, the Investment Committee was responsible for determining whether one or more of the IBD Funds should invest in a potential Project and the percentage of working interest such IBD Funds should acquire when more than one IBD Fund has available capital for investment.

capital to cover cost overruns which might otherwise have been used for investing in other Projects.

- Reserve Data & Technology: Reserve data, including engineering and geological data generated by the Project operator is confidential and proprietary. As a result, investors in Ridgewood Funds are relying exclusively on Ridgewood Energy's in-house technical personnel to evaluate such information. The tools used in the oil and gas drilling and production industry for analyzing Projects are being improved regularly. As competitors use or develop new technologies, Ridgewood Funds may be placed at a competitive disadvantage or may be required to adopt such new technologies at significant cost. In addition, our competitors may have greater financial, technical and personnel resources that may allow them to implement new technologies quickly. There is no assurance that Ridgewood Energy will be able to implement new technologies on a timely basis or at an acceptable cost. Lastly, notwithstanding Ridgewood Energy's efforts to accurately estimate a Project's potential reserves, reserve estimates may be significantly different from actual results. Actual reserves may be materially lower than Ridgewood Energy's estimates which could result in a significant loss to the Ridgewood Funds participating in the subject Project.

- Ability to Develop & Produce Projects: Successful Projects require significant equipment and infrastructure to be brought on production. The Ridgewood Funds do not generally own drilling equipment or infrastructure and therefore are affected by competition for drilling rigs, platforms and availability of related infrastructure such as pipelines and processing facilities which are owned by unaffiliated third-parties. If such facilities are not available, or cannot adequately support the production from a given Project, the Ridgewood Funds may have to invest in building new infrastructure at a significant costs. If existing infrastructure is available and accessed, such infrastructure may be located either onshore or offshore and is susceptible to damages by environmental and operational events. In the event existing infrastructure is damaged significantly, such that it is deemed beyond repair, the Ridgewood Funds may be unable to procure different infrastructure and may have to build new infrastructure at a significant cost. As a result, the Ridgewood Fund may be required to withhold making distributions in order to preserve capital to pay for such development efforts.

- Volatile Commodity Prices & Ability to Sell Production: The Ridgewood Funds' ability to generate cash flow for its investors is highly dependent on Ridgewood Energy's ability to market the oil and natural gas produced, if any, by the Projects and the price such oil and natural gas receives. Generally Ridgewood Energy sells the Ridgewood Funds' oil and natural gas to the market. As a result, the Ridgewood Funds cannot determine, prior to developing a successful Project the prices the participating Ridgewood Funds' will receive from such production. In addition, the price of oil and natural gas is highly volatile and is affected by many factors, including (but without limitation): (i) Price and quantity of foreign oil; (ii) Consumer demand – including weather related seasonal demand; (iii) Global economic conditions; (iv) Political instability in other oil producing areas of the world, such as the Middle East, Asia and South America; (v) Technological advances and conservation efforts affecting energy consumption; and (vi) Cost, proximity and capacity of necessary infrastructure to deliver the Project's oil and/or natural gas.

In the past, the Company has, in an effort to protect against the risk related to price volatility, had some of the Ridgewood Funds engage (either alone or with affiliates), in put contracts (“Put Contracts”) that gave the Ridgewood Funds (as owners of the contracts) the right to collect payment from the contract counterparty with respect to a contracted amount of oil or natural gas, if the market price of the Ridgewood Funds’ oil or natural gas fell below a certain price on a specified date (as contracted). In a Put Contract there is no “selling forward” of any quantities of oil or natural gas and there is no production risk. The Ridgewood Funds may also participate in the forward sale of the Ridgewood Funds’ estimated future oil and/or natural gas production.

- Project Location: Ridgewood Energy may cause some Ridgewood Funds to invest in locations that are adjacent to Projects owned by other Ridgewood Funds. While the Projects are not to be drilled for the purpose of proving/disproving the existence of oil and/or natural gas on adjacent areas, such drilling activities may incidentally develop information valuable to a Ridgewood Fund that is not invested in such Project. Accordingly, a conflict of interest may, by the very nature of the business, exist between the interests of Ridgewood Funds owning adjacent Projects.

In addition, in recent years, Ridgewood Energy has focused the Ridgewood Funds’ investments in Projects located primarily in the Mississippi Canyon and Green Canyon areas.

- Insurance Coverage Limitations or Availability: Projects in the US GOM are exposed to the potential of significant losses resulting from natural disasters or other catastrophes. Ridgewood Energy procures available insurance at such levels as it deems appropriate given the unpredictability of the losses that a Project may incur (if any). As with all insurance policies, the available coverage is subject to exclusions and limitations. In addition, Ridgewood Energy may not be able to procure the same types of insurance and the same coverage limits every policy period. As a result, the Ridgewood Funds may incur liabilities that are not covered in whole or in part by insurance or may have been covered in one policy period but are not covered in a subsequent period. Exposure to and the payment of such liabilities could reduce or eliminate the capital available for exploration and development of Projects or result in loss of Projects all of which could reduce or eliminate distributions to investors in the Ridgewood Funds.

- Royalty Payments: All Projects in the US GOM are required to pay royalty payments to the US government. While the royalty interest percentage is fixed at the time the lease is entered into, the US government may from time to time make changes or reinterpret the applicable regulations governing its royalty interests which could result in the Ridgewood Funds being required to pay higher royalties. In addition, from time to time, a Project is subject to overriding royalty interests owned by third-parties who may have at one time been in the chain of title of the Project or provide services to the Project. As a result, although a Ridgewood Fund may acquire a set working interest percentage in a Project, the Ridgewood Funds’ “net royalty interest” in such Project will be its share in the production after all burdens such as government royalties and overriding royalty interests have been deducted.

- Activities & Condition of Project Operators: The Ridgewood Funds' projects are operated by unaffiliated third-parties engaged in the business of oil and natural gas exploration. Those unaffiliated operator's activities may compete with the Ridgewood Funds' interests. In addition the Ridgewood Funds are subject the financial and economic condition of the Project operators. Operators are generally also working interest owners in the Projects in which the Ridgewood Funds participate. The operators are not only responsible for the day-to-day management of a Project, but also for contributing its percentage share of drilling, development and other costs. If the Project operator experiences financial difficulties it may not be in a position to contribute its percentage share of costs associated with the Project and may also be unable to sustain its management and operations of the Project. As a result, the other Project partners may be required to contribute the costs that would otherwise be contributed by the operator or alternatively may have to participate in a Project with a new operator that acquires the initial operator's interests. The impact on the Ridgewood Fund of such events include increasing the Project's costs and delaying its drilling or if successful, development which could negatively impact such Ridgewood Funds' ability to make distributions to investors.

In addition to the risks related to oil and natural gas exploration, there are risks to the Ridgewood Funds related to Ridgewood Energy's providing Services to numerous Clients. Inherent in the exercise of discretion as manager of the Ridgewood Funds, Ridgewood Energy will face conflicts of interests when selecting and acquiring Projects for the Ridgewood Funds and recommending Projects to its Institutional Clients. These conflicts, include, but are not limited to:

- Lack of Liquidity: Investors in Ridgewood Funds are required to be Accredited Investors and Qualified Clients or Qualified Purchasers within the meaning of applicable federal securities laws and regulations. Such investors are required to certify that they are acquiring shares in the Fund for investment purposes only and not with a view toward resale or distribution. There is no public market for the shares in the Ridgewood Funds and no such market is expected to develop. The shares in Ridgewood Funds are subject to restrictions on transferability and resale and may not be transferred or sold without the prior consent of the Ridgewood Fund and Ridgewood Energy, and then only as permitted under the terms of the applicable Fund Agreement and applicable securities laws and regulations. Investors in Ridgewood Funds should be aware that they will have to bear the financial risks of an investment in a Ridgewood Fund for an indefinite period of time and perhaps as long as the life of the Ridgewood Fund.
- Compensation to Ridgewood Energy & Its Personnel: Ridgewood Energy personnel may be compensated to some extent based upon actual results of the Projects in which the Ridgewood Funds invest and which such personnel are responsible for recommending for investment. As a result, such personnel could be motivated to recommend Projects that have higher return potentials but lower likelihood of success or a higher likelihood of success but lower return potentials. Ridgewood Energy believes that it has developed an investment decision making process that mitigates the potential conflicts arising out of its compensation structure. In addition, by structuring the Ridgewood Funds in a way that results in their paying the Company similar fees at similar rates, the Company has

mitigated any potential conflict that could arise between the Ridgewood Funds as a result of the compensation to the Company.

- Project Acquisition for the Ridgewood Funds: Ridgewood Energy has complete and full discretion to determine whether a Ridgewood Fund participates in a Project and the extent of such Fund's participation. Inherent in this process is a conflict between Ridgewood Funds that have already made investments or those that recently closed their offering. Ridgewood Energy mitigates this risk by reviewing each Ridgewood Fund's portfolio to determine if a Project is appropriate for such Ridgewood Fund in light of its investment history (portfolio) and available capital. This risk has been reduced as only the Institutional Funds will be able to participate in future Projects and the Fund Agreements for the Institutional Funds have specific provisions addressing when a subsequently raised Institutional Fund may invest in a Project if an earlier Institutional Fund has capital available for investment.

Ridgewood Energy is aware that other conflicts may arise from time to time as it provides the Services to its Clients. The Company exercises its fiduciary duty to its Clients in good faith and in accordance with applicable laws. Ridgewood Energy tries to resolve conflicts in the best interests of each Client. Under each Fund Agreement, however, Ridgewood Energy is not liable to the Ridgewood Funds' investors for such resolution unless Ridgewood Energy acted in bad faith, engaged in gross negligence or willful misconduct.

#### **Item 9: Disciplinary Information**

Not applicable.

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

Robert E. Swanson is also the founder and sole director of Ridgewood Securities Corporation ("Ridgewood Securities") and Ridgewood Capital Management, LLC ("Ridgewood Capital"). Ridgewood Securities is a licensed broker-dealer registered with the Securities and Exchange Commission. Ridgewood Securities served as placement agent for the IBD Funds and private equity funds sponsored and managed by Ridgewood Capital and Ridgewood Private Equity Partners, LLC ("RPEP"). Ridgewood Securities is only one of many broker-dealers that offer and sell the IBD Funds' securities; all other broker-dealers are not affiliated with Ridgewood Securities, Ridgewood Capital or Ridgewood Energy. Ridgewood Securities is paid for its services as placement agent in accordance with the terms of the Fund Agreement. Unaffiliated broker dealers are paid a commission from the proceeds of the offering of an IBD Fund's shares in accordance with and as disclosed in that IBD Fund's Confidential Offering Memorandum and Fund Agreement.

Ridgewood Capital is a Delaware state registered investment advisor that manages private placements (Regulation D offerings) with investments in venture capital companies. The Ridgewood Capital private placements do not invest in Projects.

In 2014, Robert E. Swanson and Matthew E. Swanson founded RPEP for the purpose of sponsoring private investment funds focused on investing in the energy sector through either other institutional

funds or directly into private equity companies. The RPEP funds are not expected to invest in any Ridgewood Fund or in Projects in which the Ridgewood Funds are invested. Except for Mr. Robert E. Swanson, none of the members of the Ridgewood Energy investment committee are members of the RPEP investment committee nor do they participate in the management of RPEP.

Some Ridgewood Energy employees provide fund administrative services to RPEP and Ridgewood Capital.

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

Code of Ethics: Ridgewood Energy has adopted a code of ethics to govern the conduct of its employees. The code of ethics establishes Ridgewood Energy's standards of business conduct, which standards reflect the Company's fiduciary obligations to the Ridgewood Funds. The code of ethics also contains provisions requiring employees to comply with applicable federal and state securities laws. Certain employees of Ridgewood Energy are required to report to the Company certain personal securities transactions and holdings, and in certain instances obtain the consent of the Company before undertaking a securities transaction. Similarly, such employees are required to provide the Company with information about any business activities outside of their work for Ridgewood Energy, and as with securities transactions, first have to obtain Ridgewood Energy's consent to participate in certain outside business activities. In addition to the code of ethics, Ridgewood Energy has adopted internal reporting procedures, that when taken together with the code of ethics, requires employees to report any violations of the code or applicable securities or other laws to the Company or the appropriate authorities.

A copy of each of the code of ethics and internal reporting procedures has been posted to the Ridgewood Energy website. In addition, they are available to the Ridgewood Fund investors upon request.

Co-Investments: Several Ridgewood Funds are invested in the same Project. Initially all such co-investments were done on substantially similar terms, but additional investments into a Project may differ over time according to available capital in the subject Ridgewood Funds. As of the date of this Brochure, such "co-investment" in new projects is limited to an Institutional Fund investing alongside one or more limited partners in that Institutional Fund through a co-invest vehicle or other Institutional Clients. The Company may, from time to time, in its discretion offer co-investment opportunities to limited partners of the Institutional Funds or other third-parties. The Company will set the terms of any such co-investment and it is understood that neither the Company nor any Ridgewood Fund has any obligation to offer a co-investment opportunity to any person.

#### **Item 12: Brokerage Practices**

Not applicable.

#### **Item 13: Review of Accounts**

Review of Accounts: The Chief Financial Officer of the Company reviews the status of Ridgewood Funds on a regular basis and at least monthly once a Ridgewood Fund has revenue available for distribution. In

addition, Ridgewood Funds may be reviewed when a Project becomes available for investment or a Project is deemed successful and plans for development are being considered.

*Investor Reports:* Investors in the IBD Funds are generally provided with a monthly report on the status of all Projects (to the extent communications are not prohibited by either securities laws or the JOA), unaudited quarterly financial statements and audited financial statements annually.

Investors in the Institutional Funds are provided with quarterly unaudited financial statements and audited financial statements annually, together with valuation reports.

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

Not applicable. All Ridgewood Funds are offered through a placement agent that is either an independent broker-dealer or Ridgewood Securities (the Company's affiliate) who are paid commissions or fees for offering a Ridgewood Fund's shares as described in item 5 above.

#### **Item 15: Custody**

Evidence of the Ridgewood Funds' ownership in the Projects are maintained electronically on the Company's records system. Cash and temporary securities (e.g. Treasuries or sweep accounts) are held at Wells Fargo National Bank. Ridgewood Energy receives the Ridgewood Funds' account statements. Wells Fargo does not send duplicate account statements to the Ridgewood Funds' investors. Existing Ridgewood Funds are audited for each calendar year and such audited financial statements are made available to investors via Ridgewood Energy's web-site or on paper upon request.

#### **Items 16 & 17: Investment Discretion and Voting Client Securities**

As explained above, Ridgewood Energy has complete and total discretion over the selection of Projects for the Ridgewood Funds. This includes the authority to participate in Projects and make additional investments in completion or other work related to such Projects. The investors in the Ridgewood Funds are not required to approve any investment decision made by Ridgewood Energy. The frequency and amount of distributions, if any, is determined by Ridgewood Energy in accordance with the terms of the applicable Fund Agreement.

With respect to the shares of Ridgewood Funds, Ridgewood Energy does not hold authority to vote on behalf of the Fund's investors. Under the Fund Agreements, however, there are a limited number of items for which a vote of investors is required.

The Fund Agreements for the Institutional Funds provide for the establishment of an investor advisory committee to review and resolve conflicts of interest.

#### **Item 18: Financial Information**

Not applicable.