

# First Reserve Management, L.P.

## Part 2A of Form ADV The Brochure

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This Brochure provides information about the qualifications and business practices of First Reserve Management, L.P. and its affiliates. If you have any questions about the contents of this Brochure, please contact us at 203-661-6601. 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.

First Reserve is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Additional information about First Reserve 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**

There has not been a material change to this Brochure since the last annual update in March 2018. However, please carefully read Items 4, 5, 8 and 11, which have expanded upon the description of the advisory business, certain fees and expenses, potential risks and potential conflicts of interest, respectively.

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## **Item 4. Advisory Business**

For purposes of this brochure, “First Reserve” means First Reserve Management, L.P., a Cayman Islands exempted limited partnership, together (where the context permits) with certain of its affiliates that provide advisory services to and/or receive advisory fees from the Funds (as defined below) (together with First Reserve, the “First Reserve Advisors”). These affiliates are formed for tax, regulatory or other purposes in connection with the organization of the Funds, and/or serve as general partners of the Funds (collectively, the “General Partners”). First Reserve provides investment advisory services to, and receives advisory fees from, investment vehicles sponsored by First Reserve that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”) (such investment vehicles, the “First Reserve Funds” or the “Funds”).

As an investment adviser for each First Reserve Fund, First Reserve identifies investment opportunities and participates in the acquisition, management, monitoring and disposition of investments for each First Reserve Fund. The principle area of business of the First Reserve Funds is private equity and buyout investments (the “Private Equity Funds”). In addition, First Reserve provides investment advisory services to two debt funds (each with a single limited partner) that make investments no larger than \$40 million in senior and senior subordinated debt primarily in energy-related infrastructure businesses (the “Debt Funds”). First Reserve Funds focus exclusively on making investments within the energy and natural resources industries.

For the Private Equity Funds, First Reserve primarily provides investment advisory services related to private equity investments, including leveraged acquisitions and recapitalizations, turnarounds, traditional buyouts and investments in growth platforms. Such private equity investments generally take the form of privately-negotiated investment instruments, including unregistered equity and debt securities of both United States (“U.S.”) and non-U.S. issuers. The Private Equity Funds borrow money from time to time to make or facilitate private equity investments or for various other purposes, with such debt financings capped as set forth in the governing documents of the Private Equity Funds. Although the primary focus of each Private Equity Fund is on private equity investments, First Reserve also may from time to time offer advice on other types of investments consistent with the respective Private Equity Fund’s investment objectives and strategies.

On June 2, 2017, First Reserve completed the sale of its infrastructure investment business to BlackRock (the “Transaction”) in connection with which (i) BlackRock acquired the equity interests of the entities that control the General Partners of First Reserve Energy Infrastructure Fund, L.P. and First Reserve Energy Infrastructure Fund II, L.P., including related investment and co-investment vehicles (the “Infrastructure Funds”), and the First Reserve Advisors to the Infrastructure Funds, (ii) BlackRock acquired from First Reserve 9.9% of the capital and certain carried interest held by the General Partner of one of the Infrastructure Funds, and (iii) BlackRock and First Reserve entered into a cooperation agreement in respect of the Infrastructure Funds. Pursuant to the cooperation agreement, dated as of January 27, 2017 (as amended, restated, supplemented or otherwise modified from time to time, the “Cooperation Agreement”), First Reserve and BlackRock agreed, among other things, that (i) First Reserve will consult with BlackRock, upon request, with respect to macroeconomic trends in the global energy sector and the energy infrastructure investment industry, (ii) William E. Macaulay and Alex T. Krueger, each of whom also serves and continues to serve on First Reserve’s Investment Committees, will serve as members of the investment advisory group of the Infrastructure Funds and (iii) First Reserve will use its commercially reasonable efforts to refer to BlackRock investment opportunities that it deems, in its sole and absolute discretion, not to be suitable for the First Reserve Funds but suitable for the Infrastructure Funds, so that the Infrastructure Funds may evaluate such opportunities. The Transaction was approved by a super-majority in interest of the Limited Partners (as defined below) of each of the Infrastructure Funds. Each of the Infrastructure Funds is no longer a “First Reserve Fund” for purposes of references in this Form ADV. On July 3, 2018, each of William E. Macaulay and Alex T. Krueger, as well as First Reserve, entered into an agreement with BlackRock to provide consulting services. In connection therewith, each of William E. Macaulay and Alex T. Krueger is paid to serve on the investment committee relating to the Global Energy and Power Infrastructure Fund III family of funds as an independently contracted consultant.

Investment advice is generally provided to each First Reserve Fund pursuant to separate investment advisory agreements (each, an “Advisory Agreement”). The terms of the investment advisory services to be provided are set forth in each First Reserve Fund’s Advisory Agreement or other governing documents. Any restrictions on investments in certain types of securities are established by the General Partner of the applicable First Reserve Fund and are set forth in the governing documents of such Fund provided to each limited partner of a First Reserve Fund (each a “Limited Partner” or an “Investor” and, together with the General Partner of such Fund, the “Partners”) prior to investment in such First Reserve Fund. Investment advice is provided by the applicable First Reserve Advisor directly to the First Reserve Fund and not individually to the Limited Partners thereof, subject to the direction and control of the applicable General Partner.

First Reserve has been in business since 1983. First Reserve is principally owned by its employees. William E. Macaulay, Chairman, and his related family trusts are the largest owners of First Reserve. As of December 31, 2018, First Reserve managed a total of \$9,075,332,003 of regulatory assets under management, all of which is managed on a discretionary basis.

## **Item 5. Fees and Compensation**

### *The First Reserve Funds*

As compensation for investment advisory services rendered to a First Reserve Fund, each First Reserve Fund is charged an annual management fee, payable quarterly in advance. For those Funds that have defined commitment periods, management fees during the commitment period of such First Reserve Funds generally are based on aggregate capital commitments of the Limited Partners and are asset-based thereafter. For those Funds that do not have defined commitment periods, management fees are generally asset-based throughout the term of the Fund. The management fees are negotiated collectively with the Limited Partners of each First Reserve Fund, and are subject to waiver or reduction by First Reserve. For those Funds that have defined commitment periods, management fees during the commitment period typically range from 1.00% to 1.75%. Management fees are paid by the First Reserve Funds on behalf of the Limited Partners by (i) requiring Limited Partners to make capital contributions in respect of such fees, or (ii) withholding the amount of such fees from investment proceeds that would otherwise be distributable to the Limited Partners of such First Reserve Fund. In some situations, First Reserve may cause a First Reserve Fund to incur indebtedness for the payment of management fees. The Limited Partners of certain of the First Reserve Funds’ parallel vehicles are charged an administration fee in addition to the management fee described above, payable quarterly in advance, equal to a percentage of the aggregate capital commitments of the Limited Partners in such parallel vehicle. Upon termination of a relevant advisory agreement, management fees that have been prepaid are returned on a prorated basis. Each First Reserve Fund’s confidential private offering memorandum (each such memorandum, a “Confidential Private Placement Memorandum”), where applicable, and governing documents include a more detailed description of management fees charged to the Limited Partners of such First Reserve Fund.

First Reserve may also receive a variety of other fees from its First Reserve Fund portfolio companies and their affiliates. A First Reserve Fund’s allocable share of (i) all transaction, directors’, monitoring, advisory, financial, consulting, net break-up (including topping, break-up and similar fees), set-up, acquisition, and commitment fees (collectively, the “Other Fees”)

received by the First Reserve Advisors, their affiliates or their respective employees and (ii) if applicable, at least 50% of any offering, placement, syndication, underwriting, solicitation or similar fees payable to a regulated broker-dealer that is an affiliate of the applicable General Partner in connection with the distribution of debt or equity securities of a portfolio company other than the securities being acquired by the First Reserve Fund (“Broker Dealer Fees”) will be applied to reduce the quarterly management fee of the applicable First Reserve Fund. However, the reduction amount will be reduced by any broken-deal expenses that the applicable General Partner or its affiliates elected to bear instead of calling capital from the applicable First Reserve Fund. Fees received by (i) an employee of First Reserve in respect of (x) services rendered prior to the time such employee became an employee of First Reserve or (y) services rendered by such employee during any period when such employee serves in a bona fide, non-director management capacity (or other operational capacity involving a material portion of such employee’s business time) at a portfolio company or any of its affiliates and (ii) any senior advisor to First Reserve are, to the extent set forth in a First Reserve Fund’s governing documents, not treated as Other Fees for purposes of calculating applicable reductions to the management fee. The recipients of this Brochure must refer to the detailed information found in each Confidential Private Placement Memorandum, where applicable, and governing documents for specific information about the fees earned by First Reserve, including Other Fees and, if applicable, Broker Dealer Fees and the fees charged to the First Reserve Funds.

The General Partners of the First Reserve Funds are also entitled to receive carried interest of up to 20% of profits on distributions derived from the disposition of investments (and, in certain circumstances, other income from investments) following a preferred return to the Limited Partners as set forth in each First Reserve Fund’s Confidential Private Placement Memorandum, where applicable, and other governing documents.

### *Infrastructure Funds*

Following the Transaction, BlackRock is now the investment adviser to, and provides investment advisory services to, the Infrastructure Funds for compensation. However, First Reserve is entitled to receive carried interest with respect to the Infrastructure Funds as described in Item 6 below.

In addition, pursuant to the Transition Services Agreement, dated as of June 2, 2017, for no longer than twelve (12) months (subject to a maximum twelve month extension, as applicable) after closing of the Transaction, First Reserve is providing certain transition services to BlackRock related to accounting, reporting, valuation, AML/KYC and support and execution of capital calls and distributions, among other services. In return, BlackRock is paying First Reserve fees calculated based on cost or historic allocation.

### *Director’s Compensation*

Because its investment strategy includes making control investments, and in order to protect the First Reserve Funds’ interests, when making equity investments First Reserve generally seeks appropriate shareholder rights including, in most situations involving control investments, the ability to designate one or more directors to serve on the board of directors of its portfolio companies. In their capacity as directors of portfolio companies, First Reserve personnel earn compensation in the form of cash, stock options or other equity awards from time to time.

A First Reserve Fund's allocable share of any compensation received by a First Reserve employee from a First Reserve portfolio company for serving as a director for that portfolio company is reimbursed to the applicable First Reserve Fund through a management fee offset. First Reserve engages and retains senior advisors, who are not employees or otherwise affiliates of First Reserve.

### *Co-Investment Vehicles*

The General Partners of the First Reserve Funds from time to time offer certain persons, including existing Limited Partners, strategic investors or other third parties, the opportunity to co-invest in particular investments alongside of the applicable First Reserve Fund, subject to certain restrictions. In each case where co-investors participate in an investment, such co-investors will bear their pro rata share of any expenses associated with such investment but generally do not bear broken-deal expenses. In addition, such co-investors who are underlying investors in the applicable First Reserve Fund are generally not charged any management fees or carried interest in respect of their commitments to the applicable co-investment vehicle, but investors who are not underlying investors in the applicable First Reserve Fund may be charged such fees and carried interest. To the extent co-investors are not charged any management fees, the portion of any Other Fees and, where applicable, Broker Dealer Fees received by First Reserve in respect of the applicable investment, which would otherwise offset such management fees, may be retained by First Reserve and shall not be applied to further reduce the management fees paid by Limited Partners in respect of their capital commitments to the other relevant First Reserve Fund. For additional information regarding co-investment allocation, please see Item 11 below.

### *Expenses Charged to the Funds*

Except as set forth in the governing documents of a First Reserve Fund, the First Reserve Funds' Limited Partners will bear all legal and other expenses, including the out-of-pocket expenses of the applicable General Partner and, where specifically described and agreed in the applicable governing documents, the out-of-pocket expenses of any cornerstone investors, incurred in the formation of the applicable First Reserve Fund up to an amount as set forth in the organizational documents of the applicable Fund. Organizational expenses in excess of this amount, if any, ultimately will be borne by First Reserve. The First Reserve Funds' Limited Partners will also bear indirectly (to the extent not reimbursed by a portfolio company) the ongoing fees and expenses of the First Reserve Funds. Those fees and expenses will vary by First Reserve Fund, but typically will include, among other things: all routine, third-party administrative expenses incurred in the ordinary course, including cash management expenses, fees and expenses associated with the acquisition, custody, holding, developing, negotiating, structuring, monitoring, settling and disposition of investments (which includes, e.g., fees and expenses of expert network, finders and similar service providers), brokerage commissions, registration fees and expenses, custodial expenses and other investment costs, actually incurred in connection with portfolio investments, broken deal expenses, break-up fees, financing, legal (which includes expenses incurred in connection with a First Reserve Fund's legal and regulatory compliance with U.S. and non-U.S. laws and regulations (including reporting on and compliance with Form PF), and expenses incurred in connection with complying with provisions in side letter agreements, including "most favored nations" provisions), certain travel expenses (which includes first or business class commercial travel, and from time to time includes the actual cost of non-commercial air travel, as well as travel, entertainment and accommodation expenses in connection with fund-

raising activities), taxes and tax preparation expenses (which includes the preparation and filing of any forms, schedules, filings, information or other documents necessary to avoid the imposition of withholding or other taxes pursuant to “FATCA” and Report of Foreign Bank and Financial Accounts), registration expenses and any fees or other governmental charges levied against the First Reserve Funds, and all expenses incurred in connection with any filings, investigation, settlement or review of the First Reserve Funds, auditing, regular reporting, advisory, consulting, expenses and compensation of management consultants and executive search firms, valuation experts and data providers (including related systems/services from such data providers), fees and expenses of other professional and technical services in connection therewith (to the extent not subject to any reimbursement of such fees and expenses by portfolio companies or other third parties), engineering and accounting fees and expenses, interest on, and fees and expenses arising out of, all borrowings made by the First Reserve Funds, the fees and expenses of certain senior advisors to First Reserve (depending on the nature of their services to First Reserve and any applicable portfolio companies), the out-of-pocket costs of any litigation, D&O liability or other insurance and indemnification (including advances) or extraordinary expense or liability relating to the affairs of First Reserve Funds, placement compensation payable to any placement agent (including any out-of-pocket expenses of such placement agent and any indemnification expenses payable to such placement agent) or financial advisor in connection with subscriptions for interests in First Reserve Funds by investors (such fees and expenses will be applied to reduce the quarterly management fee of the applicable First Reserve Fund), expenses of the Limited Partner advisory boards for each of the First Reserve Funds (each an “Advisory Board”)<sup>1</sup> and meetings of the Limited Partners, fees, costs and expenses related to the organization or maintenance of any intermediate entity used to acquire, hold or dispose of any portfolio investment or potential portfolio investment or otherwise facilitating the investment activities of the First Reserve Funds, and expenses of liquidating the First Reserve Funds.

In addition, a First Reserve Fund may be allocated with fees, costs and expenses related to in-house administrative, accounting and legal services provided by its General Partner or affiliates thereof to the extent permitted by the governing documents of such First Reserve Fund and in accordance with its expense allocation policy. Although First Reserve does not generally use the services of broker-dealers for the purpose of executing portfolio investments of the First Reserve Funds (other than in respect of the Debt Funds), in the event that First Reserve chooses to use a broker-dealer or other finder for purposes relating to a First Reserve Fund, such First Reserve Fund may incur brokerage and other transaction costs, including finder’s fees. For additional information regarding brokerage practices, please see Item 12 below. Investors should review all fees charged by First Reserve, its affiliates, and others to fully understand the total amount of fees to be paid by the First Reserve Funds and, indirectly, their Limited Partners.

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

As noted on the response to Item 5 above, First Reserve Funds allocate a portion of their investment profits to their respective General Partners, to the extent set forth in each First Reserve Fund’s Confidential Private Placement Memorandum, where applicable, and its governing documents.

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<sup>1</sup> Generally a First Reserve Fund Advisory Board is made up of a small number of voting representatives of certain Limited Partners of a First Reserve Fund.

Such General Partners' entitlement to performance-based distributions may create an incentive for First Reserve to take risks in managing the First Reserve Funds that it would not otherwise take in the absence of such arrangements or with respect to funds from which First Reserve does not receive performance-based compensation (e.g., certain co-investment vehicles). First Reserve has in place policies and procedures to address the potential conflict to favor, or take increased investment risk with respect to, First Reserve Funds from which it receives higher performance-based compensation over First Reserve Funds from which lower performance-based compensation is received, including policies and procedures designed to ensure allocation of investments to the First Reserve Funds on a fair and equitable basis, taking into account the First Reserve Funds' investment objectives. See Item 5, Fees and Compensation, above, and Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, below, for additional detail.

First Reserve is entitled to receive carried interest with respect to the Infrastructure Funds. In addition, the purchase price of the Transaction is structured such that BlackRock will pay First Reserve contingent consideration which is generally dependent on the aggregate management fees payable with respect to the successor fund to the Infrastructure Funds formed and advised by BlackRock. Such ongoing economic interests relating to the Infrastructure Funds may create an incentive for First Reserve to offer certain potential investment opportunities to BlackRock for the Infrastructure Funds which otherwise would be allocated to the First Reserve Funds. However, First Reserve believes such conflicts of interest will be mitigated by the fact that the Infrastructure Funds, the Private Equity Funds and the Debt Funds generally invest in different types of investments, securities in different positions of a company's capital structure and/or asset classes, or investments with different risk/return profiles or characteristics. Please see Item 10 below for additional detail.

## **Item 7. Types of Clients**

First Reserve provides investment advisory services to the First Reserve Funds. Investment advice is provided directly to each First Reserve Fund, subject to the direction and control of their respective General Partners, and not individually to the Limited Partners of such First Reserve Fund. Investors in the First Reserve Funds include, but are not limited to, high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, sovereign wealth funds, trusts, estates, endowments, foundations, and corporate or other business entities.

Details concerning applicable Investor suitability criteria are set forth in the respective First Reserve Fund's Confidential Private Placement Memorandum, where applicable, and subscription materials. Although First Reserve and/or its affiliates have the authority to accept subscriptions for lesser amounts, minimum investment commitments generally are established for Limited Partners in First Reserve Funds. Investors making capital commitments of less than the minimum investment commitment may be required to invest through an affiliated vehicle rather than through the primary fund. Each Investor is required to meet certain suitability qualifications, such as being an "accredited investor" and "qualified purchaser" within the meaning set forth under the U.S. federal securities laws.

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

The following is a summary of the methods of analysis and investment strategies generally employed by First Reserve as well as the material risks associated with investing in such strategies. Prospective and existing investors are advised to review the offering materials and other constituent documents for full details on each applicable First Reserve Fund's investment, operational and other actual and potential risks.

### *Method of Analysis*

First Reserve has separate investment committees for its Private Equity Funds and Debt Funds, respectively (collectively, the "Investment Committees"). The members of the Investment Committees generally meet weekly (or periodically in the case of the Debt Funds) with the First Reserve staff responsible for formulating and implementing the investment strategies of each First Reserve Fund (collectively, the "Investment Staff") to review and stay informed about current activities in each portfolio, the status of all First Reserve Fund investments and administrative matters. First Reserve's current view on industry trends, market conditions and other relevant items are also discussed at such time. The members of each Investment Committee then meet amongst themselves to discuss certain transactions in more detail and further deliberate the relative merits and risks of proposed investments with the Investment Staff involved in order to encourage candid dialog and, ultimately, to vote on each investment decision.

The Investment Committees and First Reserve's entire Investment Staff work together to identify and vet possible investment opportunities for the First Reserve Funds. First Reserve employs various methods of analysis, including fundamental and technical methods, when analyzing potential investments.

### *Investment Strategy*

First Reserve's overall strategy is to identify emerging trends in the global energy and natural resources industries and engage in transactions with market participants to capitalize on those trends.

### *Private Equity Funds*

The Private Equity Funds generally target equity and equity-related investments in energy and natural resource companies throughout the world. The Private Equity Funds generally focus on companies in which First Reserve can have significant influence through the Fund's ownership position and board representation. Certain other investments, particularly those in less-traditional sectors of the energy and natural resources industries or in emerging markets, are structured from time to time so that First Reserve will work closely with an experienced industry or regional partner. This general focus is supplemented with a differentiated and what First Reserve believes to be a risk-mitigated approach in the midstream and downstream sectors that at the same time offer returns consistent with the Private Equity Funds' objectives. With respect to all investments, First Reserve seeks to bring to bear its industry and strategic expertise.

The Private Equity Funds focus on capitalizing on primary investment themes identified for each First Reserve Fund, including the decades long underinvestment in worldwide energy

infrastructure, the increased importance of North American shale production, the increased focus on safety and regulation-driven environment, social and governance expenditures for aging and new infrastructure, new or improved technologies and the global nature of the energy and natural resources industry. In evaluating potential portfolio investments, First Reserve conducts extensive due diligence to analyze, among other things, the target company's market and competitive position, the target company's cost and revenue structures, the target company's assets, management team, contingent liabilities (environmental, regulatory, accounting or otherwise), integrity and compliance, potential growth opportunities and First Reserve's potential exit strategies.

First Reserve has invested in a range of segments within the energy and natural resources industry historically and currently intends to focus its Private Equity Funds' strategy in the following investment areas: (1) Resources (which includes oil, gas, coal, mining and minerals), (2) Equipment and Services, and (3) Midstream and Downstream.

The balance of the Private Equity Funds generally has been invested in power assets, renewables and energy related insurance and financial investments, although First Reserve currently does not intend to focus on new investments in those sectors in the future.

### Debt Funds

First Reserve's investment strategy with respect to the Debt Funds focuses on investments in no larger than \$40 million senior and senior subordinated debt primarily in energy-related infrastructure businesses, but may also include non-controlling equity and other interests including mezzanine capital, preferred stock, convertible securities and other contractual rights or instruments in such businesses. These investments will be made solely in a diversified portfolio of companies involved in the energy and natural resources industries.

Prospective investors in any First Reserve Fund, including the Private Equity Funds and the Debt Funds or any investment vehicle sponsored by First Reserve, should be aware that an investment in any such First Reserve Fund or investment vehicle involves a high degree of risk. Each investor should carefully consider the following risks, along with the risk factors and potential conflicts of interest described in the applicable Confidential Private Placement Memorandum, disclosure materials, overview, confidential information memorandum, or subscription documents, as applicable, of the First Reserve Fund or vehicle. As a result of these risks, and other risks inherent in any investment, there can be no assurance that any First Reserve Fund or investment vehicle will meet its investment objectives or otherwise be able to carry out its investment program successfully or that an investor will receive a return of its capital.

### Risks

No Assurance of Investment Return. There can be no assurance that any First Reserve Fund will be able to generate returns for its Investors or that the returns will be commensurate with the risks of investing in the type of investments in which such First Reserve Fund participates. Accordingly, an investment in a First Reserve Fund should only be considered by persons who can afford a loss of their entire investment. Past activities of investment entities associated with First Reserve

provide no assurance of future success. There can be no assurance that projected or targeted returns for any First Reserve Fund will be achieved.

General Business and Management Risk. Investments in the portfolio companies of the First Reserve Funds subject the First Reserve Funds to the general risks associated with the underlying businesses, including, but not limited to, market conditions, changes in regulatory requirements, reliance on management at the portfolio company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases the relevant First Reserve Advisor will monitor portfolio company management, management of each portfolio company will generally have day-to-day responsibility of such portfolio company. Further, a First Reserve Fund's success will depend in large part upon the skill and expertise of the Investment Staff of First Reserve, and there can be no assurance that any individual First Reserve professional will continue to be associated with the First Reserve Funds. The General Partner and First Reserve Advisor of a First Reserve Fund will have exclusive responsibility for a First Reserve Fund's activities, and, other than as may be set forth in a First Reserve Fund's governing documents, Investors will not be able to make investment or any other decisions concerning the management of a First Reserve Fund.

Illiquid and Long-Term Investment Risks. An investment in a First Reserve Fund requires a long-term commitment with no certainty of return. Many of a First Reserve Fund's investments will be highly illiquid, and there can be no assurance that a First Reserve Fund will be able to realize on such investments in a timely manner. Although a First Reserve Fund's investments may occasionally generate current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition or refinancing of such investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment is made. It is unlikely that there will be a public market for the securities held by the First Reserve Funds at the time of their acquisition. The First Reserve Funds will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the First Reserve Funds are prohibited for contractual, legal or regulatory reasons from selling certain securities for a period of time. To the extent that there is no trading market for an investment, a First Reserve Fund may be unable to liquidate that investment or may be unable to do so at a profit. Moreover, there can be no assurances that private purchasers of the First Reserve Funds' investments will be found.

Risks relating to Due Diligence of and Conduct at Portfolio Companies. Before making investments, a First Reserve Advisor will typically conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties are involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors, consultants and other third parties may present a number of risks primarily relating to First Reserve's reduced control of the functions that are outsourced. In addition, if the First Reserve Advisor is unable to timely engage

third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, the General Partner and/or the First Reserve Advisor will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that First Reserve Advisor carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. There can be no assurance that attempts to provide downside protection with respect to investments will achieve their desired effect and potential investors should regard an investment in a First Reserve Fund as being speculative and having a high degree of risk.

Use of Leverage. The investments of the First Reserve Funds include companies whose capital structures have significant leverage. In addition, investments are consummated through the use of significant leverage. While investments in leveraged companies and the use of leverage in financing transactions offer the opportunity for capital appreciation, and First Reserve Advisors will seek to use leverage in a manner they believe to be prudent, such investments and use of leverage also involve a higher degree of risk and increase the investment's exposure to adverse economic factors such as rising interest rates and downturns in the economy. To the extent a portfolio company utilizes leverage, any recession, operating problem, deterioration in the condition of the portfolio company or its industry or any other general business and economic risk may have a more pronounced effect on the profitability or survival of such portfolio company. As a general matter, the presence of leverage can accelerate losses. In using leverage, portfolio companies may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair their ability to finance or otherwise pursue their future operations or otherwise satisfy additional capital needs. Moreover, rising interest rates may significantly increase portfolio company interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, a First Reserve Fund may suffer a partial or total loss of capital invested in such portfolio company. To the extent there is not ample availability of financing for leveraged transactions (e.g. due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders) a First Reserve Fund's ability to consummate certain transactions could be impaired. See also "—Market Conditions" below.

In addition, to the extent that the General Partner of a First Reserve Fund has the right, at its option, to cause the First Reserve Fund to borrow money (including the drawn portion of letters of credit) for the purpose of paying operational expenses, covering management fees, providing interim financing to the extent necessary to consummate the purchase or financing of investments prior to the completion of the permanent debt or equity financing therefor or prior to the receipt of capital contributions therefor, and/or making payments to withdrawing Limited Partners, such borrowing exposes such First Reserve Fund to refinancing, recourse and other risks, and such borrowing may be in addition to, or in lieu of (or a replacement for), debt at the asset level. Notwithstanding that the General Partner will seek to incur and manage such facilities effectively, the interest expense and other costs incurred in connection with such borrowings may not be recovered by appreciation in the investments purchased or carried. In addition, with respect to any asset-backed facility entered into by a First Reserve Fund (or an affiliate thereof), a decrease in the market value of such First Reserve Fund's investments would increase the effective amount of leverage and could result

in the possibility of a violation of certain financial covenants pursuant to which such First Reserve Fund must either repay the borrowed funds to the lender, which could, subject to any limitations set forth in the governing document of such First Reserve Fund, require its Limited Partners to make capital contributions in respect of such borrowings, or suffer foreclosure or forced liquidation of the pledged assets. Liquidation of a First Reserve Fund's investments at an inopportune time in order to satisfy such financial covenants could adversely impact the performance of a First Reserve Fund and could, if the value of its investments had declined significantly, cause a First Reserve Fund to lose all or a substantial amount of its capital. Moreover, if capital contributions were required to satisfy such financial covenants, this would effectively reduce the amount of capital available for other investments and could adversely affect the diversification of a First Reserve Fund's portfolio. In the event of a sudden, precipitous drop in the value of a First Reserve Fund's assets, a First Reserve Fund might not be able to dispose of assets quickly enough to pay off its debt, resulting in a foreclosure or other total loss of some or all of the pledged assets. Fund-level debt facilities typically include other covenants such as, but not limited to, covenants against a First Reserve Fund making distributions to Partners if there is a default under a First Reserve Fund-level debt facility and covenants against a First Reserve Fund incurring or being in default under other recourse debt, including certain guarantees of asset level debt by a First Reserve Fund. Any breach of those covenants could cause adverse consequences to a First Reserve Fund if it is unable to cure or otherwise mitigate such breach. A First Reserve Fund may need to refinance its outstanding debt as it matures. There is a risk that a First Reserve Fund may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of the existing loan agreements. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. These risks could adversely affect a First Reserve Fund's financial condition, cash flows and return on its investments. Recourse debt, which a First Reserve Fund reserves the right to obtain, may subject other assets of a First Reserve Fund to the risk of loss and the Partner's capital commitments to be called or a First Reserve Fund's assets to be sold to satisfy such debt. Full or partial recourse debt may also limit the ability of a First Reserve Fund to effect a debt restructuring at or prior to maturity of the debt.

Incurrence of indebtedness at the level of a First Reserve Fund (or entity through which it invests) may, among others, have the following consequences, including, but not limited to: (i) greater fluctuations in the net asset value of a First Reserve Fund's assets; (ii) use of cash flow (including capital contributions) for debt service, distributions, or other purposes; (iii) to the extent that a First Reserve Fund's revenues are required to meet principal payments, the Partners may be allocated income (and therefore tax liability) in excess of cash distributed; and (iv) in certain circumstances, a First Reserve Fund may be required to dispose of investments at a loss or otherwise on unattractive terms in order to service its debt obligations or meet its debt covenants. There can be no assurance that a First Reserve Fund will have sufficient cash flow to meet its debt service obligations. As a result, a First Reserve Fund's exposure to foreclosure and other losses may be increased due to the illiquidity of its investments.

A First Reserve Fund may also guarantee obligations (including undrawn portions of letters of credit) in connection with investments (including, without limitation, guarantees with respect to completion, recourse, creditworthiness, misconduct, environmental matters, and capital contributions to a participating co-investment vehicle) or collateralize loans or other extensions of credit made to, or obligations of, any current or prospective vehicle through which investments are

made or held directly or indirectly (or any subsidiary thereof), any vehicle formed to effect the acquisition thereof, any parallel vehicle, alternative investment vehicle or co-investment vehicle or, in each case, any affiliate thereof (including, without limitation, to cover a First Reserve Fund's expenses and organizational expenses, pay management fees, make investments, and provide interim financing to the extent necessary to consummate the purchase of investments prior to completion of the permanent debt financing therefor or prior to the receipt of capital contributions).

Borrowings by a First Reserve Fund may be secured by, among other things, the Limited Partners' unpaid commitments and/or by a First Reserve Fund's assets, including investments. This may limit the Partners' ability to use their interests in a First Reserve Fund as collateral for other indebtedness. Subject to the terms of a First Reserve Fund's limited partnership agreement, lenders to a First Reserve Fund may include Limited Partners and their affiliates and/or the limited partners (or affiliates of limited partners) of any parallel vehicle and other First Reserve vehicles. In connection therewith, Limited Partners may be required to execute an investor acknowledgement for the benefit of the lenders under the subscription-based credit facility and may be required to acknowledge their obligations to pay their share of indebtedness up to their unpaid commitment. If a First Reserve Fund defaults on secured indebtedness, the lender may foreclose and a First Reserve Fund could lose its entire investment in the security for such loan and/or the lender may issue a drawdown notice for the purpose of repaying the secured indebtedness. If a First Reserve Fund itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a First Reserve Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability. In connection with one or more credit facilities entered into by a First Reserve Fund, distributions to the Limited Partners may be subordinated to payments required in connection with any indebtedness contemplated thereby. The exercise by any lenders of their drawdown right under a subscription-based credit facility would reduce the amount of capital otherwise available to a First Reserve Fund for making investments and may negatively impact a First Reserve Fund's ability to make investments or achieve its investment objectives.

To the extent that a First Reserve Fund co-invests with any vehicles managed or controlled by First Reserve, including any other First Reserve Funds, vehicles and accounts, a First Reserve Fund may incur indebtedness and guarantee obligations together with such vehicles on a joint and several or cross-collateralized basis (which may be on an investment-by-investment or portfolio wide basis). While such arrangements may be joint and several with respect to a First Reserve Fund, such arrangements may not necessarily impose reciprocal joint and several obligations on such vehicles. As a result of the incurrence of indebtedness on a joint and several or cross-collateralized basis, a First Reserve Fund may be required to contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such vehicles are unable to repay their pro rata share of such indebtedness. Moreover, a First Reserve Fund could also lose its interests in performing investments in the event such performing investments are cross-collateralized with poorly performing or non-performing investments.

Controlling Interests. Because of its equity ownership, representation on the board of directors and/or contractual rights, a First Reserve Fund is often considered to control, participate in the management of or influence the conduct of portfolio companies. Under certain circumstances, such ownership or roles could be used by third parties as the basis for such parties to assert claims

against such First Reserve Fund or its affiliates whether or not there is any actual liability on such basis. If these liabilities were to arise, such First Reserve Fund could suffer a significant loss.

Market Conditions. The success of a First Reserve Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws and regulations (including laws relating to taxation of a First Reserve Fund's investments), trade barriers, currency exchange controls, and national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts or security operations) in respect of the countries in which a First Reserve Fund may invest. These factors may affect the level and volatility of securities prices and the liquidity of a First Reserve Fund's investments, which could impair a First Reserve Fund's profitability or result in losses. In addition, general fluctuations in the market prices of securities and interest rates may affect a First Reserve Fund's investment opportunities and the value of a First Reserve Fund's investments. First Reserve's financial condition may be adversely affected by a significant general economic downturn and it may be subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on First Reserve's business and operations and thereby could impact a First Reserve Fund. Recent volatility in the global financial markets and political systems of certain European countries (e.g., the United Kingdom ("UK")) may have adverse spill-over effects into the global financial markets generally and the U.S. markets in particular.

Moreover, a recession, slowdown and/or sustained downturn in the U.S. or global economies (or any particular segment thereof) or weakening of credit markets could adversely affect a First Reserve Fund's profitability, impede the ability of a First Reserve Fund's portfolio companies to perform under or refinance their existing obligations, and impair a First Reserve Fund's ability to effectively exit investments on favorable terms. Any of the foregoing events could result in substantial or total losses to a First Reserve Fund in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a particular portfolio company's capital structure. First Reserve itself could also be affected by difficult conditions in the capital markets and any overall weakening of the financial services industry in particular or of the U.S. and/or global economies generally. Similarly, First Reserve's portfolio companies historically have regularly utilized the corporate debt markets in order to obtain financing for their operations. Any market turmoil, coupled with the threat of an economic slow-down, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally, which in turn may adversely affect or restrict the ability of a First Reserve Fund to sell or liquidate investments at favorable times or at favorable prices or which otherwise may have an adverse impact on the business and operations of a First Reserve Fund, restrict a First Reserve Fund's investment activities and/or impede a First Reserve Fund's ability to effectively achieve its investment objective.

UK's Exit from the European Union. The UK formally notified the European Council of its intention to leave the European Union ("EU") on March 29, 2017. Under the process for leaving the EU, the UK will remain a member state until a withdrawal agreement is entered into, or failing that, two years following the notification of its intention to leave – although that deadline can be extended by agreement.

Under guidelines published by the European Council, the negotiations for leaving are intended to produce an agreement that ensures an orderly withdrawal from the EU and a political declaration outlining a framework for a future relationship between the UK and the EU.

The government and the EU have agreed the text of a withdrawal agreement and a political declaration on a future relationship, but the withdrawal agreement has been rejected by the UK Parliament on two occasions and there is no guarantee that it can be rendered acceptable to Parliament in the time available, or at all. The UK has requested an extension of the deadline from EU. The EU Council is agreeable to a short extension for the purpose of (i) putting the withdrawal agreement back to Parliament for approval and (ii) considering further options if the withdrawal agreement is again rejected.

The UK will therefore remain a member state subject to EU law with privileges to provide services under the single market directives until at least March 29, 2019, but even though the EU is agreeable to an extension, any further privileges after March 29, 2019 will depend on some form of affirmative action taken by the UK, such as, adopting the proposed withdrawal agreement (which provides for a transition or implementation period), amending current UK law to provide for an extension to an (as yet) unspecified date, or (in theory) even revoking its notification to leave the EU.

Currently, the EU provides a single market for goods and services, seeking to ensure the free movement of goods within the EU and seeking to eliminate obstacles to trade and the provision of services within the Union. The single market directives in financial services provide mutual access rights to markets and market infrastructure across the European Economic Area (“EEA”). Entities authorized or licensed in their home member state under sectoral legislation relating to banking, investment services, insurance or fund management may provide services and offer financial products on a cross-border basis in other EEA host countries in reliance on passporting rights without the need for additional approval from the host state regulator.

In the absence of an agreement between the UK and the EU on an orderly withdrawal, or without implementing an extension, or without the revocation of the UK’s notification to leave the EU, the UK will become a third country vis-à-vis the EU on March 29, 2019 (or potentially at the end of any extension period), i.e., a “no-deal Brexit” scenario. As a third country, the UK will cease to have access to the single market and will no longer be a member of the EU customs union. The cross-border trade in goods between the UK and EU member states will, in such circumstances, depend on any multilateral trade agreements to which both the EU and the UK are parties (such as those administered by the World Trade Organization), and the provision of services by UK firms will be restricted to those that could be provided by firms established in any third country.

Amongst other consequences, a no-deal Brexit could immediately result in a tariff on goods flowing between the UK and the EU, customs checks which extend the time during which goods are in transit, uncertainty with respect to fiscal cooperation (including withholding tax arrangements), the interruption of the provision of ongoing cross-border services, and restrictions on movements of employees and prospective employees.

The UK has indicated that it will provide a temporary permissions regime to permit firms established in the EEA to continue offering their services in the UK, and intends to enshrine

existing EU law into UK domestic law as of the date of the UK's departure. There is no expectation that the EU will reciprocate in facilitating access to its markets following a no-deal Brexit. While some EU directives contemplate access to EU markets by firms established in countries deemed to have equivalent standards, even if UK domestic law continues to be equivalent to EU law for the foreseeable future, there is no certainty that the EU would facilitate findings of equivalency in a timely fashion following a no-deal Brexit. It is therefore expected that following a no-deal Brexit UK regulated entities will lose the right to passport their services into the EEA and market infrastructure operated in the UK will cease to have the benefits of being part of the single market.

UK regulated firms and other UK businesses that currently depend on the free movement of goods (without tariff and non-tariff barriers), or the provision of cross-border services between the UK and the EEA, will be adversely affected by a no-deal Brexit absent some contingency plan. Equally, if a withdrawal agreement is reached and a transition or implementation period is secured, UK regulated firms and other UK businesses could still be adversely affected by the terms ultimately agreed for a future trading relation with the EU. A tariff on goods, customs checks, the inability to provide cross-border services, changes in withholding tax, restrictions on movements of employees, etc., all have the potential to materially impair the profitability of a business, require it to adapt or even relocate.

Regardless of whether the UK ultimately secures a withdrawal agreement that allows for an orderly transition to a future relationship with the EU, as the departure date approaches without the prospect of an orderly transition period, many businesses become unable to postpone executing their contingency plans. Contingency planning for some businesses involves re-establishing the business in a member state of the EU, moving personnel and, if applicable, seeking authorization from the local regulator – all of which are costly, disruptive and potentially inefficient if a business presence is also required in the UK.

Uncertainty about the way in which these many and complex issues will be resolved (and whether by agreement or through the absence of any agreement) could adversely affect the First Reserve Funds, its investment funds and portfolio companies (especially if its investment funds include, or expose it to, businesses that depend on access to the single market, the customs union, or whose value is affected adversely by the UK's future relationship with the EU).

In summary, at the present time there is uncertainty as to how the UK's withdrawal from the EU will be implemented and what the economic, tax, fiscal, legal, regulatory and other implications will be, principally for the UK, but also for the broader European and global financial markets. Given the size and importance of the UK's economy, uncertainty or unpredictability about the terms of its withdrawal and its future legal, political and/or economic relationships with Europe is now, and may continue to be for the foreseeable future (including beyond the date of the UK's withdrawal from the EU), a source of instability, significant currency fluctuations and/or other adverse effects on international markets, international trade agreements and/or other existing cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise). The withdrawal of the UK from the EU could therefore adversely affect the First Reserve Funds, its investment funds and fund portfolio companies. In addition, although it seems less likely now than at the time of Britain's referendum, the withdrawal of the UK from the EU could have a further destabilizing effect if any other member states were to consider withdrawing

from the EU, presenting similar and/or additional potential risks and consequences for the First Reserve Funds, its investment funds and fund portfolio companies.

Highly Competitive Market for Investment Opportunities; Risk of Limited Number of Investments; Concentration of Investments in the Energy and Natural Resources Industries. The activity of identifying, completing and realizing attractive private equity investments is highly competitive, and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. Further, there continues to be a significant amount of equity capital available for private equity investment. Consequently, it is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to a First Reserve Fund and adversely affecting the terms upon which investments can be made. A First Reserve Fund will incur bid, due diligence or other costs on investments which may not be successful. As a result, a First Reserve Fund may not recover all of its costs, which would adversely affect returns. In addition, participation in auction transactions may also increase the pressure on a First Reserve Fund with respect to pricing of a transaction. Limited Partners will be dependent upon the judgment and ability of the General Partner in sourcing transactions and investing and managing the capital of a First Reserve Fund. There can be no assurance that a First Reserve Fund will be able to locate, consummate and exit investments that satisfy a First Reserve Fund's rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital. To the extent that First Reserve Funds encounter competition for investments, returns to investors may decrease.

The First Reserve Funds typically participate in a limited number of investments and, as a consequence, the aggregate return of a First Reserve Fund may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, other than as set forth in the governing documents of each First Reserve Fund, Investors have no assurance as to the degree of diversification of a First Reserve Fund's investments, either by geographic region or transaction type. To the extent a First Reserve Fund concentrates investments in a particular issuer, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto. In addition, the First Reserve Funds' investments are expected to be concentrated in the energy and natural resources industries. Such concentration involves risks greater than those generally associated with more diversified funds, including significant fluctuations in returns.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory changes could occur during the term of a First Reserve Fund that may adversely affect such First Reserve Fund. The regulatory environment for private investments and funds is evolving, and changes in the regulation of private investments or funds may adversely affect the value of investments held by a First Reserve Fund and the ability of such First Reserve Fund to effectively employ its investment strategies. Increased scrutiny and newly-proposed legislation applicable to private investments or funds and their sponsors may also impose significant administrative burdens on First Reserve and may divert time and attention from portfolio management activities. For example, the interest payments on the indebtedness used to finance First Reserve Fund investments have historically been deductible expenses for income tax purposes, subject to limitations under applicable tax law and policy. Any change in such tax law or policy to eliminate or substantially limit these income tax deductions, as has been discussed from time to time in various jurisdictions, would reduce the after-tax rates of

return on the affected investments, which may have an adverse impact on the financial results of affected First Reserve Fund investments.

There is a material risk that regulatory agencies in the U.S., Europe, Asia or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the alternative asset management (including private equity) industry, or other changes that could adversely affect alternative asset management firms, private equity firms and the funds they sponsor, including First Reserve Funds. In addition, and in particular light of the changing global regulatory climate, the First Reserve Funds may be required to register under certain foreign laws and regulations, and need to engage distributors or other agents in certain non-U.S. jurisdictions in order to market to potential investors, which may generally limit a First Reserve Fund's ability to raise capital and/or increase the costs and expenses borne by the investors in such First Reserve Fund.

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

Volatility of Commodity Prices. The performance of certain of the First Reserve Funds' investments will be substantially dependent upon prevailing prices of oil, natural gas, coal and other commodities (such as metals) and the differential between prices of specific commodities that are a primary factor in the profitability of certain conversion activities such as petroleum refining ("crack spread") and power generation ("spark spread"). In late 2014, global energy commodity prices declined precipitously as a result of several factors, including an increase in worldwide commodity supplies, a stronger U.S. dollar, relatively mild weather in large portions of the U.S. during winter months, and strong competition among oil producing countries for market share. These events continued into 2015 and early 2016 and led to a further decline in commodity prices. Despite a recent recovery in commodity prices, they are expected to continue to be volatile. Commodity prices are likely to continue to be volatile and subject to wide fluctuations in response to any of the following factors: (i) relatively minor changes in the supply of and demand for each commodity; (ii) market uncertainty; (iii) political conditions in international commodity producing regions; (iv) the extent of domestic production and the importation of commodities in certain relevant markets; (v) the foreign supply of commodities; (vi) the price of foreign imports; (vii) the price and availability of alternative fuels; (viii) the level of consumer demand; (ix) the recent imposition of tariffs by the U.S. and other countries; (x) the price of steel and the outlook for steel production; (xi) weather conditions; (xii) the competitive position of oil, gas or coal as a source of energy as compared with other energy sources; (xiii) the industry-wide refining or processing capacity for oil, gas or coal; (xiv) the effect of U.S. federal, state, local and non-U.S. regulation on the production, transportation and sale of commodities; (xv) with respect to the price of oil, actions of the Organization of Petroleum Exporting Countries; (xvi) the expected consumption of coking coal in steel production; (xvii) the amount and character of excess electric generating capacity in a market area; (xviii) overall economic conditions; and (xix) a variety of additional factors that are beyond the control of First Reserve or the First Reserve Funds. A substantial or extended decline in commodity prices may materially and adversely affect the First Reserve Funds' investment activities as well as the financial condition, results of

operations and liquidity of the First Reserve Funds' investments and the ability of such investments to finance planned capital expenditures.

*Energy or Infrastructure Assets Generally.* Investment in energy or infrastructure assets or businesses involves many significant risks that are relatively unique and potentially acute. Project revenues can be affected by a number of factors including economic conditions, political events, competition, regulation and the financial position and business strategy of customers. Unanticipated changes in the availability or price of inputs necessary for the operation of an energy or infrastructure asset may adversely affect the overall profitability of the investment. Events outside the control of a portfolio company, such as political action and governmental regulation, demographic changes, economic growth, increasing fuel prices, government macroeconomic policies, social stability, natural disasters, changes in weather, changes in demand for products or services, bankruptcy or financial difficulty of a major customer and/or acts of war or terrorism, could significantly reduce the revenues generated or significantly increase the expense of constructing, operating, maintaining or restoring energy or infrastructure facilities. In turn, this could impair a portfolio company's ability to repay its debt, make distributions to a First Reserve Fund or even result in termination of an applicable concession or other agreement. As a general matter, the operation and maintenance of energy or infrastructure assets or businesses involve various risks, many of which are not under the control of the owner/operator, including labor issues, failure of equipment to perform as anticipated, structural failures and accidents and the need to comply with the directives of government authorities. It is expected that portfolio companies will typically maintain insurance to protect against certain risks, where available on reasonable commercial terms, such as business interruption insurance, that is intended to offset loss of revenues during an operational interruption. Such insurance is subject to customary deductibles and coverage limits and may not be sufficient to recoup all of a portfolio company's losses. In addition, investments in energy or infrastructure assets or businesses may also be affected by the prevailing prices of related commodities such as oil, gas and coal, which are generally subject to significant fluctuation.

*Regulatory Risk & Approvals; Government, Agency and Rate Risk.* The energy and natural resources industries are subject to comprehensive U.S. federal, state, local and non-U.S. laws and regulations, including: the Clean Air Act, which imposes obligations related to air emissions; the Clean Water Act and Oil Pollution Act, which impose obligations related to discharges of pollutants into regulated bodies of water; the Safe Drinking Water Act; the Resource Conservation and Recovery Act, which imposes requirements for the handling and disposal of waste; the regulations and rulemakings by the Bureau of Ocean Energy Management and Bureau of Safety and Environmental Enforcement of the U.S. Department of the Interior, which impose permitting procedures and regulatory safety and performance requirements relating to oil and gas exploration and development in U.S. federal waters; the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), which regulates the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by a portfolio company or at locations to which a portfolio company has sent waste for disposal; the Environmental Protection Agency's community right to know regulations under Title III of CERCLA, which require a portfolio company to organize and/or disclose information about hazardous

materials used or produced in connection with operations; the Occupational Safety and Health Act, which establishes workplace standards for the protection of the health and safety of employees, including the implementation of hazard communications programs designed to inform employees about hazardous substances in the workplace, potential harmful effects of these substances, and appropriate control measures; the National Environmental Policy Act, which requires federal agencies to evaluate major agency actions having the potential to significantly impact the environment and which may require the preparation of environmental assessments and more detailed environmental impact statements that may be made available for public review and comment; the Migratory Bird Treaty Act, which implements various treaties and conventions between the U.S. and certain other nations for the protection of migratory birds and, pursuant to which the taking, killing, or possessing of migratory birds is unlawful without a permit, thereby potentially requiring the implementation of operating restrictions or a temporary, seasonal, or permanent ban on operations in affected areas; the Endangered Species Act, which seeks to ensure that activities do not jeopardize endangered or threatened animals, fish and plant species or their habitats; and U.S. federal, state, local and non-U.S. laws and regulations similar to the foregoing. Present, as well as future, statutes and regulations could cause additional expenditures, decreased revenues, restrictions and delays that could materially and adversely affect the portfolio companies and the prospects of the First Reserve Funds. Such investments also from time to time involve an ongoing commitment to or from a government agency and 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 portfolio companies and energy and natural resources related investments to a higher level of regulatory control and political risk than typically imposed on other businesses.

Regulatory changes in a jurisdiction in which a project or portfolio company is located or operates may make the continued operation of such project or company unfeasible or economically disadvantageous and any expenditures made with respect to such investment may be wholly or partially written off. The location of a project or portfolio company may also be subject to government exercise of eminent domain power, expropriation or similar events. Similarly, regulatory differences among jurisdictions where projects and/or portfolio companies are located or operate may make the commencement and/or continued operation of a project and/or portfolio company in a particular jurisdiction less feasible and/or less profitable than projects and/or portfolio companies in other jurisdictions. In any case, landowners will be entitled to compensation for the use of their property, and in eminent domain actions, such compensation may be determined by a court. The inability of a First Reserve Fund and/or the portfolio companies to obtain and maintain regulatory permits or right-of-way or rental agreements on acceptable terms could adversely impact a First Reserve Fund and/or the portfolio companies, including by impeding their ability to complete construction projects on time, on budget, or at all. Any of these factors could significantly increase the regulatory-related compliance and other expenses incurred with respect to investments and could significantly reduce or entirely eliminate any potential revenues generated by one or more of the investments, which could materially and adversely affect returns to a First Reserve Fund.

There can be no assurance that (i) existing regulations applicable to investments generally or the portfolio companies will not be revised or reinterpreted; (ii) new laws and regulations will not be adopted or become applicable to the portfolio companies; (iii) the technology and equipment selected by portfolio companies to comply with current and future regulatory requirements will meet such requirements; (iv) portfolio companies' business and financial conditions will not be materially and adversely affected by such future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws and regulations; or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

In addition, investments in renewable energy and related businesses and/or assets currently enjoy support from national, state and local governments and regulatory agencies designed to finance or support the financing development thereof. There can be no assurance that government support for renewable energy will continue or that favorable legislation will pass. To the extent any tax credits, other favorable tax treatment or other forms of support for renewable energy are changed, the First Reserve Funds' renewable energy investments would likely be negatively impacted.

Uncertainty of Estimates. Estimates of energy and natural resources reserves (e.g., hydrocarbon reserves or mineral reserves), and of factors such as solar energy intensity and movement of wind and water flow (for solar, wind and hydroelectric power, respectively) by qualified engineers, are often key factors in valuing certain energy and natural resources companies and related infrastructure assets or businesses. The process of estimating natural resources reserves and such other factors 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 or subject to such factors. Further, any significant inaccuracies in reserve estimates or underlying assumptions will materially affect the quantities and present value of the reserves. Reserve estimates for fields that do not have a lengthy production history are also less reliable than estimates for fields with lengthy production histories. Less production history may contribute to less accurate estimates of reserves, future production rates and the timing of development expenditures.

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 those. For example, global initiatives to minimize pollution have played a major role in the increase in demand for natural gas and alternative energy sources, creating numerous new investment opportunities. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. 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. From time to time, First Reserve

Funds invest in portfolio companies 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 portfolio companies and potential investments, including delays as the waiting periods to receive certain permits and other regulatory approvals have recently become longer. Additionally, compliance with such current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on a portfolio company, and there can be no assurance that the portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of the portfolio companies could also result in material personal injury or property damage claims. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership (such as a First Reserve Fund) subject to environmental liability.

*Catastrophe Risk; Force Majeure.* The operations of energy and natural resources companies and energy infrastructure assets targeted by First Reserve Funds 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, including: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism, inadvertent damage from construction and farm equipment, leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons, and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. There can be no assurance that the portfolio companies will be fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect a portfolio company's operations and financial condition.

*Drilling, Exploration, Development and Mining Risks.* From time to time, First Reserve Funds invest in businesses or projects that engage in exploration and development, a speculative business involving a high degree of risk beyond any First Reserve Fund's control. 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. 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. Mining is subject to inherent risks including unexpected equipment or maintenance problems, variations in geological conditions, natural disasters, underground mine flooding, environmental hazards, industrial accidents, explosions caused by the ignition of coal dust or other explosive materials at mines sites and fires caused by the spontaneous combustion of coal and, in certain cases, periodic labor unrest. Such risks may be more pronounced with respect to drilling in newer or emerging formations and areas that have limited or no production history, which may result in a portfolio company having a more limited ability to assess such risks.

*Power Purchase Agreement Risk.* Portfolio companies from time to time enter into power purchase agreements (“PPAs”). Payments by power purchasers to such companies or projects pursuant to their respective PPAs could provide the majority of such companies’ or projects’ cash flows. There can be no assurance that any or all of the power purchasers will fulfill their obligations under their PPAs or that a power purchaser will not become bankrupt or that upon any such bankruptcy its obligations under its respective PPA will not be rejected by a bankruptcy trustee. There are additional risks relating to the PPAs, including the occurrence of events beyond the control of a power purchaser that could excuse it from its obligation to accept and pay for delivery of energy generated by a company or project. The failure of a power purchaser to fulfill its obligations under any PPA or the termination of any PPA would likely have a material adverse effect on a portfolio company or project.

*Political and Societal Challenges.* Energy and energy-related projects are often subject to siting requirements. Siting of energy projects is also frequently subject to regulation by applicable governmental authorities. For example, proposals to site an energy plant or drilling are from time to time 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 extraction techniques used in connection with certain projects, including, without limitation, the use of natural gas hydraulic fracturing (also known as “fracking”) in the extraction of shale gas in order to enhance recovery, which often requires governmental permits or approvals and which has recently been the subject of heightened environmental concerns and public opposition in some jurisdictions. The failure of any portfolio company or project to receive, renew or maintain any required permits or approvals or any inability to satisfy any requirement of any permits or approvals would likely result in increased compliance costs, the need for additional capital expenditures or a suspension of operations.

*Sovereign Risk.* The rights of certain portfolio companies to extract mineral resources, or to generate, deliver or sell energy or related services and equipment are often 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 a First Reserve Fund or the relevant portfolio company or project under the relevant agreement. There can be no assurance that the relevant governmental entity will not legislate, impose regulations or change applicable laws or act contrary to the

law in a way that would materially and adversely affect the business of any relevant portfolio company or project.

*Trade Policy.* Political leaders in the U.S. and certain European nations have recently been elected on protectionist platforms, fueling doubts about the future of global free trade. The U.S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements and treaties with foreign countries. In addition, the U.S. government has recently imposed tariffs on certain foreign goods, including steel and aluminum and has indicated a willingness to impose tariffs on imports of other products. Some foreign governments, including China, have instituted retaliatory tariffs on certain U.S. goods and have indicated a willingness to impose additional tariffs on U.S. products. Global trade disruption, significant introductions of trade barriers and bilateral trade frictions, together with any future downturns in the global economy resulting therefrom, could adversely affect the financial performance of a First Reserve Fund and its investments.

*Terrorist Activities.* The continued threat of terrorism and the impact of military or other action have led to and will likely continue to cause volatility in prices for commodities and could affect the financial results of the First Reserve Funds. Further, the U.S. government has issued public warnings indicating that energy assets might be a specific target of terrorist organizations. The investments of the First Reserve Funds may involve significant strategic assets having a national or regional profile. The nature of these assets could expose them to a greater risk of being the subject of a terrorist attack than other assets or businesses. Any terrorist attacks that occur at or near such assets would likely cause significant harm to employees, property and, potentially, the surrounding community, and may result in losses far in excess of available insurance coverage. 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 a portfolio company may also have adverse consequences for all energy-related assets of that type or in the same vicinity, including those owned by a portfolio company, and may result in a portfolio company being forced to increase preventative security measures or expand its insurance coverage, adversely affecting the profitability of the investment therein. As a result of such a terrorist attack or terrorist activities in general, a First Reserve Fund may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all.

*Technical Risk.* Investments in the energy industry are 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 First Reserve Funds intend 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.

*New Technology Risk.* Historically, technology changes in the energy sector have resulted in gradual incremental improvements with no disruptive technology impacts. However, there are currently a number of scientific research institutions (including those supported by major venture capital firms and corporations) seeking to develop technologies designed to reduce dependence upon large scale fossil fuel generation. In the event that any such technology in the power generation sector is successfully developed and implemented, a First Reserve Fund's investments may be adversely affected.

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*Weather and Climatological Risks.* Certain energy companies may be particularly sensitive to weather and climate conditions. For example, solar power generators rely on the frequency and intensity of sunlight, wind turbines rely on the frequency and intensity of the wind, and companies focused on biomass rely on the production of crops, which can be adversely affected by droughts and other weather conditions.

*Cyber Security Breaches, Identity Theft, Privacy Breaches and Other Threats.* Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. First Reserve, its affiliates, the First Reserve Funds, the Limited Partners and/or their portfolio companies' and their service providers' information and technology systems may be vulnerable to damage or interruption from computer viruses and other malicious code, network failures, computer and telecommunication failures, security threats (including cyber security threats to and attacks on First Reserve's information technology infrastructure), infiltration by unauthorized persons and security breaches, usage errors by their respective professionals or service providers, power, communications, or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete, or modify private and sensitive information, including nonpublic personal information and material nonpublic information. Although First Reserve has implemented, and portfolio companies and their service providers may implement, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. First Reserve does not control the cybersecurity plans and systems put in place by third-party service providers, and such third-party service providers may have limited indemnification obligations to First Reserve, its affiliates, the First Reserve Funds, the Limited Partners and/or a portfolio company, each of whom could be negatively impacted as a result. Breaches such as those involving covertly introduced malware, impersonation of authorized users, and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing it from being addressed appropriately. First Reserve, its affiliates, the First Reserve Funds and/or a portfolio company may have to make a significant investment to fix or replace any information

and technology systems affected by any such breaches. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in First Reserve's, its affiliates', the First Reserve Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure or unauthorized disclosure of data could harm First Reserve's, its affiliates', the First Reserve Funds' and/or a portfolio company's reputation, subject any such entity and their respective affiliates to legal claims, increased costs, financial losses, data privacy breaches, regulatory intervention, and otherwise affect their business and financial performance. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

Debt Investments. The Debt Funds focus on the acquisition of, and the other First Reserve Funds may make investments in, debt, mezzanine capital, preferred stock, convertible securities and other contractual rights related to energy-related assets or businesses (each, a "Debt Investment"). Debt Investments involve certain additional risks, including the following.

Credit Risk. One of the fundamental risks associated with a Debt Investment is credit risk, which is the risk that an issuer will be unable to make principal and interest payments on its outstanding debt obligations when due. A Debt Investment's return would be adversely impacted if an issuer of such Debt Investment becomes unable to make such payments when due. Even if the General Partner believes a Debt Investment is secured by specific collateral the value of which initially exceeds the principal amount of such Debt Investment, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the First Reserve Funds could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Debt Investment. Under certain circumstances, collateral securing a Debt Investment may be released without the consent of the First Reserve Funds. Moreover, Debt Investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, the First Reserve Funds may not have priority over other creditors as anticipated. Debt Investments also include investments in leveraged loans, high yield securities, marketable and non-marketable common and preferred equity securities and other unsecured investments, each of which involves a higher degree of risk than senior secured loans. Furthermore, the First Reserve Funds' rights to payment and their security interests, if any, will be subordinated to the payment rights and security interests of senior lenders. Certain of these investments may have interest-only payment schedules, with the principal amount remaining outstanding and at risk until the maturity of the investment. In such cases, a portfolio company's ability to repay the principal of an investment will be dependent upon a liquidity event or the long-term success of the company, the occurrence of which is uncertain.

Investments in Senior Loans. The Debt Investments may include first lien senior secured debt and selected second lien senior secured debt, which involves a higher degree of risk of a loss of capital. The loans invested in by the First Reserve Funds may include term loans and revolving loans that may pay interest at a fixed or floating rate. The First Reserve Funds can also be expected to acquire interests in senior secured loans by way of sale or

assignment. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. In addition, if the First Reserve Funds acquire loans pursuant to an assignment, it is possible that the First Reserve Funds' claims become subject to attack (i.e., equitable subordination or disallowance) on account of the conduct of the transferor. Some of the senior secured loans acquired by the First Reserve Funds may be below investment grade. In terms of liquidity with respect to such investments, there can be no assurance that levels of supply and demand in senior secured loan trading will provide an adequate degree of liquidity for the First Reserve Funds' investments in senior secured loans.

The factors affecting an issuer's first and second lien leveraged loans, and its overall capital structure, are complex. Some first lien loans may not necessarily have priority over all other unsecured debt of an issuer. For example, some first lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company), or involve first liens only on specified assets of an issuer (e.g., excluding real estate). Issuers of first lien loans typically have two tranches of first lien debt outstanding each with first liens on separate collateral. Furthermore, the first and second liens generally only cover domestic assets and non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries). In the event of Chapter 11 filing by an issuer, Title 11 of the U.S. Code, as amended (the "Bankruptcy Code"), authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a prior lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer provides what the presiding bankruptcy judge considers to be "adequate protection," which typically consists of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of prior liens on the First Reserve Funds' collateral would adversely affect the priority of the liens and claims held by the First Reserve Funds and could adversely affect the First Reserve Funds' recovery on leveraged loans.

Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of the underlying assets selected as collateral may allow the First Reserve Funds to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to the First Reserve Funds in respect to its investment.

Further, loans may become non-performing for a variety of reasons. Upon a bankruptcy filing by an issuer of debt, the Bankruptcy Code imposes an automatic stay on payments of its pre-petition debt. Non-performing debt obligations may require substantial workout negotiations, restructuring or bankruptcy filings that would likely entail a substantial reduction in the interest rate, deferral of payments and/or a substantial write-down of the principal of a loan or conversion of some or all of the debt to equity. If an issuer were to

file for Chapter 11 reorganization, the Bankruptcy Code authorizes the issuer to restructure the terms of repayment of a class of debt even if the class fails to accept the restructuring as long as the restructured terms are “fair and equitable” to the class and certain other conditions are met.

Senior secured credit facilities are generally syndicated to a number of different financial market participants. The documentation governing the facilities typically requires either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the credit, such as waivers, amendments, or the exercise of remedies. In addition, voting to accept or reject the terms of a restructuring of a credit pursuant to a Chapter 11 plan of reorganization is done on a class basis. As a result of these voting regimes, the First Reserve Funds may not have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of debts owed to the First Reserve Funds.

Senior secured loans are also subject to other risks, including (i) the possible invalidation of a debt or lien as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) the recovery as a “preference” of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing, (iii) equitable subordination claims by other creditors, (iv) so-called “lender liability” claims by the issuer of the obligations, (v) environmental liabilities that arise with respect to collateral securing the obligations, and (vi) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality. Decisions in bankruptcy cases have held that a secondary loan market assignee can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination. Additionally, adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal bankruptcy, receivership or distressed exchange, can significantly diminish the value of the First Reserve Funds’ investment in any such company. Successful claims by third parties arising from these and other risks, absent bad faith, will be borne by the First Reserve Funds.

*Investments in Subordinated Debt Securities.* The First Reserve Funds’ investments in subordinated debt securities will be unsecured and rank behind the borrower’s senior indebtedness. While such subordinated debt investments may benefit from the same or similar financial and other covenants as those enjoyed by the indebtedness ranking ahead of the investments and may benefit from cross-default provisions and security over the portfolio company’s assets, some or all of such terms may not be part of particular investments. For example, under typical subordination terms, senior creditors are able to block the acceleration of the debt or the exercise by debt holders of other rights they have as creditors. In addition, Debt Investments may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and are not expected to be rated by a credit rating agency. Further, upon any distribution to a borrower’s creditors in a bankruptcy, liquidation or reorganization or similar proceeding, the holders of such borrower’s senior and/or secured indebtedness (to the extent of the collateral securing such obligation) will be entitled to be paid in full before any payment may be made on the First Reserve Funds’ subordinated debt securities. In the event of a

bankruptcy, liquidation or reorganization or similar proceeding relating to a borrower, the First Reserve Funds will participate with all other holders of such borrower's indebtedness in the assets remaining after the borrower has paid all of its senior and/or secured indebtedness (to the extent of the collateral securing such obligation). A borrower may not have sufficient funds to pay all of its creditors and the First Reserve Funds may receive nothing, or less, ratably, than the holders of senior and/or secured indebtedness of such borrower or the holders of indebtedness that is not subordinated.

*Investment in Mezzanine Investments.* The First Reserve Funds may invest a portion of their capital in investments that are unsecured and made in companies whose capital structures have significant indebtedness ranking ahead of the investments, all or a significant portion of which may be secured. While the investments may benefit from the same or similar financial and other covenants as those enjoyed by the indebtedness ranking ahead of the investments and may benefit from cross-default provisions and security over the portfolio company's assets, some or all of such terms may not be part of particular investments. Moreover, the ability of the First Reserve Funds to influence a portfolio company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. For example, under typical subordination terms, senior creditors are able to block the acceleration of the mezzanine debt or the exercise by mezzanine debt holders of other rights they have as creditors. Accordingly, the First Reserve Funds may not be able to take steps to protect their investments in a timely manner or at all and there can be no assurance that the rate of return objectives on any particular investment will be achieved. In addition, the mezzanine securities in which the First Reserve Funds may invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and are not expected to be rated by a credit rating agency.

Mezzanine investments generally are subject to various risks including, without limitation: (i) a subsequent characterization of an investment as a "fraudulent conveyance" under relevant creditors' rights laws possibly resulting in the avoidance of collateral securing the investment or the cancellation of the obligation representing the investment; (ii) the recovery as a "preference" of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing; (iii) equitable subordination claims by other creditors; (iv) so-called "lender liability" claims by the issuer of the obligations; and (v) environmental liabilities that arise with respect to collateral securing the obligations. In the U.S., at least one bankruptcy case has held that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination. Additionally, adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership or distressed exchange, can significantly diminish the value of the First Reserve Funds' investment in any such company.

Debt Investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the First Reserve Funds earlier than expected. This may happen when there is a decline in interest rates. Early repayments of

the Debt Investments may have a material adverse effect on the First Reserve Funds' investment objectives and the internal rate of return on invested capital. In addition, depending on fluctuations of the equity markets and other factors, warrants and other equity securities may become worthless.

The First Reserve Funds may seek mezzanine investments in various geographic locations and obtain structural and contractual protections with respect to the terms of its investments as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to its investments will achieve their desired effect. Prospective investors should regard Debt Investments as being speculative and having a high degree of risk.

*Investments in Participation Interests.* The First Reserve Funds may have a participation or derivative interest in (as opposed to direct ownership of) payments and interest on an investment in mezzanine securities and any related collateral or an indirect interest (for example, through a swap or other derivative instrument) in such a participation or derivative interest. In such cases, the First Reserve Funds will not have any direct rights against the issuers of the related notes, any direct rights or recourse in the collateral, if any, securing such notes, or any right to deal directly with any such issuers. The note holder typically retains the right to determine whether remedies provided for in the underlying indenture will be exercised, or waived, without any prior consultation with, or consent by, the applicable First Reserve Funds. In the event that a First Reserve Fund enters into such an indirect investment or derivative transaction, there can be no assurance that such First Reserve Fund's ability to realize upon a participation or derivative interest will not be interrupted or impaired in the event of the bankruptcy or insolvency of any of the borrower, the note holder or such First Reserve Fund's counterparty in such indirect investment or derivative transaction.

For additional information regarding the foregoing or the risks and conflicts with respect to any First Reserve Fund or investment vehicle sponsored by First Reserve, please see the Confidential Private Placement Memorandum, if applicable, or subscription documents of the applicable First Reserve Fund or investment vehicle.

## **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. Except as described below, First Reserve does not have any legal, financial or other "disciplinary" event to report.

On September 14, 2016, without admitting or denying any wrongdoing, First Reserve Management, L.P. consented to the entry of an order to cease and desist from committing or causing any violations and future violations of Sections 206(2) and 206(4) of the Advisers Act and Rules 206(4)-7 and 206(4)-8 thereunder (the "SEC Order"). According to the SEC Order, First Reserve (i) did not provide appropriate disclosure or receive effective consent regarding certain Private Equity Funds bearing, prior to June 2015, certain expenses of two entities formed as investment advisers to (and owned by) a portfolio company of those Private Equity Funds that was

a pooled investment vehicle, (ii) until 2013, caused the First Reserve Funds to pay insurance premiums for a liability policy covering First Reserve for risks that did not entirely arise from its management of the First Reserve Funds and (iii) did not provide, prior to 2014, disclosure that First Reserve received a legal fee discount from a law firm for itself for certain services while the First Reserve Funds did not receive a discount on the same services (although the Funds received certain discounts on other types of services). In addition, the SEC Order found that First Reserve did not adopt and implement written policies and procedures reasonably designed to prevent the above violations of the Advisers Act. First Reserve agreed as part of the settlement to pay a civil monetary penalty of \$3,500,000 to the SEC.

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

### *Other Financial Industry Affiliations*

First Reserve organizes and sponsors the First Reserve Funds, which are private investment companies. Each investment vehicle managed by First Reserve is controlled by a General Partner.

Although a First Reserve Advisor provides advisory services to each First Reserve Fund, the applicable General Partner is responsible for all decisions regarding portfolio transactions of a First Reserve Fund and has full discretion over the management of such First Reserve Fund's investment activities. While the General Partners and First Reserve Advisors 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. In addition, employees and certain persons acting on behalf of the First Reserve Advisors and General Partners are subject to the supervision and control of First Reserve and its Code of Ethics (see Item 11 below) together with its other compliance policies and procedures as adopted pursuant to the requirements of the Advisers Act, as applicable (in addition to applicable local laws and regulations). Thus, the General Partners and First Reserve Advisors, all of First Reserve's employees and certain persons acting on their behalf would be considered "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the General Partners and First Reserve Advisors.

First Reserve has a foreign affiliated entity, First Reserve International Limited ("FRIL"), an English company limited by shares, located in London, UK and registered with and governed by the regulations of the Financial Conduct Authority of the UK. FRIL performs certain sub-advisory services pursuant to sub-advisory agreements executed with the applicable First Reserve Advisor, including due diligence of portfolio company targets. Due diligence work performed is provided to the applicable First Reserve Fund's Investment Committee for review and investment determination. FRIL also meets with potential and current non-U.S. investors. FRIL does not make investment-related decisions.

Some of the First Reserve Funds' portfolio companies include, among others, investment advisers, and investment-related limited partnerships and limited liability companies. Such portfolio companies are operated by management teams that are independent of First Reserve. First Reserve believes that such portfolio companies do not create a material conflict of interest with First Reserve's Clients. First Reserve agrees to provide a list of such portfolio companies upon request.

Please also see Item 4, Advisory Business, above regarding the role of First Reserve Advisors.

#### *Other Financial Industry Activities*

Conflicts of interest may arise in connection with the allocation of investment opportunities between the Infrastructure Funds advised by BlackRock and the First Reserve Funds. First Reserve may be incentivized to offer certain potential investment opportunities to the Infrastructure Funds because of the ongoing economic interests retained by First Reserve as part of the Transaction, as described in Item 6, Performance Based Fees and Side-By-Side Management, above. During the term of the Cooperation Agreement, to the extent First Reserve identifies an energy infrastructure investment opportunity that it determines, in its sole and absolute discretion, may be appropriate for the Infrastructure Funds because of, among other things, (i) ownership or operation of energy-related or natural resource-based infrastructure assets that provide essential services to industries, communities or governments, (ii) investment characteristics that include the existence of long-lived real assets, returns reflecting stable cash flow and typically cash dividends and (iii) a lower risk/return profile than that targeted by the Private Equity Funds, it will use commercially reasonable efforts to refer such opportunity to BlackRock so that BlackRock may evaluate such investment opportunity for the Infrastructure Funds. However, First Reserve is not obligated to refer any such investment opportunity to BlackRock if doing so would violate any contractual, legal, fiduciary or other obligation of First Reserve (including any obligation to the First Reserve Funds) or if it determines in its sole and absolute discretion that the investment opportunity is appropriate for the First Reserve Funds or is not such an energy infrastructure investment as described above. First Reserve believes such conflicts of interest will be mitigated by the fact that the Infrastructure Funds and the First Reserve Funds generally invest in different types of investments, securities in different positions of a company's capital structure and/or asset classes, or investments with different risk/return profiles or characteristics.

In addition, an Infrastructure Fund may make investments in portfolio companies in which a Private Equity Fund or a Debt Fund, or a portfolio company thereof, has made or is concurrently making a different principal investment (e.g., in different parts of the capital structure). In such situations, such funds and/or portfolio company will likely have conflicting interests (e.g., over the terms of their respective investments and with respect to the timing of dispositions). In such cases, actions may be taken for the benefit of the Infrastructure Funds that may be adverse to the Private Equity Funds or the Debt Funds, and vice versa. In connection with such shared investments, First Reserve will generally seek to implement certain procedures to mitigate such conflicts of interest, including causing the relevant fund to recuse itself from participating in any decisions related to equity or debt securities and/or other obligations held by the other fund, including in each case with respect to actions and/or decisions with respect to defaults, foreclosures, workouts, restructurings and/or exit opportunities.

By reason of their responsibilities in connection with the Cooperation Agreement, from time to time, First Reserve and its related persons may come into possession of material, nonpublic and other confidential information from BlackRock. Under applicable law, First Reserve and its related persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, including a First Reserve Fund, regardless of whether such other person is an advisory client of First Reserve. Accordingly, should such

persons come into possession of material, nonpublic or other confidential information, they may be prohibited from communicating such information to, or using such information for the benefit of, the First Reserve Funds. Under applicable securities laws, this may limit First Reserve's ability to buy or sell securities issued by certain companies and the First Reserve Funds may be unable to engage in certain transactions they would otherwise find attractive, or may be able to engage in such transactions only during limited periods of time. Due to these restrictions, First Reserve may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Similarly, First Reserve may decline to receive material non-public information in order to avoid trading restrictions with regard to any other First Reserve Fund, even though access to such information may have been advantageous to a particular First Reserve Fund.

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

First Reserve 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 of the Advisers Act. Among other things, the Code requires First Reserve 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 many types of personal securities transactions. First Reserve also maintains policies and procedures to restrict affiliate transactions and avoid insider trading and the appearance of insider trading. First Reserve's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. Each General Partner and First Reserve Advisor, as well as their respective personnel, is subject to the Code and First Reserve'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 First Reserve's Compliance Department. Trading by employees and members of their household is monitored by First Reserve's Compliance Department in a wide range of securities that appear on restricted lists and confidential watch lists, including securities that the First Reserve Funds have purchased or are considering purchasing.

A copy of First Reserve's Code is available upon request to: Chief Compliance Officer, First Reserve, 290 Harbor Drive, Stamford, CT 06902.

#### *Potential Conflicts of Interest*

From time to time, the General Partners and their affiliates (including the First Reserve Advisors) encounter potential conflicts of interest with the First Reserve Funds. If any matter arises that a General Partner determines in its good faith judgment constitutes an actual conflict of interest, such General Partner may take such actions as it determines reasonably and acting in good faith may be necessary or appropriate to ameliorate the conflict. There can be no assurance that First Reserve will resolve all conflicts of interest in a manner that is favorable to the First Reserve Funds. The following discussion enumerates certain potential conflicts of interest, although the

discussion below does not necessarily describe all of the conflicts that may potentially be faced by a First Reserve Fund:

### *Principal Transactions*

First Reserve, as investment adviser, or an affiliate may, to the extent not prohibited by a First Reserve Fund's governing documents, engage in principal transactions (i.e., transactions where First Reserve or an affiliate is deemed to be acting for its own account by buying a security from, or selling a security to, a client, including a First Reserve Fund). A potential conflict of interest could arise in that the interested First Reserve-related person could benefit from such a purchase or sale of the applicable security by a First Reserve client.

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and its clients, on the other hand. Generally, pursuant to the Advisers Act, if First Reserve (or an affiliate) purchases a security from or sells a security to, a client, First Reserve must disclose the terms of the transaction to the client and obtain the consent of the client prior to engaging in the principal transaction. First Reserve has established policies and procedures to comply with the Advisers Act when engaging in principal transactions with clients. Additionally, each First Reserve Fund's governing documents generally limit principal transactions on a more restrictive basis than the Advisers Act.

### *Affiliated Transactions*

The governing documents of First Reserve Funds require that any transactions between a First Reserve Fund and First Reserve, its affiliates or certain senior First Reserve employees must be consummated on an arm's-length basis. Additionally, certain First Reserve Fund governing documents limit affiliated transactions on a more restrictive basis. Moreover, from time to time counterparties to transactions in which a First Reserve Fund participates (including lenders) may require such First Reserve Fund to guarantee, or otherwise be liable for, the obligations of other First Reserve Funds participating in such transactions.

### *Cross Transactions*

Generally, First Reserve does not affect cross transactions between First Reserve Funds; however, such cross transactions may be effected in rare instances. In the event that First Reserve does effect cross transactions between First Reserve Funds, First Reserve will seek to ensure that such transactions and any related disclosures are made consistent with applicable laws and agreements and First Reserve's policies and procedures. In particular, First Reserve will seek to ensure that the transaction is: (i) in First Reserve's judgment, in the best interest of each First Reserve Fund involved; (ii) in compliance with the relevant First Reserve Fund governing documents, including any investment guidelines or restrictions for those First Reserve Funds; (iii) entered into only after obtaining any required Advisory Board or Limited Partner approvals of the transaction's terms and conditions; and (iv) effected at a price that is comparable to the price that could be obtained through an arm's length transaction with a third party and that is otherwise fair to both parties.

### *Portfolio Company Representation*

From time to time, employees of First Reserve serve as directors and officers of certain portfolio companies and, in that capacity, are required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of the First Reserve Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of the First Reserve Advisor and such individual's duties as a director or officer of such portfolio company.

### *Allocation of Investment Opportunities*

In accordance with its fiduciary duty, First Reserve must allocate all investment opportunities to its clients on a fair and equitable basis and in accordance with all relevant guidelines and restrictions as outlined in the governing documents of each of the First Reserve Funds. If a particular investment opportunity falls within the investment objective of more than one First Reserve Fund, then First Reserve will allocate such opportunity (including, any related co-investment opportunities) among such entities on a basis that First Reserve reasonably determines in good faith to be fair and reasonable taking into account a number of considerations, including: the sourcing of the transaction, the nature of the investment focus of each First Reserve Fund, the relative amounts of capital available for investment, any diversification limitations and restrictions, portfolio diversification, target rates of return, expected hold periods, the possibility that other First Reserve Funds will invest in the same issuer or enter into a buy/sell transaction with such issuer and other considerations deemed relevant by First Reserve in good faith.

Each First Reserve Fund typically has a specified investment objective defined by certain parameters. From time to time investment opportunities are suitable for more than one First Reserve Fund and are allocated among multiple First Reserve Funds in accordance with First Reserve's allocation policies. The Investment Committee of the relevant First Reserve Fund has the discretion to construct what, in their business judgment, constitutes an appropriate investment portfolio for that First Reserve Fund. As such, in determining what they believe to be an appropriate portfolio for a particular First Reserve Fund, they may give consideration to factors in addition to those outlined above. As a result, it may not be desirable for a First Reserve Fund to participate in an investment opportunity or acquire all of an available investment opportunity.

In the event that multiple First Reserve Funds invest in the same securities, conflicts of interest may arise. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investment (including with respect to price and timing) for each First Reserve Fund may not be the same. Additionally, First Reserve Funds may have different expected termination dates and/or investment objectives (including target return profiles, projected holding periods and use of leverage) and First Reserve, as a result, may have conflicting goals with respect to the price and timing of disposition opportunities. Moreover, while First Reserve generally seeks to use reasonable efforts to avoid cross-guarantees and other similar arrangements, it is possible that a counterparty, lender or other unaffiliated participant in such transaction requires or desires facing only one fund entity or group of entities, which may result in (i) each First Reserve Fund being solely liable with respect to its own share as well as such other funds' or vehicles'

shares of the applicable obligation or (ii) each First Reserve Fund being jointly and severally liable for the full amount of such applicable obligation, in each case which may result in First Reserve Funds entering into a back-to-back or other similar reimbursement agreement. In such situations it is not expected that any First Reserve Fund would be compensated (or provide compensation to the other) for being primarily liable vis-à-vis such third-party counterparty. Furthermore, as a result of the incurrence of indebtedness on a joint and several or cross-collateralized basis, a First Reserve Fund may be required to contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such vehicles are unable to repay their pro rata share of such indebtedness.

The governing agreements of certain First Reserve Funds prohibit the investment by such Funds in any issuer in which First Reserve or any of its affiliates holds a debt or equity interest. Accordingly, holdings in the securities or debt of an issuer by a First Reserve Fund would restrict such other First Reserve Funds from investing in, or entering into certain other transactions with, such issuer. In addition, in the process of acquiring or selling investments, First Reserve, on behalf of one First Reserve Fund, may have to enter into contractual agreements with counterparties that may limit or restrict the ability of other First Reserve Funds from transacting in securities and debt associated with those counterparties.

In addition to First Reserve's right to permit one or more strategic investors to invest in transactions in which a First Reserve Fund invests, existing and prospective investors should note that from time to time General Partners offer co-investment opportunities in their sole discretion, are not expected to offer co-investment with respect to all investments of the applicable First Reserve Fund and will allocate any future co-investment opportunities in their sole discretion, including for example, on the basis of the size or timing of investor commitments to such First Reserve Fund, vehicles and accounts. The allocation of co-investment opportunities may involve a benefit to First Reserve including, without limitation, fees or carried interest from the co-investment opportunity and capital commitments to other First Reserve Funds. From time to time, First Reserve may have discretion with respect to the investment of co-investment capital.

Please also see Item 10, Other Financial Industry Activities and Affiliations, above regarding allocation of investment opportunities between the Infrastructure Funds and the First Reserve Funds.

#### *Investments in Which Another First Reserve Fund Has a Different Principal Investment*

A First Reserve Fund may make investments in portfolio companies in which another First Reserve Fund or a portfolio company thereof has made or is concurrently making a different principal investment (e.g., in different parts of the capital structure). In such situations, such First Reserve Funds and/or portfolio company will likely have conflicting interests (e.g., over the terms of their respective investments and with respect to the timing of dispositions).

#### *Other Activities*

Certain professionals of First Reserve responsible for one First Reserve Fund also manage the activities of other First Reserve Funds, which include involvement with existing portfolio

companies, and participate in other activities of First Reserve, including additional investments or funds and, therefore, conflicts may arise in the allocation of management resources.

Please also see Item 4, Advisory Business, above regarding certain other activities of certain First Reserve professionals in connection with the Cooperation Agreement.

#### *Other Fees and Expenses*

Should First Reserve form an affiliate that is a regulated broker-dealer, such affiliate may be entitled to receive certain offering, placement, syndication, underwriting, solicitation or similar fees in connection with the distribution of debt or equity securities of a portfolio company other than the securities being acquired by a First Reserve Fund. Limited Partners will receive the benefit of certain such fees as discussed in Item 5.

To the extent First Reserve receives any fees that result in an offset of the management fee payable by the Limited Partners as provided in the governing document of a First Reserve Fund, such fees will first be allocated among such First Reserve Fund, any other First Reserve Funds participating (or intending to participate) in such investment, and any co-investment vehicles participating (or intending to participate) in such investment. The amount of such fees allocable to other First Reserve Funds and co-investment vehicles will generally not result in an offset of the management fee payable by Limited Partners of such First Reserve Fund, even if other First Reserve Funds and co-investment vehicles provide for lower or no management fees for the investors or participants therein. The allocation of a portion of such fees to co-investment vehicles creates an incentive for First Reserve to offer co-investment opportunities and may result in other fees being received more frequently (or exclusively) in connection with investments that involve co-investment.

In addition, a First Reserve Fund may be allocated fees, costs and expenses related to in-house administrative, accounting and legal services provided by the relevant First Reserve Advisor or affiliates thereof to the extent permitted by the governing documents of such First Reserve Fund and in accordance with its expense allocation policy.

#### *Portfolio Company Relationships*

A First Reserve Fund's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of another First Reserve Fund, which although First Reserve determines them to be consistent with the requirements of such funds' governing agreements, may not have otherwise been entered into but for the affiliation with First Reserve, and which may involve fees, management promote and/or servicing payments to First Reserve-affiliated entities which are not subject to the management fee offset provisions described in Item 5. In addition, portfolio companies of First Reserve Funds may do business with, support, or have other relationships with competitors of First Reserve Funds' portfolio companies, and in that regard prospective investors should not assume that a company related to or otherwise affiliated with First Reserve will only take actions that are beneficial to or not opposed to the interests of First Reserve Funds and their portfolio companies.

First Reserve receives various kinds of entity data and information (including from portfolio companies and/or entities of First Reserve Funds), such as data and information relating to business operations, trends, budgets, customers and other metrics (this data is sometimes referred to as "big

data”). As a result, First Reserve may be better able to anticipate macroeconomic and other trends, and otherwise develop investment themes, as a result of information learned from a portfolio company. In furtherance of the foregoing, First Reserve may enter into information sharing and use arrangements with portfolio companies and/or entities. First Reserve believes that access to this information furthers the interests of the Limited Partners by providing opportunities for operational improvements across portfolio companies and/or entities and in connection with First Reserve Funds’ investment management activities. First Reserve may also utilize such information outside of First Reserve Funds’ activities in a manner that provides a material benefit to First Reserve and/or its affiliates, but not First Reserve Fund. The sharing and use of such information presents potential conflicts of interest, and any corresponding/resulting benefits received by First Reserve may not be subject to the management fee offset provisions or otherwise shared with the Limited Partners.

#### *Senior Advisors*

First Reserve engages and retains senior advisors who are not employees or affiliates of First Reserve and, from time to time, receive payments from, or allocations with respect to, portfolio companies for their services (including for serving on a portfolio company’s board of directors). In such circumstances, to the extent set forth in a First Reserve Fund’s governing documents, such payments from, or allocations with respect to, portfolio companies will not, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by First Reserve, be deemed paid to or received by First Reserve, and such amounts will not be subject to the management fee offset provisions described in Item 5. In addition, the governing documents of certain First Reserve Funds provide that all or a portion of the retainer payable to such Senior Advisor may be allocated to and payable by such First Reserve Fund. These senior advisors may have the right or may be offered the ability to co-invest alongside First Reserve Funds, including in those investments in which they are involved, or otherwise participate in equity plans for management of any such portfolio company (which may have the effect of reducing the amount invested by a First Reserve Fund in any investment). Additionally, and notwithstanding the foregoing, these senior advisors may be (or have the preferred right to be) investors in other First Reserve Funds.

#### *Capital Calls and Use of Subscription Lines and Asset-Backed Facilities*

A General Partner may fund the making of investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which can be, for example, the unfunded commitments of investors, i.e., subscription lines) prior to calling commitments. For administrative convenience, capital calls, including those used to pay interest on subscription lines, asset-back facilities and other indebtedness, are expected to from time to time be “batched” together into larger, less frequent capital calls or closings, with a First Reserve Fund’s interim capital needs being satisfied by First Reserve Advisors borrowing money from such credit facilities. In particular, it is expected that capital needs of a First Reserve Fund during the fundraising period may be met through drawdowns from such credit facilities rather than capital calls. The interest expense and other costs of any such borrowings will be expenses of the applicable First Reserve Fund and, accordingly, decrease net returns of such First Reserve Fund.

In addition, the batching of capital calls may amplify the magnitude of potential defaults by Limited Partners as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender or in the event of a margin call, such demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of liquidity constraints on Limited Partners and/or Limited Partners facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Finally, the existence of a subscription facility may impair a Limited Partner's ability to transfer its interest in a First Reserve Fund as a result of restrictions imposed on such transfers by the lender. To the extent that a First Reserve Fund is unable to obtain a subscription line or an asset-backed facility, determines that the terms of such facility would not be appropriate for such First Reserve Fund or otherwise determines not to use such facility or access to such facility otherwise becomes unavailable, First Reserve Advisors may determine to draw down capital commitments in advance and hold them in reserve in order to make investments, satisfy fees and expenses and other capital needs as such needs arise in the future.

It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return, which does not accrue on such borrowings and will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to a First Reserve Fund. As a result, the use of a subscription facility with respect to investments and ongoing capital needs may reduce or eliminate the preferred return received by the Limited Partners and accelerate or increase distributions of carried interest to the general partner of a First Reserve Fund. In light of the foregoing, First Reserve Advisors have an incentive to cause First Reserve Funds to borrow in this manner in lieu of drawing down commitments and therefore First Reserve Advisors may benefit from operating First Reserve Funds in this manner. As a general matter, use of leverage in lieu of drawing down commitments amplifies returns (either negative or positive) to Limited Partners.

First Reserve Funds may utilize their subscription-based credit facility and/or enter into other similar arrangements and extensions of credit for the benefit of co-investors and/or other First Reserve Funds that invest alongside the First Reserve Funds in one or more investments.

### *Valuation of Investments*

Valuations are subject to determinations, judgments and opinions and other third parties or investors may disagree with such valuations. There are situations in which First Reserve is incentivized to influence or manipulate the valuation of investments. For example, First Reserve could be motivated to minimize losses from writedowns (i) that must be returned to Investors prior to an affiliate receiving carried interest or (ii) for purposes of increasing the management fee payable to the relevant First Reserve Advisor. The valuation of investments may also affect the ability of First Reserve to raise a successor fund to any First Reserve Fund. As a result, there may be circumstances where First Reserve is incentivized to determine valuations that may be higher than the actual fair value of investments.

First Reserve investments are valued quarterly in accordance with ASC 820 (formerly, Statement of Financial Accounting Standards No. 157, Fair Value Measurements), which defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to

transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

The objective is to estimate the exchange price at which hypothetical willing marketplace participants would agree to transact. Accordingly, while the cost (or “entry price”) associated with a non-marketable asset held by a First Reserve Fund may be a consideration when assessing the asset’s fair value, the purpose of the assessment is to determine a fair sale (or “exit”) price, which may be ‘cost’ until there is a material change that would deem it necessary to carry an asset at a price other than cost.

First Reserve’s policy is to ensure that all portfolio investments are recorded at fair value on a consistent, transparent and reasonable basis. First Reserve will determine the fair value of the First Reserve Fund’s investments in the manner provided in the organizational, governing and offering documents of the relevant First Reserve Fund. In addition, First Reserve may engage independent third parties to provide assessed market value of certain portfolio company holdings. Except as otherwise set forth in the governing documents of a First Reserve Fund, First Reserve Funds are audited annually.

#### *Carried Interest; Distributions in Kind*

As discussed in Item 5 above, the existence of the General Partners’ carried interest may create an incentive for the General Partners to make riskier or more speculative investments on behalf of the First Reserve Funds than would be the case in the absence of this arrangement, although First Reserve’s commitment of capital to the First Reserve Funds should somewhat reduce this incentive. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by the General Partners in accordance with procedures set forth in the applicable governing documents of the applicable First Reserve Fund. An independent appraisal generally will not be required. In certain limited circumstances, the amount of carried interest will be calculated based on the fair market value of in-kind distributions, even though a Limited Partner may have elected to receive a distribution of cash in lieu thereof.

#### *Side Letters*

The General Partners of the First Reserve Funds have in the past entered into, and are expected in the future to enter into, side letter or other similar agreements with specific Investors with respect to a First Reserve Fund, without the approval of any other Investors, establishing rights under, or supplementing or altering the terms of, the applicable governing documents of such First Reserve Fund with respect to such specific Investors, including with respect to economic terms, fee structures, excuse rights, information rights, co-investment rights (including the provision of priority allocation rights to investors admitted to a First Reserve Fund within a prescribed period following the initial closing thereof or making or holding aggregate commitments of a certain size to one or more First Reserve Funds) and liquidity or transfer rights in a manner more favorable to such specific Investors than those applicable to any other Investors. While First Reserve has no obligation to offer all such additional rights, terms or conditions to any other Investor in such First Reserve Fund, First Reserve generally makes such terms of the side letters available to all Limited Partners of the relevant First Reserve Fund.

### *Transactions with Investors*

The General Partners and their affiliates from time to time engage in transactions with prospective and actual investors that entail business benefits to such investors. Such transactions may be entered into prior to or coincident with an investor's admission to the First Reserve Funds or during the term of their investment. The nature of such transactions can be diverse and may include benefits relating to the First Reserve Funds and their respective portfolio companies. Examples include the ability to co-invest alongside First Reserve Funds, the ability (subject to confidentiality, fiduciary, contractual and other considerations) to bid on the financing or disposition of portfolio companies of the First Reserve Funds, recommendations to underwriters for allocations in initial public offerings, and provision of training programs.

### *Material, Non-Public Information*

By reason of their responsibilities in connection with other activities of First Reserve or outside business activities, from time to time, certain employees of the First Reserve Advisors and their affiliates acquire confidential or material non-public information or are restricted from initiating transactions in certain securities. The First Reserve Funds will not be free to act upon any such information. Due to these restrictions, the First Reserve Funds from time to time will likely not be able to initiate a transaction that they otherwise might have initiated and from time to time will likely not be able to sell an investment that they otherwise might have sold.

### *Diverse Limited Partner Group*

The Limited Partners (and First Reserve professionals who have interests in the First Reserve Funds through their interests in the General Partners of the First Reserve Funds) have conflicting investment, tax and other interests with respect to their investments in the First Reserve Funds. The conflicting interests of individual Limited Partners with respect to other Limited Partners may relate to or arise from, among other things, the nature of investments made by the First Reserve Funds, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partners, the First Reserve Advisors or First Reserve, including with respect to the nature or structuring and managing of investments that may be more beneficial for one Limited Partner than for another Limited Partner, especially with respect to any Limited Partner's individual tax situations. In addition, the First Reserve Funds may make investments that may have a negative impact on related investments made by the Limited Partners in separate transactions. In selecting, structuring and managing investments appropriate for a First Reserve Fund, the General Partner will generally consider the investment and tax objectives of the First Reserve Fund and its Limited Partners (and those Limited Partner in other First Reserve Funds) as a whole, and not the investment, tax or other objectives of any Limited Partner individually. Limited Partners should note that, to the extent members of the Advisory Board or Limited Partners in a First Reserve Fund vote on any matter regarding conflicts or otherwise participate in matters involving a vote or action by those Limited Partners, any such Limited Partners in such First Reserve Fund may have an interest in other First Reserve Funds or other funds and, as a result, may not be motivated to vote solely in accordance with its interests related to such First Reserve Fund.

### *Allocation of Expenses*

An allocation among the First Reserve Funds of expenses generated in the course of evaluating and making investments are required in certain situations, such as where more than one First Reserve Fund considers making a particular investment. For instance, this might include the expenses of common counsel and other professionals. Any such allocation will be made in good faith in accordance with the applicable First Reserve Fund governing documents by the First Reserve Advisors, considering all factors deemed relevant. Any expenses shared by more than one First Reserve Fund in connection with evaluating and making consummated portfolio investments of the First Reserve Funds or broken deals generally are allocated pro rata based on each First Reserve Fund's invested capital (or, in the case of broken deals, the amount that would have been invested by each First Reserve Fund), as determined by First Reserve, although the General Partners typically structure co-investment participation such that their participants do not share in broken deal expenses. D&O liability insurance premiums borne by the First Reserve Funds will be allocated pro rata based on each First Reserve Fund's aggregate capital commitments. Other expenses are allocated by First Reserve in good faith.

### *Personnel*

First Reserve from time to time hires short-term or long-term personnel (or interns) who are relatives of or are otherwise associated with an investor, portfolio company or a service provider. Although reasonable efforts are made to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee that First Reserve can control for all such potential conflicts of interest, and there may continue to be an ongoing appearance of a conflict of interest. In most such circumstances, the governing documents of a First Reserve Fund will not preclude such First Reserve Fund from undertaking any particular investment activity and/or transaction. To the extent First Reserve determines appropriate, conflict mitigation strategies may be put in place with respect to a particular circumstance, such as internal information barriers or recusal, disclosure or other steps determined appropriate by First Reserve.

In addition, from time to time, certain First Reserve current and/or former personnel (including secondees and temporary personnel or consultants that may be short-term or long-term arrangements) may be seconded to or, in the case of former First Reserve personnel, be employed by, one or more portfolio companies and provide finance, administrative, consulting, legal, accounting and other services to such portfolio companies and the compensation for such personnel during the secondment or employment will be borne by the portfolio companies (in whole or in part). To the extent First Reserve receives any fees or expense reimbursement from the portfolio companies with respect to such personnel (or, in the case of former First Reserve personnel employed by such portfolio companies, to the extent such persons receive compensation from such portfolio companies), they will not be subject to the management fee offset and the Limited Partners may not receive the benefit of such fees or compensation. In addition, former employees of First Reserve may provide services to the First Reserve Funds, the General Partners and the First Reserve Advisors, including legal, information technology and accounting services, and such former employees could have an ownership interest in service providers described below.

### *Service Providers*

Services required by a First Reserve Fund (including some services historically provided by First Reserve to other First Reserve Funds) may for certain reasons, including efficiency considerations, be outsourced in whole or in part to third parties in the discretion of the relevant First Reserve Advisor or its General Partner in connection with the operation of such First Reserve Fund, the relevant First Reserve Advisor and the General Partner will have an incentive to outsource such services at the expense of such First Reserve Fund in order to leverage the use of First Reserve's employees. Such outsourced services may include, without limitation, deal sourcing, asset management, information technology, licensed software, data processing, trading, settlement, investor relations, administration, custodial, accounting, legal and tax support and other services. Outsourcing may not occur uniformly for all First Reserve Funds and, accordingly, certain costs may be incurred by one First Reserve Fund or portfolio company through the use of third-party service providers that are not incurred for comparable services used by other First Reserve Funds or portfolio companies. The decision by First Reserve to initially perform particular services in-house for a First Reserve Fund will not preclude a later decision to outsource such services, or any additional services, in whole or in part to third parties. The costs, fees or expenses of any such third-party service providers will be treated as partnership expenses borne by such First Reserve Fund. First Reserve will determine (in its discretion based on relevant experience, its belief regarding market practice and such other factors as it determines relevant under the circumstances) the fees, carried interest and other consideration payable to deal "sourcers" (who may be exclusive to First Reserve), asset managers and other service providers.

Certain advisors and other service providers (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents), or their affiliates, to a First Reserve Fund or its portfolio companies also provide goods or services to or have business, personal, political, financial or other relationships with First Reserve. Such advisors and service providers may be investors in a First Reserve Fund, affiliates of First Reserve, sources of investment opportunities or co-investors or counterparties with them. These relationships may influence First Reserve in deciding whether to select or recommend such a service provider to perform services for a First Reserve Fund or a portfolio company (the cost of which will generally be borne directly or indirectly by such First Reserve Fund or such portfolio company, as applicable). Notwithstanding the foregoing, investment transactions for a First Reserve Fund that require the use of a service provider will generally be allocated to service providers on the basis of First Reserve's judgment as to best execution, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that First Reserve believes to be of benefit to the First Reserve Fund. In certain circumstances, advisors and service providers, or their affiliates, charge different rates or have different arrangements for services provided to First Reserve and its affiliates as compared to services provided to the First Reserve Funds and their portfolio companies, which results in more favorable rates or arrangements than those payable by the First Reserve Funds or such portfolio companies, although First Reserve typically shares the benefit of such favorable arrangements with the First Reserve Funds.

Please also see Item 5, Fees and Compensation, above regarding a description of Other Fees and Broker Dealer Fees that may be received by First Reserve and its affiliates.

### *No Independent Advice*

The terms of the agreements and arrangements under which a First Reserve Fund is established and operated have been or will be established by the applicable General Partner and are not the result of arm's-length negotiations or representations of the Limited Partners by separate counsel. Limited Partners should therefore seek their own legal, tax and financial advice before making an investment in the First Reserve Funds.

### **Item 12. Brokerage Practices**

Although First Reserve does not generally utilize the services of broker-dealers for the purposes of executing portfolio investments of the First Reserve Funds (other than in respect of the Debt Funds), in the event it chooses to use a broker-dealer to the limited extent First Reserve transacts in public securities or makes other non-private equity investments (e.g., currency hedging) First Reserve seeks to obtain best execution of transactions. "Best execution" means obtaining for a Fund 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, First Reserve will consider various factors, including, without limitation: the reputation, experience and financial stability of the broker-dealer; the ability to maintain First Reserve'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 First Reserve Funds 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.

First Reserve has no formal arrangements with specific brokers or dealers to receive research or other services beyond transaction execution (so called "soft dollar" arrangements).

### **Item 13. Review of Accounts**

#### *Oversight and Monitoring*

The portfolio investments of the First Reserve Funds are generally private, illiquid and long-term; accordingly, First Reserve's review of them is not directed toward a short-term decision to dispose of securities. However, First Reserve's Investment Staff continuously monitor the portfolio investments of each First Reserve Fund and generally maintain an ongoing oversight position in such portfolio companies.

Periodically, First Reserve performs a bottom-up review of the portfolio of the First Reserve Funds, to monitor performance and gauge the market for timing an exit strategy.

## *Reporting*

First Reserve furnishes Limited Partners in the First Reserve Funds with annual audited financial statements (except in the case of a First Reserve Fund with a single Limited Partner) and K-1s, quarterly unaudited financial statements, and, except in the case of a First Reserve Fund with a single Limited Partner and certain co-investment vehicles, quarterly descriptive investment information for each of the portfolio companies. In addition, First Reserve generally provides Limited Partners with periodic portfolio update conference calls, newsletters, fund reports, performance reports, and summaries of the portfolio companies. It also provides detailed capital call and distribution statements. First Reserve also holds annual meetings with the Limited Partners (except in the case of a First Reserve Fund with a single Limited Partner and co-investment vehicles).

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

From time to time, First Reserve engages third-party placement agents (i.e., solicitors) to introduce prospective investors to the First Reserve Funds. While they are from time to time initially paid by the First Reserve Funds, the management fee payable to the relevant First Reserve Advisor is generally reduced by the amount of such expenses.

For details regarding economic benefits provided to First Reserve and its related persons by non-clients, please see Item 5, Fees and Compensation, above.

### **Item 15. Custody**

First Reserve has access to client accounts because its affiliates serve as the General Partners of the First Reserve Funds. Limited Partners will not receive statements from any custodians (except in the case of a First Reserve Fund with a single Limited Partner). Instead, the First Reserve Funds are generally 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 (the “PCAOB”). To the extent that a First Reserve Fund is subject to an annual audit, the audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to each Limited Partner in accordance with the applicable First Reserve Fund’s governing agreements. To the extent that a First Reserve Fund is not subject to such annual audit,

First Reserve engages a PCAOB major accounting firm to subject such First Reserve Fund’s assets to a surprise audit and provides requisite reporting to such First Reserve Fund.

### **Item 16. Investment Discretion**

The First Reserve Funds’ General Partners generally have discretionary authority to determine, without obtaining specific consent from the First Reserve Funds or their Limited Partners, the securities and the amounts to be bought or sold on behalf of the First Reserve Funds. Any limitations on authority are included in each First Reserve Fund’s Confidential Private Placement Memorandum, where applicable, and its governing documents.

## **Item 17. Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, First Reserve has adopted and implemented written policies and procedures governing the voting of client securities.

The First Reserve Funds are primarily invested in privately-held portfolio companies which typically do not issue proxies. However, upon occasion, First Reserve will receive proxies in connection with its publicly traded portfolio companies, in which case it is First Reserve's policy to exercise the proxy vote in the best interest of the First Reserve Funds, taking into consideration all relevant factors, including acting in a manner that First Reserve believes will (i) maximize the economic benefits to the relevant First Reserve Fund and (ii) promote sound corporate governance by the issuer. On rare occasion, First Reserve may be required to exercise a vote for a privately-held portfolio company, in which case the same procedures shall apply.

First Reserve will seek to avoid material conflicts of interest between its own interests, on the one hand, and the interests of its First Reserve Funds, on the other. However, as is typical with private equity investing, First Reserve seeks and accepts the election of a First Reserve representative to serve on the board of directors of a portfolio company on behalf of its First Reserve Funds and will typically, but not always, vote in favor of board recommendations. In situations where First Reserve is required to vote the proxy for a company in which employees of First Reserve serve on the board of directors, First Reserve has determined that this does not inherently present a conflict of interest, as the sole purpose of this representation is to maximize the return on the First Reserve Funds' investment in such portfolio company. Accordingly, while First Reserve is generally, but not automatically, fully supportive of recommendations made by a portfolio company's board of directors with respect to proxy votes related to that portfolio company, it will review all proxies in accordance with its proxy voting guidelines and may or may not vote in favor of the board's recommendation.

All conflicts of interest will be resolved in the best interests of the First Reserve Funds. Resolutions shall be reached after such conflicts are presented by the CCO to the President & CEO, the CFO and the CLO. In situations where such group perceives a material conflict of interest, First Reserve will: (i) disclose the conflict to the relevant First Reserve Fund's Advisory Board (or in the case of a First Reserve Fund with a single Limited Partner, such Limited Partner) and obtain the informed consent of such Advisory Board (or Limited Partner) as to the fact that a material conflict exists in voting the First Reserve Fund's proxy in a manner favored by First Reserve; (ii) defer to the voting recommendation of an independent third-party provider of proxy services (e.g., Institutional Shareholder Services, an independent proxy voting advisory and research firm); and/or (iii) take such other action in good faith which would protect the interests of the First Reserve Fund.

A copy of First Reserve's proxy voting policies and procedures, as well as specific information about how First Reserve has voted in the past, is available to existing Investors upon written request to: Compliance Department, First Reserve, 290 Harbor Drive, Stamford, CT 06902.

**Item 18. Financial Information**

First Reserve has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.