



## QUANTUM ENERGY PARTNERS

ITEM 1. COVER PAGE

### FORM ADV PART 2A - FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of QEP Advisers, LLC (the "Company" or "QEP Advisers"). QEP Advisers is the investment adviser to certain private funds sponsored by Quantum Energy Partners, LLC and its affiliates ("QEP" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at (713) 452-2000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about the Company is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration of an investment adviser does not imply any level of skill or training.

ITEM 2. MATERIAL CHANGES
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There have been no material changes to this brochure since the last annual update. However, the following routine changes have been made to this brochure since the filing of the last annual update:

- Revisions have been made in Item 4 and Item 10 with the respect to QEP Advisers' regulatory assets under management and financial industry affiliations.

ITEM 3. TABLE OF CONTENTS
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Item 1.	Cover Page.....	1
Item 2.	Material Changes .....	2
Item 3.	Table of Contents .....	3
Item 4.	Advisory Business.....	4
Item 5.	Fees and Compensation .....	5
Item 6.	Performance-Based Fees and Side-By-Side Management.....	7
Item 7.	Types of Clients .....	9
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9.	Disciplinary Information .....	29
Item 10.	Other Financial Industry Activities and Affiliations .....	30
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	31
Item 12.	Brokerage Practices .....	33
Item 13.	Review of Accounts.....	34
Item 14.	Client Referrals and Other Compensation .....	35
Item 15.	Custody .....	36
Item 16.	Investment Discretion .....	37
Item 17.	Voting Client Securities.....	38
Item 18.	Financial Information.....	39

#### ITEM 4. ADVISORY BUSINESS

QEP Advisers, LLC, a Delaware limited liability company, was formed in April 2014 to be the SEC registered investment adviser providing advisory services to investment funds sponsored by QEP from and after 2014 (each, an “Advisory Client”<sup>1</sup>). QEP Advisers is wholly owned by QEP Partners, LP, whose principal indirect owners are S. Wil VanLoh, Jr. and Dheeraj Verma.

QEP was founded in 1998 and has become one of the leading providers of private equity capital to the global energy industry, managing a family of energy-focused investment funds with a primary emphasis in the oil and gas, midstream, power generation and oilfield service sectors. These funds and related investment vehicles, including parallel and co-investment entities, are the Advisory Clients for which QEP Advisers and its related persons will direct the investment activities in accordance with the terms and provisions of the documents governing such entities.

Interests in QEP-sponsored investment funds are privately offered only to qualified investors (institutional investors and high net worth individuals) pursuant to exemptions available under the Securities Act of 1933, as amended (the “Securities Act”), and the regulations promulgated thereunder. None of the funds are registered with the SEC as investment companies based on specific exclusions from the Investment Company Act of 1940, as amended (“1940 Act”). Affiliates of QEP may invest in or alongside such Advisory Clients. In addition, a limited number of qualified individuals who are not employees of QEP but who have pre-existing business relationships with QEP or possess specific industry expertise may also invest in or alongside Advisory Clients.

Mr. VanLoh, together with James Baird, Dheeraj Verma, Garry Tanner and Bill Montgomery, serve on QEP’s Executive Committee, which is responsible for overall management of QEP’s activities. QEP has also established an Investment Committee, chaired by Mr. VanLoh and comprising other key members of QEP, which is responsible for making recommendations with respect to investments to be made by Advisory Clients.

QEP is managed by a small core of energy experts consisting of QEP founders and professionals who have spent most of their careers evaluating, managing and financing investments across multiple energy sectors complemented by a highly qualified team of energy investment professionals, each of whom has made or is expected to make a significant capital commitment to QEP-sponsored funds.

As of December 31, 2018, QEP Advisers managed approximately \$11,503,698,259 in regulatory assets under management, all of which was managed on a discretionary basis.

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<sup>1</sup> “Advisory Client” means any account or fund for which QEP Advisers provides investment advice on a discretionary or nondiscretionary basis. The investors and other persons who invest in QEP Advisers’ Advisory Clients are generally referred to herein as “investors.” Unless otherwise expressly stated herein, the term “Advisory Clients” does not include “investors.”

ITEM 5. FEES AND COMPENSATION
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### Management Fees

The Company or its affiliated general partners receive management fees from Advisory Clients. For most Advisory Clients that are pooled investment funds, the annual management fee is typically in the range of 1-2 percent of investors' committed capital during the relevant Advisory Client's investment period. At some time on or after the termination or expiration of the investment period, the fee percentage is typically applied only to the amount of investor capital actually invested in portfolio investments that have not been realized. The management fee percentage may also be reduced depending on whether another Advisory Client commences to pay a management fee. Management fees are paid by or on behalf of an Advisory Client and may be funded by requiring investors in such Advisory Client to make capital contributions in respect of such fees or by having the Advisory Client pay such fee from other assets, including investment proceeds or short term borrowings.

The percentage rate and the amount to which such rate is applied to determine the management fees payable by an Advisory Client are generally established at the time an Advisory Client is organized by QEP and are paid proportionately by all third-party investors. If the management fees are changed subsequent to an interim closing, such changes are generally applicable to all third-party investors. The management fees are generally paid in advance and the documents governing the Advisory Client provide that if either the term for which the fees are paid or the manner in which the fees are calculated changes subsequent to any advance payment, adjustments to such fees will be made, including refunding overpayments, based on the number of days remaining in the applicable period. The manner of calculation and application of management fees are detailed in the documents governing the Advisory Client and disclosed in the offering documents by which interests in the Advisory Client were or are offered and sold.

The general partner (or similar managing fiduciary) of an Advisory Client, and affiliates and equity owners of QEP that invest in or alongside an Advisory Client generally do not pay any management fees. Qualified individuals who are not employees of QEP but who have pre-existing business relationships with QEP or possess specific industry expertise that invest in or alongside an Advisory Client may, but need not, pay management fees.

### Transaction Fees

Advisory Clients, or companies in which they make investments, may pay to QEP or its affiliates transaction fees, advisory fees, break-up fees, monitoring fees and other similar fees relating to specific transactions or portfolio investments (collectively, "Transaction Fees"). To the extent QEP or any its affiliates are entitled to receive any Transaction Fees, all of such fees will reduce the management fees otherwise payable by the Advisory Client. QEP believes that this dollar-for-dollar management fee offset substantially mitigates any potential conflict QEP or any of its affiliates may have to the extent that it has an opportunity to earn a Transaction Fee from any acquisition, disposition or other transaction relating to an Advisory Client.

## Expenses

Advisory Clients may bear out-of-pocket expenses incurred by the Company and/or its affiliates in connection with the services provided to such Advisory Clients. The investors in QEP-sponsored Advisory Clients are generally required to pay all costs and expenses related to the organization and operation of such Advisory Client, including the costs of investigating, acquiring and disposing of portfolio investments. The costs relating to portfolio investments will also include costs and expenses incurred in connection with deals that are not ultimately completed. The total amount of the organizational costs, including costs of soliciting investors, that these investors are required to pay may be capped in the governing documents for an Advisory Client with any excess to be borne by QEP.

## Advisory Client Credit Facilities

Pursuant to the authority granted in the governing agreement of an Advisory Client, the general partner of such Advisory Client may cause the Advisory Client to enter into a credit facility secured by capital commitments of investors in such Advisory Client (a "Credit Facility"). Borrowings may be made under a Credit Facility from time to time for various purposes, including (i) to make portfolio investments, including providing letters of credit or other credit support for the obligations of portfolio investments, including derivative transactions and (ii) to pay management fees and other expenses of the Advisory Client (each, a "Bridge Loan"). A Bridge Loan is not intended to be permanent financing but rather allows for managing the number of capital calls made to investors in Advisory Clients, or to move quickly to fund portfolio investments. Accordingly, Bridge Loans are typically repaid out of capital calls made following such borrowings. Because a capital call repaying a Bridge Loan will occur after an underlying portfolio investment is made and because the interest cost of a Bridge Loan may be less than the preferred return on an investor capital contribution, the calculation of the returns on investor capital contributions and the performance fee payable to an Advisory Client's general partner may be higher as a result of the use of Bridge Loans.

## Brokerage Fees

As discussed in Item 12, the Company does not routinely trade public securities on behalf of Advisory Clients or utilize "soft" dollars. However, to the extent public securities are traded on behalf of Advisory Clients, the costs associated with such transactions, including brokerage fees, will be borne by Advisory Clients. Please refer to Item 12 for more information.

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

Generally, an affiliate of QEP that serves as the general partner (or similar managing fiduciary) of an Advisory Client is entitled to receive a carried interest or similar profit allocation out of distributions made to third-party investors in Advisory Clients. These profit allocations occur once an investor's invested capital, including allocable fees and expenses, plus a minimum return on such invested capital has been distributed to the investor. This determination is generally made each time an investment is sold. However, any interim profit allocations may be subject to being returned to any investor by the recipient if all of the investor's capital invested in the Advisory Client plus the minimum return thereon is not ultimately distributed to such investor. The amount and manner of calculation of these performance-based fees or carried interest profit allocations are detailed in the documents governing the Advisory Client and disclosed in the offering documents by which interests in the Advisory Client were or are offered and sold.

Performance-based fees or carried interest profit allocations are subject to regulation under Rule 205-3 under the Advisers Act. Therefore, QEP seeks to ensure that any Advisory Client or investors in an Advisory Client that are directly or indirectly assessed performance fees or are subject to carried interest profit allocations satisfy the qualifications of Rule 205-3 under the Advisers Act and have been advised of such fees or allocations and their risks.

In general, the Advisory Clients of the Company and its affiliates share the same overall energy-focused investment objectives but potential portfolio investments are generally allocated to the Advisory Clients whose investment periods are currently active. In some cases, however, an investment opportunity may be appropriate for two or more groups of Advisory Clients. In allocating such investment opportunities, there could be incentives to favor Advisory Clients with potential performance fees or carried interest allocations that are higher or may be realized sooner over Advisory Clients with potential performance fees or carried interest allocations that are lower or make take longer to be realized.<sup>2</sup> As discussed in Item 11, any such allocation of investment opportunities must be made in accordance with the Company's written policies and procedures and take into account the applicable provisions of the Advisory Client's governing agreement.

The general partner (or similar managing fiduciary) of an Advisory Client, and affiliates and equity owners of QEP and qualified individuals who are not employees of QEP but who have pre-existing business relationships with QEP or possess specific industry expertise that invest in or alongside an Advisory Client generally do not bear any performance-based fees or carried interest profit allocations.

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<sup>2</sup> For example, if one Advisory Client is in a net loss position and another Advisory Client is in a net gain position, the Advisory Client in the net loss position will either (i) not generate a carried interest from such investment, or (ii) generate less carried interest from such investment to the extent profits are required to make up for previous losses.

The Company currently acts as investment adviser to Advisory Clients, and related persons typically act as a general partner (or similar managing fiduciary) of such Advisory Clients. The known or reasonably anticipated conflicts of interest involving the Company or its affiliates, are disclosed in the offering documents of the applicable Advisory Client provided to potential investors prior to their investment.



ITEM 7. TYPES OF CLIENTS
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The Company's current Advisory Clients are generally pooled investment vehicles but the Company may in the future also provide advisory services on a separately managed account basis to, among others, select institutional investors, including governmental entities. The Company and its affiliates require that each third-party investor in an Advisory Client be an "accredited investor" as defined in Regulation D under the Securities Act and a "qualified purchaser" as defined in the 1940 Act. Typically, a minimum investment amount of \$10 million is imposed on third parties investing in the investment vehicles for which the Company acts as investment adviser. This minimum may be subject to reduction upon prior agreement by the Company or an affiliate (subject to applicable legal requirements).

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS
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## Methods of Analysis and Investment Strategies

QEP seeks to make privately negotiated equity or equity-related investments in companies run by proven management teams that have sustainable competitive advantages within well-defined sectors of the energy industry. QEP actively seeks opportunities in sectors where it possesses domain expertise, such as oil and gas, midstream, power generation and transmission (including coal, renewable and alternative energy), and oilfield services and equipment manufacturers.

QEP analyzes and assesses investment opportunities using a range of methods. A portfolio investment opportunity begins with a management team. QEP seeks out strong chief executive officers with (i) a demonstrated track record of value creation, (ii) a proven and successful approach to capital allocation, (iii) a focused strategy based on sustainable competitive advantages, and (iv) an opportunistic approach to buying and selling. Then focus is placed on surrounding this chief executive officer with key professionals that collectively possess a strong combination of strategic decision making, technical, operational, commercial, financial and managerial capabilities. Acquisitions by these teams are reviewed in detail by QEP. In addition to financial modeling, including cash-flow models and risk sensitivity analyses, QEP utilizes the expertise of its in-house technical teams to evaluate the technical aspects of potential investments, primarily oil and gas. QEP may use outside advisers to supplement or provide additional expertise outside of the oil and gas area in reviewing opportunities.

While QEP seeks to make control investments, when appropriate it will make strategic minority investments in compelling situations provided it can successfully negotiate acceptable corporate governance controls. In structuring investments, QEP will seek to minimize downside risk through active portfolio management and risk management tools while generating long-term capital appreciation.

In considering opportunities, QEP focuses on maintaining a disciplined approach with regard to the following: (i) invest at a reasonable valuation, (ii) ensure that management's interests are directly aligned with investors, (iii) focus on making investments where QEP has appropriate corporate governance, (iv) use appropriate financial leverage and aggressively protect acquisition and drilling economics through a consistent commodity price hedging program and (v) identify likely and viable exit strategies before making an investment.

## Investment Risks

An investment in an Advisory Client involves a high degree of risk, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in such Advisory Client and for which such Advisory Client does not represent a complete investment program. There can be no assurance that the investment objective of any Advisory Client will be achieved, that any Advisory Client will otherwise be able to successfully carry out its investment program, or that an investor will receive a return of its

capital contributed to any Advisory Client. The discussion below enumerates certain risk factors that apply generally to an investment in any Advisory Client. Prior to making any investment in an Advisory Client, investors should carefully review the applicable offering documents for a more complete description of the risk factors and conflicts of interest relating to such Advisory Client.

### Business Risks

**Nature of Investments.** While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. An Advisory Client's portfolio investments may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors, such as rising interest rates, downturns in the economy or deteriorations in the conditions of such portfolio investment or its industry, which may have a more pronounced effect on the profitability or survival of such companies. If for any of these reasons a portfolio investment is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of an Advisory Client's investment in such portfolio investment could be significantly reduced or even eliminated.

**General Economic Conditions.** General economic conditions may affect an Advisory Client's activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by an Advisory Client or considered for prospective investment. The value of investments may fluctuate in accordance with changes in the financial condition of portfolio investments and other factors that affect the markets in which an Advisory Client invests. Economic slowdowns or downturns could lead to financial losses in the assets of an Advisory Client. In addition, many portfolio investments may be similarly subject to the same economic conditions, which could adversely impact an Advisory Client's returns.

**Geopolitical Risks.** An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on an Advisory Client's returns and ability to make new investments. No assurance can be given as to the effect of these events on the value of or markets for investments.

**Illiquid and Long-Term Investments.** Although an Advisory Client's investments may generate current income, the return of capital and the realization of gains, if any, from an investment generally will most likely occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, it is generally expected that the disposition of most of an Advisory Client's investments will not occur for a number of years after such investments are made.

**Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing on attractive investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions as well as the prevailing regulatory or political climate. An Advisory Client will be competing for investment opportunities against various other groups, including industry participants. Furthermore, additional funds with similar investment objectives as an Advisory Client may be formed in the future by unrelated parties. As a result, there can be no assurance that an Advisory Client will be able to identify and complete investments that satisfy its investment objective, or realize the value of such investments, or that it will be able to invest fully its Capital Commitments.

**Projections.** An Advisory Client may rely upon projections developed by the Company or other QEP affiliates or by the management of a portfolio company concerning a portfolio investment's future performance, outcome and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the persons preparing such projection. The inaccuracy of certain assumptions, the failure to satisfy certain requirements and the occurrence of other unforeseen events could impair the ability of a portfolio investment to realize projected values, outcomes and cash-flow.

**Disposition of Private Investments.** Many of an Advisory Client's investments will involve private securities. In connection with the disposition of an investment in private securities, an Advisory Client may be required to make representations about the business and financial affairs of the portfolio investment typical of those made in connection with the sale of a business. An Advisory Client also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in the incurrence of contingent liabilities that may ultimately yield funding obligations that must be satisfied by the investors to the extent of distributions made to such investor.

**Expedited Transactions.** Investment analyses and decisions may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available at the time an investment decision is made may be limited, and QEP may not have access to detailed information regarding the investment. Therefore, no assurance can be made that QEP will have knowledge of all circumstances that may adversely affect an investment.

**Control Position.** An Advisory Client will generally seek investment opportunities that allow an Advisory Client to acquire control or exercise influence over management and the strategic direction of portfolio investments in which it invests. The acquisition of control or the exercise of control or influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, pension plan liabilities and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The acquisition of control or the exercise of control or influence over a portfolio investment could expose the assets of an Advisory Client to claims by

such portfolio investment, its security holders and its creditors. While the Company intends to manage an Advisory Client in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

**Non-Controlling Investments.** An Advisory Client may hold a non-controlling interest in certain portfolio investments where it may have limited influence. Such portfolio investments may have economic or business interests or goals that are inconsistent with those of the Advisory Client, and the Advisory Client may not be in a position to limit or otherwise protect its position in such portfolio investments. An Advisory Client's control over the investment policies of such portfolio investments may also be limited. This could result in an Advisory Client's investments being frozen in minority positions that incur substantial loss. Therefore, there can be no assurance that an Advisory Client will be able to realize the value of its investments and distribute proceeds in a timely manner.

**Third-Party Involvement.** An Advisory Client may co-invest with third parties through partnerships, joint ventures, or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Advisory Client, or may be in a position to take action contrary to the Advisory Client's investment objectives, and other risks associated with not having control over such investments. The management of such investments in certain instances may not be fully or even partially controlled by QEP. In addition, an Advisory Client may in certain circumstances be liable for actions of its third party co-venturers or partners.

**Litigation.** Litigation can and does occur in the ordinary course of the management of portfolio investments. An Advisory Client may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where an Advisory Client exercises control or significant influence over a portfolio investment's direction, including as a result of board participation. Such litigation can arise as a result of issuer default, issuer bankruptcies and/or other reasons. In certain cases, such issuers may bring claims and/or counterclaims against an Advisory Client, the Company, QEP and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. The expense of defending against claims made against an Advisory Client by third parties and paying any amounts pursuant to settlements or judgments would be borne by an Advisory Client to the extent that (i) the Advisory Client has not been able to protect itself through indemnification or other rights against the portfolio investments, (ii) the Advisory Client is not entitled to such protections or (iii) the portfolio investment is not solvent. The Company, QEP and others may be indemnified by an Advisory Client, as noted above, in connection with such litigation, subject to certain conditions.

**Third-Party Advice.** The Company, QEP and each Advisory Client utilize the services of attorneys, accountants and other consultants in their operations. The Company, QEP and each Advisory Client generally rely upon such advisors for their professional judgment with respect to legal, tax and other regulatory matters. Nevertheless, there exists a risk that such advisors

may provide incorrect advice from time to time. None of the Company, QEP or an Advisory Client will have any liability to the investors for any reliance upon such advice (provided that such advisors have been selected with reasonable care).

**Cybersecurity Risk.** The Company, the Advisory Clients' service providers, and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect Advisory Clients and their investors, despite the efforts of the Company and service providers to adopt technologies, processes, and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the confidentiality, integrity, and availability of information belonging to an Advisory Client and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Company, the Advisory Clients' service providers, counterparties, or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers, or other users of the Company's systems to disclose sensitive information in order to gain access to the Company's data or that of the Advisory Clients' investors. A successful penetration or circumvention of the security of the Company's systems could result in the loss or theft of an investor's data or an Advisory Client's data, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause Advisory Clients, the Company, or their service providers to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss. In addition, the Company may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation.

Similar types of operational and technology risks are or may also be present for the companies in which Advisory Clients invest, which could have material adverse consequences for such companies, and may cause Advisory Clients' investments to lose value.

#### Risk Factors Related to the Oil and Gas Industry

**Volatility of Oil and Gas Prices and Markets.** The profitability of the companies in which an Advisory Client will invest is substantially dependent on prevailing prices for oil and natural gas. The volume of oil and gas produced and the prices obtainable therefore will be affected by market factors beyond an Advisory Client's control. Such factors include the extent of domestic production, the level of imports of foreign oil and gas, the general level of market demand on a regional, national and worldwide basis, domestic and foreign economic conditions that determine levels of industrial production, political events in foreign oil-producing regions and variations in governmental regulations and tax laws or the imposition of new governmental requirements upon the energy industry. Prices for oil and gas are subject to wide fluctuation in response to relatively minor changes in supply of and demand for oil and gas, market

uncertainty and a variety of additional factors that are beyond the control of an Advisory Client. A substantial and prolonged decline in oil and gas prices could have a material adverse effect on an Advisory Client's portfolio investments, and thus on an Advisory Client.

**Operating Hazards and Uninsured Risks.** Each of an Advisory Client's portfolio investments will be subject to substantial operating risks, such as unusual or unexpected geologic formations, pressures, downhole fires, mechanical failures, blow-outs, cratering, explosions, pipe failure, uncontrollable flow of oil, gas or well fluids and pollution and other environmental risks. These hazards could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage, suspension of operations and costs of remediation. Any offshore operations of a portfolio investment will be subject to a variety of operating risks peculiar to the marine environment, such as hurricanes or other adverse weather conditions, to more extensive governmental regulation, including regulations that may, in certain circumstances, impose strict liability for pollution damage, and to interruption or termination of operations by governmental authorities based on environmental or other considerations. Portfolio investment operations could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs, and other environmental damages. A portfolio investment could be liable for environmental damages caused by previous property owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payments of which could have a material adverse effect on an Advisory Client's portfolio investments, and thus on an Advisory Client. An Advisory Client will encourage each portfolio company to carry insurance which an Advisory Client believes is in accordance with customary and prudent business practices. However, portfolio investments will not be able to fully insure against all risks associated with their business, either because such insurance is not available or because the cost of such insurance would be prohibitive.

**Demand for Oil and Gas.** The success of an Advisory Client's portfolio investments is materially dependent upon the demand for oil and gas. The availability of a ready market for a portfolio investment's oil and gas production depends on a number of factors beyond its control, including the demand for, and supply of, oil and gas, the availability of alternative energy sources, the proximity of reserves to, and the capacity of, oil and gas gathering systems, pipelines, or trucking and terminal facilities. An Advisory Client's portfolio investments may also have to shut-in some of its wells temporarily due to a lack of market or adverse weather conditions including hurricanes. In addition, federal and state regulation of oil and gas production and transportation, general economic conditions, and changes in supply and demand could adversely affect the ability of an Advisory Client's portfolio investments to produce and market oil and gas on a profitable basis. Any significant change in the ability to produce and market oil and gas production could have a material adverse effect on an Advisory Client's portfolio investments' financial condition and results of operations.

**Drilling and Engineering Risks.** The revenues and operating results of an Advisory Client's portfolio investments will be dependent upon the success of their respective exploitation, development, and drilling activities. These oil and gas activities involve numerous

risks, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. The timing and cost of drilling, completing, and operating wells is often uncertain, and drilling operations may be curtailed, delayed, or canceled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements, and shortages or delays in the availability of drilling rigs and the delivery of equipment.

**Hedging.** Each of an Advisory Client's portfolio investments may seek to reduce exposure to the volatility of oil and gas prices by actively hedging a portion of production. Certain types of hedging contracts could prevent an Advisory Client's portfolio investments from receiving the full advantage of increases in oil and gas prices above the fixed amount specified in the hedge agreement. In a typical hedge transaction, an Advisory Client portfolio investment has the right to receive from the hedge counterparty the excess of the fixed price specified in the hedge agreement over a floating price based on a market index, multiplied by the quantity hedged. If the floating price exceeds the fixed price, an Advisory Client's portfolio investment must pay the counterparty this difference multiplied by the quantities hedged even if an Advisory Client's portfolio investment had insufficient production to cover the quantities specified in the hedge agreement. Accordingly, if an Advisory Client's portfolio investment has less production than it has hedged when the floating price exceeds the fixed price, an Advisory Client's portfolio investment must make payments against which there are no offsetting sales of production. If these payments become too large, the remainder of an Advisory Client's portfolio investment's business may be adversely affected. In addition, hedging agreements expose an Advisory Client's portfolio investments to the risk of financial loss if a counterparty to a hedging contract defaults on its contract obligations. An Advisory Client may enter into separate commodity derivative transactions to hedge against price fluctuations with respect to expected production volumes that either are not or cannot be hedged by the portfolio investments. The use of hedging strategies is a highly specialized activity and there can be no assurance that their use will achieve their intended result. An Advisory Client's hedging activities are subject to any limitation imposed by the de minimis exemption under CFTC Rule 4.13(a)(3) or any other exemption from registration under the Commodity Exchange Act applicable to an Advisory Client at any time.

**Unavailability of Equipment or Personnel.** The energy industry is cyclical and, from time to time, there is a shortage of drilling rigs, equipment, supplies, or qualified personnel. During these periods, the cost and delivery times of rigs, equipment, and supplies are substantially greater. In addition, demand for, and wage rates of, qualified drilling rig crews rise with increases in the number of active rigs in service. If the unavailability or high cost of drilling rigs, equipment, supplied, or qualified personnel were particularly severe QEP VI's business could be materially and adversely affected.

**Terrorist Activities.** U.S. activities in Iraq and recent terrorist attacks of unprecedented scope have caused instability in the world financial markets and may generate global economic instability. The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for oil and gas and could affect an Advisory



Client's portfolio investments' financial results. Further, the United States government has issued public warnings indicating that energy assets might be specific targets of terrorist organizations. As a result of such a terrorist attack or of terrorist activities in general, an Advisory Client's portfolio investments may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all.

**Taxation.** Investments in properties in the energy sector may be subject from time to time to numerous taxes and fees levied by the jurisdictions in which such companies are organized or operate. Properties engaged in oil and gas operations or having substantial real property holdings, in particular, may be subject to specific tax regimes, such as petroleum revenue taxes, fees for drilling rights and exploration licenses, oil production fees, real estate taxes, stamp duties and various state and local taxes. LPs should consult their own tax advisors regarding the impact of such taxes, if any, on their investment in an Advisory Client's portfolio investments.

**Environmental Liabilities.** The oil and gas business is subject to environmental hazards, such as oil spills, gas leaks and ruptures, discharges of petroleum products and hazardous substances, and historic disposal activities. These environmental hazards could expose an Advisory Client's portfolio investments to material liabilities for property damages, personal injuries, or other environmental harm, including costs of investigating and remediating contaminated properties. In addition, an Advisory Client's portfolio investments may also be liable for environmental damages caused by the previous owners or operators of properties it purchases. A variety of stringent federal, state, and local laws and regulations govern the environmental aspects of the oil and gas business. Any noncompliance with these laws and regulations could subject an Advisory Client's portfolio investments to material administrative, civil or criminal penalties, or other liabilities. Additionally, compliance with these laws may, from time to time, result in increased costs of operations or decreased production, and may affect acquisition costs.

**Governmental and Environmental Regulation.** The oil and gas industry is subject to extensive regulation under a wide range of United States federal and state statutes, rules, orders and regulations. In addition, various federal, state and local laws and regulations relating to the protection of the environment may affect the operations and costs of the companies in which an Advisory Client invests. If a portfolio investment has operations abroad, it will be subject to the laws and regulations of the country in which it is doing business. These regulations may have a significant adverse impact on the financial condition, prospects and profitability of an Advisory Client's portfolio investments.

**Risk Factors Related to Midstream and Natural Gas Storage Industry.** The profitability of the companies in which an Advisory Client will invest that are principally engaged in business in the midstream or natural gas storage industry will also be dependent upon any pipeline, storage or related assets that they may own. The demand for use of pipeline, storage and related assets is dependent on prevailing prices and demand for oil, natural gas and natural gas liquids and the availability of third-party interconnections to the pipeline, storage and related

assets of such portfolio investments. Such portfolio investments will not own all of the land on which their pipeline, storage or related assets are located and will therefore be subject to the possibility of increased costs or the inability to retain necessary land use. Additionally, new and existing environmental regulations and increased regulation of pipeline, storage and related assets by federal, state or local regulatory agencies, including the Federal Energy Regulatory Commission, may increase operating costs or limit the rates that such portfolio investments can charge for their services. All or any of these factors in addition to the factors described elsewhere in this section may have a significant adverse impact on the financial condition, prospects and profitability of such portfolio investments.

### Management Risks

**Reliance on the QEP Management Team.** The success of an Advisory Client depends in substantial part upon the skill and expertise of the QEP management team providing investment advice with respect to an Advisory Client. There can be no assurance that these key investment professionals will continue to be associated with QEP throughout the life of an Advisory Client. The loss of key personnel could have a material adverse effect on an Advisory Client's ability to realize its investment objectives. In addition, members of the QEP management team also provide services to related parties, including other advisory clients, so they will have demands made on their time for these services.

**Portfolio Investment Management Risks.** With respect to management at the portfolio investment level, many portfolio investments rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio investment's performance. Although QEP personnel expect to monitor portfolio investment management, management of each portfolio investment will have day-to-day responsibility with respect to the business of such portfolio investment.

**Board Participation.** An Advisory Client may be represented on the boards of directors of certain of its portfolio investments or may have its representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to an Advisory Client's investment strategy and may enhance an Advisory Client's ability to manage the investments, they may also have the effect of impairing an Advisory Client's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the Advisory Client, the Company and QEP to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, an Advisory Client will indemnify the Company, QEP and their respective partners, agents, employees and affiliates from such claims.

### Advisory Client Risks

**Absence of Operating History.** Each Advisory Client is initially a newly formed entity and has no prior operating history upon which an investor can base its prediction of future success or failure. Although QEP has had significant experience in making prior investments in portfolio investments, the past performance of these investments is not necessarily indicative of the

future results of the investments by such Advisory Client. Investors should have the ability to sustain the loss of their entire investment in an Advisory Client.

**Passive Investment in Interests.** Investors in an Advisory Client will be relying entirely on QEP personnel to conduct and manage the affairs of an Advisory Client. The documents governing an Advisory Client prohibit the investors from engaging in the active management and business of an Advisory Client. The investments to be made by an Advisory Client have not yet been identified. The investors will not receive the detailed financial information issued with respect to portfolio investments which is available to QEP. As a result, the investors must rely on the ability of QEP to make appropriate investments for an Advisory Client and to manage and dispose of such investments.

**Exculpation and Indemnification.** Certain exculpation and indemnification provisions contained in the documents governing an Advisory Client may limit the rights of action otherwise available to the investors and other parties against QEP and its partners, agents, employees and affiliates and each investor and its representatives who comprise an investor advisory committee, absent such a limitation in the documents. In addition, an Advisory Client will be obligated to indemnify QEP and its partners, agents, employees and affiliates and representatives who comprise an investor advisory committee (including the investors of which they represent), in respect of the operations of the Advisory Client, subject to certain limited exceptions generally involving willful misconduct or gross negligence.

**Recourse to Assets.** An Advisory Client's assets, including any investments made by an Advisory Client and any funds held by an Advisory Client, are available to satisfy all liabilities and other obligations of an Advisory Client. If an Advisory Client becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to an Advisory Client's assets generally and may not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. Accordingly, the investors could find their interests in an Advisory Client's assets adversely affected by a liability arising out of an investment in which they did not participate because, for example, they were excluded or excused from such investment.

**Liability for Return of Distributions.** Under Delaware and other applicable law, if an Advisory Client is otherwise unable to meet its obligations, the investors may be obligated to return cash distributions with interest previously received by them if such distributions are deemed to be wrongfully paid to them and such investors knew at the time of such distributions that they were wrongfully paid. In addition, an investor may be liable under applicable federal or state bankruptcy laws to return a distribution made during an Advisory Client's insolvency. The investors also may be required to return amounts distributed to them to fund an Advisory Client's indemnity obligations, as well as for other obligations and expenses.

**Liabilities Upon Disposition.** In connection with the disposition of an investment, an Advisory Client may be required to make representations about the business and financial affairs of a portfolio investment typical of those made in connection with the sale of any

business or be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify the purchaser of such investment or underwriter to the extent that any such representations or disclosure documents are determined to be inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Partners to the extent that the Partners have received prior distributions from an Advisory Client.

**Contingency Reserves.** Under certain circumstances, an Advisory Client may find it necessary in connection with a distribution to establish one or more reserves for contingent liabilities by holding back a portion of amounts otherwise distributable to the investors by the Advisory Client until the resolution of such contingency or contingencies. As such, the investors may be unable to liquidate their entire investment in the Advisory Client until such time as the need for such reserves has ceased. For example, such reserves may be established if an Advisory Client were subject to an audit by the Internal Revenue Service or involved in litigation.

**Failure to Make Capital Contributions.** If any investor fails to make required capital contributions when due, an Advisory Client's ability to complete its investment program or otherwise continue operations may be substantially impaired. A default by a substantial number of investors could limit opportunities for investment diversification and likely reduce returns to the Advisory Client. In addition, in the event of a default, non-defaulting investors will be required to contribute additional capital to make up for the shortfall caused by such default. Any investor that defaults in making a required capital contribution may be subject to certain adverse consequences pursuant to the provisions of the documents governing the Advisory Client.

**Recycling of Distributed Amounts.** Subject to certain limitations, an Advisory Client has the right to recall from its investors (or retain distributions relating to) (i) Capital Contributions used to fund an investment which is realized (or partially realized) within 18 months of an Advisory Client's investment in such portfolio investment and (ii) distributions in an amount not exceeding the amount of capital contributed by the investors in respect of its expenses (including, without limitation, management fees)

**Excuse and Exclusion from Investments.** Under certain limited circumstances, an investor may be excused from participating in an investment (including, without limitation, to avoid violations of law) or QEP may exclude or limit the participation of an investor in an investment (including, without limitation, if an investor's participation is reasonably likely to have a material adverse effect on an Advisory Client or the applicable portfolio investment or result in a violation of law). In any such circumstance, each other investor may be requested to make additional Capital Contributions to an Advisory Client in respect of such investment, subject to certain limitations, thereby resulting in such other investor having an increased investment exposure in such investment than such investor would otherwise have had but for such excuse or exclusion event.

Lack of Transferability of Interests in an Advisory Client; No Right of Withdrawal. The Interests have not been registered under the Securities Act, the securities laws of any state or the securities laws of any other jurisdiction and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of the Interests under the Securities Act or other securities laws will ever be effected. There is no public market for the Interests and one is not expected to develop. Further, the documents governing an Advisory Client provide that an investor's interest is not generally transferable and voluntary withdrawal of an investor's interest is not allowed. An investor will not be permitted to assign or transfer its Interest without the prior written consent of the general partner (or similar managing fiduciary) of an Advisory Client, which may be given or withheld in the general partner's (or similar managing fiduciary's) discretion. In addition, no such sale, transfer, assignment, pledge or other disposition may take place unless it would not cause an Advisory Client to be treated as a "publicly traded partnership" within the meaning of Section 7704 of the Code and certain other conditions provided in the documents governing an Advisory Client are met. Except in extremely limited circumstances, voluntary withdrawals from an Advisory Client will not be permitted. The investors must be prepared to bear the risks of owning Interests and contributing capital for an extended period of time.

Required Withdrawal. The general partner (or similar managing fiduciary) of an Advisory Client, in its sole and absolute discretion, may require an investor to withdraw from the Advisory Client if such investor's continued participation in the Advisory Client would (i) result in a violation of the Securities Act or any comparable state law by the Advisory Client, (ii) require the Advisory Client to register as an investment company under the Investment Company Act, (iii) require the Advisory Client, the general partner (or similar managing fiduciary) or any affiliate thereof that is not registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), to register as an adviser under the Advisers Act, (iv) result in a termination of the Advisory Client's status as a partnership for tax purposes, (v) result in a violation of any law, rule or regulation by the Advisory Client, the Company, QEP, or their respective officers, directors, employees, shareholders, partners, managers, members or any affiliate thereof, (vi) cause the Advisory Client to be deemed a "publicly traded partnership" as such term is defined in Section 7704(b) of the Code, (vii) cause the Advisory Client or its general partner (or similar managing fiduciary) to be controlled by a "banking entity" as defined in Section 13(h)(1) of the Bank Holding Company Act of 1956 (as amended from time to time or any successor statute thereto, the "BHC Act") or a "nonbank financial company supervised by the Board of Governors" as defined in Section 102(a)(4)(D) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act"), (viii) cause the Advisory Client or any related Advisory Client to fail to comply with FATCA (as defined below) or any agreement made with the IRS (or other applicable authority) pursuant to FATCA, (ix) as determined by the general partner (or similar managing fiduciary) of an Advisory Client in its discretion, cause the disqualification of the Advisory Client or any of its affiliates from using Rule 506 of Regulation D under the Securities Act due to such investor being or becoming subject to a disqualification event described in Rule 506(d)(91)(i) – (viii) of Regulation D of the Securities Act or (x) likely result in a material adverse effect on the Advisory Client, the Company, QEP or any of their

respective affiliates, any investment or any prospective investment. Such required withdrawal may result in negative consequences, including the failure of such investor to recognize the full value of its investment in the Advisory Client or receive distributions in respect of its withdrawal in a timely manner.

**Distributions in Kind.** While it is expected that an Advisory Client's investments will be liquidated through sale for cash consideration, marketable securities may be distributed during the life of an Advisory Client with certain consents. Non-marketable securities may be distributed upon the liquidation of an Advisory Client. The risk of loss and delay in liquidating securities or other assets distributed in kind will be borne by the investors, with the result that such investors may receive less cash than was reflected in the fair value of such securities as determined by the general partner (or similar managing fiduciary) pursuant to the documents governing an Advisory Client (and the general partner (or similar managing fiduciary) may receive more carried interest than it would have been entitled to had such securities been valued at the price they are ultimately disposed of for). In addition, when investments are distributed to the investors in kind, such investors may become minority shareholders in the underlying portfolio investments and may be unable to protect their interests therein effectively.

**Concentration of Investments and Potential Lack of Diversification.** An Advisory Client will participate in a limited number of investments and, as a consequence, the aggregate return of an Advisory Client may be affected by the performance of a single investment.

The general partner (or similar managing fiduciary) will be under no obligation to diversify an Advisory Client's investments. While diversification is an objective of an Advisory Client, there is no assurance as to the degree of diversification that will actually be achieved in an Advisory Client's investments. Because an Advisory Client has the ability, up to a certain level, to concentrate its investments in a single portfolio investment and an unlimited amount of its assets in a single industry, the overall adverse impact on an Advisory Client of adverse movements in the value of the securities of a single issuer will be considerably greater than if an Advisory Client were not permitted to concentrate its investments to such an extent. To the extent an Advisory Client concentrates investments in a particular geographic region, security, investment sector or stage of investment, investments may become more susceptible to fluctuations in value resulting from adverse economic or business conditions applicable to such region, type of security, sector or stage of investment.

**Follow-On Investments.** Following the initial investment in a portfolio investment, an Advisory Client may be called upon to provide additional funds or have the opportunity to increase its investment in such portfolio investment or to fund additional funds through such portfolio investment. There is no assurance that an Advisory Client will make follow-on investments or that an Advisory Client will have sufficient resources to, or be permitted to, make such investment. Any decision by an Advisory Client not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio investment

in need of such an investment, may result in missed opportunities for an Advisory Client or may result in dilution of an Advisory Client's investment.

### Tax and Regulatory Risks

**Tax Risks.** There are a number of tax considerations with respect to an investment in an Advisory Client. In particular, investors should be aware that they will be taxed annually on an Advisory Client's income and realized gains, if any, whether or not they receive any cash distributions from an Advisory Client. In addition, an Advisory Client may realize short-term and long-term gains and losses at any time and in any amounts without regard to whether they are short- or long-term.

**Financial and Tax Situation.** The results of an Advisory Client's activities may affect individual partners differently, depending upon their individual financial and tax situations because, for instance, of the timing of a cash distribution or of an event of realization of gain or loss and its characterization as long-term or short-term gain or loss. The general partner (or similar managing fiduciary) will endeavor to make decisions in the best interest of an Advisory Client as a whole, but there can be no assurance that a result will not be more advantageous to the general partner (or similar managing fiduciary) than to a particular investor.

**Securities Laws.** The Interests have not been, nor will be, registered under the Securities Act, or any state or other U.S. or non U.S. securities laws. No Advisory Client will be registered under the Investment Company Act.

**Regulatory Risks.** Regulatory changes could occur during the term of an Advisory Client that may adversely affect an Advisory Client.

**Non-U.S. Investments.** An Advisory Client may invest globally, including in portfolio investments located in emerging markets. Foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which an Advisory Client's foreign investments may be denominated, and costs associated with conversion of investment principal and income from one currency into another, (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (iv) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital and the risks of political, economic or social instability, (v) obtaining foreign governmental approvals and complying with foreign laws and (vi) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. Anti-fraud and anti-insider trading legislation in these countries may be rudimentary. There may be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio investment's assets, or otherwise materially affect the value of the company without the consent of the company's shareholders.

Anti-dilution protection also may be very limited. In these countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders may be limited. The legal systems in these countries may offer no effective means for an Advisory Client to seek to enforce its rights or otherwise seek legal redress or to seek to enforce foreign legal judgments.

**Prevention of Money Laundering.** As part of the general partner's (or similar managing fiduciary's) responsibility for the prevention of money laundering under the Uniting and Strengthening America by Providing Appropriate Tools Required to Interrupt and Obstruct Terrorism Act of 2001 (the "PATRIOT Act") and similar laws in effect in foreign countries, Advisory Clients may require detailed verification of a prospective investor's identity and the source of such prospective investor's funding. In addition, each prospective investor will be required to represent and warrant to an Advisory Client, among other things, that (i) the proposed investment by such prospective investor will not directly or indirectly contravene U.S. federal, state, international or other laws or regulations, including the PATRIOT Act, (ii) no capital contribution to an Advisory Client by such prospective investor will be derived from any illegal or illegitimate activities, (iii) such prospective investor is not a country, territory, person or entity named on a list promulgated by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") prohibiting, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals, nor is such prospective investor or any of its affiliates a natural person or entity with whom dealings are prohibited under any OFAC regulations and (iv) such prospective investor is not otherwise prohibited from investing in an Advisory Client pursuant to other applicable U.S. anti-money laundering, anti-terrorist and foreign asset control laws, regulations, rules or orders. Each investor will be required to promptly notify the general partner (or similar managing fiduciary) if any of the foregoing will cease to be true with respect to such investor.

As a result of the above-described money laundering regulations, the general partner (or similar managing fiduciary) of an Advisory Client may from time to time request, and the investors will be obligated to provide to the general partner (or similar managing fiduciary) upon such request, additional information as from time to time may be required for it and the Advisory Client to satisfy their respective obligations under these and other laws that may be adopted in the future. Also, the general partner (or similar managing fiduciary) may from time to time be obligated to file reports with various jurisdictions with regard to, among other things, the identity of an Advisory Client's investors and suspicious activities involving the Interests.

In the event it is determined that any investor, or any direct or indirect owner of any investor, is a person identified in any of these laws as a prohibited person, or is otherwise engaged in activities of the type prohibited under these laws, the general partner (or similar managing fiduciary) may be obligated, among other actions to be taken, to withhold distributions of any funds otherwise owing to such investor or to cause such investor's Interests to be cancelled or otherwise redeemed (without the payment of any consideration in respect of those Interests).



ERISA Considerations and Limitations on Pension Funds. The general partner (or similar managing fiduciary) of an Advisory Client intends to use reasonable best efforts to conduct the affairs of an Advisory Client in such a manner so that its investments will not be regarded as “plan assets” subject to the provisions of ERISA and the prohibited transaction provisions of Section 4975 of the Code. Persons acting as fiduciaries on behalf of qualified profit-sharing, pension or other retirement trusts subject to ERISA, should satisfy themselves that an investment in an Advisory Client is consistent with Section 404 of ERISA and that the investment is prudent, taking into consideration cash flow and other objectives of the investor.

FOIA. To the extent that the general partner (or similar managing fiduciary) determines in good faith that, as a result of the U.S. Freedom of Information Act (“FOIA”), any governmental public records access law, any state or other jurisdiction’s laws similar in intent or effect to FOIA, or any other similar statutory or regulatory requirement, an investor or any of its affiliates may be required to disclose information relating to an Advisory Client, its affiliates, and/or any entity in which an investment is made (other than certain fund-level, aggregate performance information described in the documents governing an Advisory Client), the general partner (or similar managing fiduciary) may, in order to prevent any such disclosure, withhold all or any part of the information to be provided to such investor, as described in the documents governing an Advisory Client.

U.S. Regulation of the Private Equity Industry. On July 21, 2010, President Obama signed into law the Dodd-Frank Act. This comprehensive reform of the United States’ financial regulatory system, among other things, imposes new reporting and recordkeeping obligations with respect to the private investment funds they advise. Included in the Dodd-Frank Act is Section 619 (the “Volcker Rule”), which takes the form of new Section 13 of the BHC Act and new Section 27B of the Securities Act, which among other matters, imposes a number of restrictions on the relationship and activities of banking entities with respect to private investment funds and other provisions that will affect the private investment industry, either directly or indirectly. The Volcker Rule was approved on December 10, 2013 although it remains subject to implementation and interpretation by regulators. While it will likely be some time until the Dodd-Frank Act reforms are broadly implemented and the direct and indirect impact of this legislation is fully understood, it seems clear that most advisors to private investment funds will be affected. Moreover, it is uncertain as to the form in which any additional proposed reforms and legislation may ultimately be implemented (if at all).

The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private investment fund industry generally and/or on an Advisory Client, specifically. Therefore, there can be no assurance that the regulations implementing the Dodd-Frank Act to be adopted and any additional regulatory scrutiny or initiatives will not have an adverse impact on an Advisory Client or otherwise impede an Advisory Client’s activities.

European Union Regulation of the Private Equity Industry. On November 11, 2010, the Directive on Alternative Investment Fund Managers (“AIFMD”) was approved by the European Parliament. AIFMD came into force on July 21, 2011 and member states of the European

Economic Area (the “EEA”) had two years in which to implement the provisions therein (subject to certain transitional provisions). Many member states have therefore implemented the provisions of AIFMD on July 22, 2013 and others are in the process of doing so. AIFMD regulates alternative investment fund managers (“AIFMs”) who are based in the EEA or who market to investors in the EEA and prohibits such managers from managing any alternative investment fund (an “AIF”) or marketing shares in such funds to EEA investors unless authorization is granted to the AIFM.

Investors domiciled or resident in the EEA are advised that it is not currently anticipated that an Advisory Client will be operated in accordance with the full provisions of AIFMD.

The impact of AIFMD upon an Advisory Client and the general partner (or similar managing fiduciary) is likely to be that it will place certain restrictions and requirements on the general partner (or similar managing fiduciary) (and indirectly on an Advisory Client) if the Interests are marketed to investors in the EEA, as they are expected to be. These could include (among other things) requiring the general partner (or similar managing fiduciary) to obtain authorization in an EEA member state and to meet various potentially onerous operational and organizational requirements in connection with its management of an Advisory Client. The general partner (or similar managing fiduciary) does not expect to be subject to the full authorization requirements, but even where this is not required, it will become subject to various transparency, disclosure and notification requirements and provisions restricting activities that could be construed as asset-stripping and these provisions could impact and limit an Advisory Client’s ability to invest into the EEA.

Moreover, the various obligations which AIFMD may impose may create certain additional compliance and other costs, certain of which may be passed on to an Advisory Client.

To the extent that the general partner (or similar managing fiduciary) is legally required to comply with applicable provisions of AIFMD, each investor may receive (i) annual and/or quarterly statements in respect of the total amount of leverage employed by an Advisory Client and related matters (in accordance with Article 23(5) of AIFMD), (ii) disclosures in respect of liquidity and risk management arrangements (in accordance with Article 23(4) of AIFMD and (iii) annual reports in compliance with Article 22 of AIFMD.

No Advisory Client is currently required to appoint a depositary or depositaries in accordance with the provisions of AIFMD. In the event that an Advisory Client becomes subject to the requirement to appoint a depositary, information regarding the identity, functions, duties and liability of the depositary will be made available to investors to the extent required by law.

The general partner (or similar managing fiduciary) is not subject to the ‘fair treatment’ provisions of AIFMD but will endeavor to ensure the fair treatment of investors in each of an Advisory Clients (including the Parallel Investment Vehicles) primarily by way of identifying and managing conflicts of interest and ensuring appropriate disclosures as set out in the documents governing an Advisory Client. The general partner (or similar managing fiduciary) of an Advisory

Client may seek the approval of the members of an investor advisory committee with respect to potential conflict of interest situations and investor advisory committee approval will be required to resolve certain conflicts and other matters subject to the terms of the documents governing an Advisory Client.

#### Conflicts of Interest

**Performance Allocation.** The performance-based fees described above may create an incentive for QEP to make more speculative investments on behalf of an Advisory Client than it would otherwise make in the absence of such performance-based arrangement, although the capital commitments to an Advisory Client by the QEP and its affiliates and the clawback obligation should tend to reduce this incentive.

**Allocation of Personnel.** QEP will continue to actively manage other advisory clients. Accordingly, QEP will devote a portion of its resources, including a portion of the business time of its QEP management team personnel, to such activities. In addition, employees of QEP will work on other projects unrelated to an Advisory Client and, therefore, conflicts may arise in the allocation of personnel.

**Allocation of Investment Opportunities.** In addition to an Advisory Client, QEP or its affiliates serve as the investment manager to certain other entities. As such, certain conflicts could arise in the allocation of investment opportunities and in connection with the acquisition and/or disposition of investments by an Advisory Client. In addition, there are certain restrictions on the ability of an Advisory Client to invest in portfolio investments of the Prior Funds and on any successor fund making an investment in any portfolio investment of an Advisory Client. Except as permitted by the documents governing an Advisory Client, without the approval of the disinterested members of an investor advisory committee, an Advisory Client will not invest in any portfolio investment in which any of the Prior Funds has made or is making an investment.

**Valuation.** The determination of the fair value of an investment may impact the calculation of the management fee and carried interest to the extent such valuation would result in a write-down, which could incentivize QEP to refrain from writing down investments. The foregoing is mitigated by the fact that, annually, the valuations of an Advisory Client's investments are reviewed by the Advisory Client's independent public auditors and in certain circumstances, such valuations may be submitted to an advisory committee for such Advisory Client, which will have the opportunity to object to such valuations.

**Diverse Membership.** The investors may have conflicting investment, tax and other interests with respect to their investments in an Advisory Client. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of the investments made by an Advisory Client, the structuring or the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions to be made by the Company, QEP and its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one

investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for an Advisory Client, the Company and QEP will consider the investment and tax objectives of an Advisory Client and its partners as a whole, not the investment, tax or other objectives of any investor individually.

**Side Letters.** An Advisory Client may from time to time enter into Side Letters with one or more investors which provide such investors with additional or different rights (including with respect to access to information, liquidity terms and economic terms) than such investors have pursuant to the documents governing an Advisory Client. Certain of such investors may have other relationships with QEP. As a result of such Side Letters, certain investors may receive additional benefits (including expanding informational rights or preferential liquidity or economic terms) which other investors will not receive. It is envisioned that such Side Letter provisions may be agreed with certain investors, depending on specific legal, regulatory, tax, reporting, administrative or other policy requirements or other considerations applicable to such investors and the size and timing of their commitments to an Advisory Client. Certain of these investors may have legal or other economic links with QEP.

**Investor Advisory Committee.** The general partner (or similar managing fiduciary) of an Advisory Client may, as contemplated by the documents governing an Advisory Client, seek approval of the members of the investor advisory committee with respect to potential conflict of interest situations and investor advisory committee approval will be required to resolve certain conflicts and other matters.

**Conflicts with Portfolio Companies.** Officers and employees of QEP may serve as directors and officers of certain portfolio investments and, in that capacity, will be required to make decisions that they consider in the best interests of such portfolio investments and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio investment, actions that may be in the best interests of the portfolio investment may not be in the best interests of an Advisory Client, and vice versa. Accordingly, in these situations there will be conflicts of interests between such individual's duties as an officer or employee of QEP and such individual's duties as a director or officer of such portfolio investment.

**Service Providers.** An Advisory Client's service providers (including lenders, brokers, attorneys and investment banking firms) may be investors in an Advisory Client and/or sources of investment opportunities and counterparties therein. This may influence the decision whether to select such a service provider or have other relationships with QEP. Notwithstanding the foregoing, investment transactions for an Advisory Client that require the use of a service provider, will generally be allocated to service providers on the basis of best execution.

ITEM 9. DISCIPLINARY INFORMATION
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Neither the Company, its affiliates nor any of their professionals have been the subject of any legal or disciplinary finding of an investment-related nature that would be material to the business of QEP. QEP and certain of its affiliates and management persons have, however, been named in private civil actions relating to its or their portfolio investment activities. QEP's policy is to vigorously contest all actions.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS
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QEM Advisers, LLC and Quantum Advisers, LLC,, each a registered investment adviser, are related parties. To the extent that there are transactions between these advisory clients, the parties have arrangements in place, either in the governing documents for the advisory clients or otherwise, for independent parties to consent to or approve any such transactions.

QEP currently acts as investment adviser or collateral manager to a number of Advisory Clients, and related persons typically act as a general partner (or similar managing fiduciary) of such Advisory Clients. The Company may face a number of potential conflicts of interest including, (i) allocation of investment opportunities among Advisory Clients, (ii) Advisory Clients making investments in portfolio companies in which other Advisory Clients have an interest and (iii) allocation of time of QEP personnel to the business affairs of its Advisory Clients. Such conflicts of interest are discussed in more detail in Items 6, 8 and 11.

Employees of QEP and its affiliates may serve on the boards of directors of portfolio companies of Advisory Clients. Serving in such capacity may give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director may conflict with the interests of an Advisory Client.

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

QEP has adopted a Code of Ethics that prescribes standards of ethical conduct for its employees and other personnel and is designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. The Code of Ethics provides guidance in specific areas, including but not limited to, confidentiality of QEP information, personal investments, gifts and entertainment and personal political activities. This Code of Ethics is available to clients, investors or prospective clients by writing to QEP Advisers, LLC, 1401 McKinney Street, Suite 2700, Houston, TX 77010, Attn: Investor Relations.

### Financial Interests in Advisory Client Recommendations

As described in Item 5 – “Fees and Compensation”, and Item 6 – “Performance-Based Fees And Side-By-Side Management” in addition to management fees payable and carried interest allocable to the Company and its affiliates, the Company and its affiliates may receive acquisition, disposition and ongoing fees with respect to advisory and related services provided in connection with investments by Advisory Clients. The Company may have a conflict of interest to the extent that it has an opportunity to earn a fee from an acquisition or disposition by an Advisory Client. However, the Company believes that the management fee offset provisions described in Item 5 and the substantial equity commitment by the Company and its affiliates in Advisory Clients substantially mitigates this incentive.

### Allocation of Investment Opportunities

When allocating investment opportunities across Advisory Clients, there could be differences in the financial structure of the Advisory Clients potentially participating in the opportunity that could introduce an incentive for the Company to favor one Advisory Client over another. In general, the governing documents of the applicable Advisory Clients provide that the general partner (or similar managing fiduciary) will allocate investment opportunities in a manner that it believes is fair and equitable. The governing documents of the Advisory Clients also set forth the manner in which transactions between or involving multiple Advisory Clients may be carried out.

### Possession of Material, Non-Public Information and other Trading Restrictions

QEP, its affiliates, and their professionals may come into contact with material, non-public information in connection with their activities for QEP, the Company or their affiliates. QEP has established policies and procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Under no circumstances may a professional trade on material, non-

public information for his or her own account, the accounts of certain family members or the account of an Advisory Client.



## ITEM 12. BROKERAGE PRACTICES

The Company does not routinely trade public securities on behalf of Advisory Clients. The Company has discretion to select brokers and dealers to execute securities transactions for Advisory Clients and in making any such selection will consider such quantitative and qualitative factors as it may determine. Although the Company will seek competitive commissions and spreads, it may not necessarily obtain the most competitive terms for any particular transaction. From time to time, brokerage firms may provide services with respect to portfolio investments in addition to securities execution. In particular, certain investment banks may provide underwriting services with respect to securities offerings of portfolio investments.

#### ITEM 13. REVIEW OF ACCOUNTS

Each portfolio investment of a QEP-sponsored Advisory Client is monitored by one or more members of QEP's executive leadership team, who typically serve on the board of directors or equivalent governing body of such investment. In addition, all of the portfolio investments are regularly reviewed by the members of QEP's Executive Committee and Investment Committee. This review generally includes monitoring the operations and financial performance of the portfolio investments as well as the overall strategic direction and performance of each Advisory Client as a whole.

Investors in QEP-sponsored Advisory Clients typically receive quarterly financial reports, audited annual reports and required tax information. New Advisory Clients or investors in QEP-sponsored investment vehicles will receive a copy of this Brochure prior to or at the time of entering into an advisory contract.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION
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The Company does not currently compensate any person for referring clients to QEP. The Company may enter into cash compensation arrangements with unaffiliated placement agents for introducing investors to QEP-sponsored Advisory Clients.

## ITEM 15. CUSTODY

The Company or its affiliates may be deemed to have custody of the underlying assets of many of its Advisory Clients. To the extent any such person is deemed to have such custody, it relies on an exception from the reporting and surprise audit obligations imposed by the SEC that is available to “pooled investment vehicles”. In addition to using unaffiliated, qualified, third-party custodians to hold the public company securities of its Advisory Clients, the Advisory Clients are audited annually by a major accounting firm that is a member of, and examined by, the Public Company Accounting Oversight Board (“PCAOB”). The audited financial statements are then provided to the underlying investors of these Advisory Clients within 120 days of the end of each fiscal year.

## ITEM 16. INVESTMENT DISCRETION

The Company provides investment advice to its Advisory Clients on a discretionary basis, either directly or indirectly through sub-advisory arrangements. An affiliate of the Company serves as the general partner of the applicable Advisory Client and in that capacity has discretionary investment authority for each Advisory Client. Generally this discretion is subject only to the investment guidelines set forth in the governing agreements of an Advisory Client. Such governing agreements generally expressly provide that the applicable general partner has the authority to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, commitment to, monitoring of and disposition of investments. An Advisory Committee of a limited number of investors is typically established for each Advisory Client to, among other things, receive notice of, advise on and provide consent to certain conflicts of interest matters.

## ITEM 17. VOTING CLIENT SECURITIES

While the documents governing the QEP-sponsored Advisory Clients allow for the acquisition of public securities, such acquisitions are not typically made. Public securities may, however, be acquired in connection with an exit transaction or otherwise. The Company intends to adopt policies and procedures reasonably designed to ensure that any public securities will generally be voted in a manner that serves the best interest of its Advisory Clients, as determined in its discretion, taking into account relevant factors.

ITEM 18. FINANCIAL INFORMATION
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At this time, the Company is not aware of any financial condition that could impair its ability to meet its contractual obligations to Advisory Clients. The Company has not been the subject of any bankruptcy petitions, including in the past ten years.