

FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Foundation Energy Management, LLC. If you have any questions about the information contained in this brochure, please contact us at (972) 707-2500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any other regulatory authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of applicable offering and governing documents that contain a description of the material terms relating to such investments, products or services.

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

March 28, 2022

Item 2: Material Changes

Following is a summary of material changes to our Brochure from the March 26, 2021 amended brochure.

Item 4 – Advisory Business

- The amount of regulatory assets under management increased from approximately \$334,244,960 (as of December 31, 2020) to approximately \$499,766,995 (December 31, 2021).
- The Term for Fund IV was extended until September 30, 2022.
- Fund II and Fund III are in wind-down phase.

Item 5 – Fees and Compensation

- Provided additional information regarding COPAS fees with respect to the operations of assets owned by the funds and other working interest owners.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

- Updated disclosure of key risk factors. For a more complete discussion of risks, investors should refer to the appropriate offering documents.

Item 10 – Other Financial Industry Activities and Affiliations

- As disclosed in Fund governing documents and Item 4 of this Brochure, Foundation Energy Management, LLC serves as the operator with respect to certain direct working interest in oil and gas properties owned by the Funds. We have added a description of such activity in this section.

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Item 4: Advisory Business

FIRM DESCRIPTION

Foundation Energy Management, LLC, a Texas limited liability company (“Foundation,” “we,” “our” or “us”), was organized in 2005. We provide investment management and other services to our affiliated private pooled investment funds (the “Funds”) with respect to direct and/or indirect investments in oil and natural gas properties and assets, including working interests and net profits interests. These Funds include Foundation Energy Fund II, L.L.C., Foundation Energy Fund III-A, L.P., Foundation Energy Fund III-B, L.P., Foundation Energy Fund IV-A, L.P., Foundation Energy Fund IV-B, L.P., Foundation Energy Fund V-A, L.P., Foundation Energy Fund V-B, L.P., Foundation Energy Fund V-B Core, L.P., Foundation Energy Fund VI-A, L.P., and Foundation Energy Fund VII-A, L.P.. In the past, we also provided certain general and administrative services such as accounting, insurance, payroll and employee benefits to NOVUS Clean Energy, LLC (“NOVUS”), an affiliate of Foundation Energy Company, LLC, our sole member. NOVUS ceased business operations in February 2021 and wound-up its affairs shortly thereafter; as a result, we no longer provide general and administrative service to NOVUS.

Our investment advice is provided in accordance with the investment objectives and strategies described in the applicable offering and governing documents of the Funds, and the information in this brochure is qualified in its entirety by the information set forth in such documents.

Certain of our affiliates will rely on our investment adviser registration instead of separately registering as investment advisers with the Securities and Exchange Commission (the “SEC”). **See Item 10.** Except as the context otherwise requires, any reference to “we,” “us,” or “our” in this document includes Foundation Energy Management, LLC and any affiliates relying on our registration.

PRINCIPAL OWNERS

Our sole member is Foundation Energy Company, LLC. Eddie W. Rhea, P.E., our President and Chief Executive Officer, owns over 25% of the membership interests of Foundation Energy Company, LLC.

TYPES OF ADVISORY SERVICES

We provide investment management and supervisory services to the Funds with respect to direct and/or indirect investments in oil and natural gas properties, including working interests, net profits interests and related assets. We also provide advisory services with respect to derivatives and other financial instruments in an attempt to offset risks relating to fluctuations in oil and natural gas prices. We do not provide investment advice with respect to any other types of investments that may be deemed to be securities for purposes of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). We and/or our affiliates have full discretionary power and authority with respect to the investment of each Fund’s assets, including the location, acquisition, management and liquidation of investments. We generally serve as the named operator of oil and gas properties, including certain working interests owned by the Funds (and from which net profits interests are carved).

We provide investment management services solely with respect to the Funds, and no investor or prospective investor should look to us or our affiliates for advice regarding any of its own investment decisions, including any decision to invest in the Funds. Accordingly, we treat the Funds, and not any of the investors in the Funds, as our “clients” for purposes of the Advisers Act and other applicable laws and regulations, to the extent permitted under such laws. Among other things, this generally means that disclosures required to be made by us to our clients are made to the Funds, and not to the investors, and that necessary consents may be given by us and/or our affiliates on behalf of the Funds and their investors. **See Item 8 below.**

INVESTMENT RESTRICTIONS

We provide investment advice to each Fund in accordance with the investment objectives and strategies set forth in the applicable offering and governing documents, and not in accordance with the individual needs or objectives of any particular investor in that Fund. Investors are not permitted to impose restrictions or limitations on the management of the Funds.

ASSETS UNDER MANAGEMENT

As of December 31, 2021, we had approximately \$499,766,995 in regulatory assets under management. All of these assets were managed on a discretionary basis.

Item 5: Fees and Compensation

DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our services, we generally receive management fees, and we and/or certain of our affiliates are entitled to receive carried interest distributions, with respect to the Funds. While such fees and carried interest distributions are described in detail in the applicable governing and offering documents, a general summary of our basic fee schedule is set forth below.

Management Fees

With respect to each Fund, we generally are entitled to receive an annual management fee, payable with respect to each calendar quarter in advance, as follows:

- (i) during the investment period, the management fee is equal to 0.5% (2% per annum) of the aggregate commitments of investors; and
- (ii) after the end of the investment period, the management fee is reduced on an annual basis and is calculated as set forth in the applicable governing documents of each Fund.

Carried Interest Distributions

Following a return of capital to investors and after each investor has received distributions sufficient to provide it with a preferred rate of return on its capital contribution(s), we or certain of our affiliates generally are entitled to receive carried interest distributions equal to a percentage (ranging from 19% to 27.5%) of distributable cash of each Fund. Upon liquidation of a Fund, we or our affiliates generally are required to return to the Fund (for distribution to each investor) any amount by which the cumulative distributions to all investors (on an aggregate basis) has not caused each investor to receive an amount equal to the aggregate capital contributions made by such investor plus the preferred rate of return on such investor's capital contributions (subject to certain limitations).

Net Profits Interest

With respect to certain of the Funds, an affiliate will convey a 96% net profits interest to such Funds in exchange for the payment of funds totaling 98% of the purchase price and related expenses of the working interests. We use the additional 2% paid by the Funds to cover various contingent expenses incurred with respect to such oil and natural gas properties related to our affiliate's status as a working interest owner.

Our advisory fees with respect to the Funds generally are not negotiable. We and/or our affiliates have entered and may enter into side agreements with certain investors that provide such investors with preferential terms or rights, including reduced fees.

Operating Fees

We or an affiliate generally act as the operator of each Fund's oil and gas properties in accordance with the governing documents for each Fund and pursuant to Joint Operating Agreements. Under such agreements, we may charge certain fees and expenses to the funds for (i) use of FEM personnel in connection with operation of a fund's assets based on hourly charges calculated upon the annual salary and burden payable to such personnel; (ii) headquarter travel costs of FEM personnel while performing due diligence related to an acquisition of a fund asset; (iii) while performing due diligence on and following acquisition of an asset, time actually spent on an acquisition or management of fund assets by the Vice President of Engineering and the Vice President of Marketing of FEM, where the charges are based upon an hourly charge calculated upon the annual salary and burden payable to each of these officers. As operator, FEM charges COPAS fees with respect to the operations of assets owned by the funds and other working interest owners. Any fees earned from non-fund working interest owners are credited to the funds through the reimbursement and allocation process. In addition, any COPAS fees charged to the funds that are higher than the actual amounts paid are credited to the funds.

PAYMENT OF FEES

Management fees are payable by investors quarterly, in advance, as of the first day of each calendar quarter. We or our affiliate have the discretion to pay management fees from capital contributions drawn for such purpose, proceeds received in respect of any investments or any other funds or other assets determined by us or our affiliates to be

available. In the event that a Fund is dissolved or our advisory services are terminated prior to the end of any calendar quarter, then a proportionate amount of any unearned management fees will be refunded to the applicable investor(s).

Carried interest distributions are distributed from the distributable cash and/or proceeds of the Fund to certain investors and us or our affiliate at least quarterly (following a return of capital and a preferred rate of return to investors).

OTHER FEES AND EXPENSES

In addition to management fees and carried interest distributions, we will be reimbursed at cost for organizational costs of each Fund, and the general and administrative expenses associated with managing the oil and gas properties and funds are allocated equitably among all of the Funds we manage. In addition, each Fund generally will bear all costs and expenses reasonably incurred by or arising out of the operation and activities of the Fund. To the extent applicable, the Funds generally are responsible for and pay any applicable brokerage and/or custodial fees and expenses. **See Item 12 below.**

COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.

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

PERFORMANCE-BASED FEES

As noted under Item 5 above, we and certain of our affiliates generally are entitled to receive carried interest distributions with respect to the Funds. Carried interest distributions could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. Certain of our individual employees, agents and affiliates may be compensated to some extent based upon investment profits for which they are responsible and, accordingly, may face the same potential conflict. The method of calculating the carried interest may result in conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions. We attempt to address these conflicts through full and fair disclosure in the applicable offering and governing documents and/or this brochure.

Item 7: Types of Clients

DESCRIPTION

We provide investment management services only with respect to our affiliated private pooled investment vehicles, our sole advisory clients. We do not provide investment management services to any other types of clients.

ACCOUNT REQUIREMENTS

The minimum initial capital commitment generally required for an investor in a Fund is \$3 million. Nevertheless, capital commitments of lesser amounts may be accepted in our discretion.

Investors in the Funds generally are required to be “accredited investors,” as such term is defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended, and “qualified purchasers” as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended, and the rules promulgated thereunder.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The primary investment objective of the Funds is to provide investors with an attractive return on investment through the acquisition of producing oil and natural gas properties and through follow-on exploitation and development projects. We seek investment opportunities that provide: (i) current cash flow for distributions, (ii) potential for appreciation in asset value and (iii) preservation of the Funds' capital.

The major elements of our acquisition and exploitation strategy are the following:

- Acquire long-lived U.S. onshore oil and gas properties;
- Apply technical and operating skills to enhance returns;
- Construct a diversified portfolio of properties;
- Maintain significant distributions throughout the term of each Fund; and
- Exit investments seven to ten years from acquisition.

We focus on acquiring oil and gas assets that (i) are mature producing assets, (ii) involve onshore and inland waters production in the U.S. only, (iii) have not, in our opinion, been fully and efficiently exploited, (iv) have development potential in producing zones other than the currently producing zones, (v) have potential in addition to current production for development of oil and gas using conventional or "unconventional" techniques (*e.g.*, shale gas, liquids-rich shale, tight sands, coal bed methane, horizontal and underbalanced drilling) and (vii) provide decline rates that are relatively low and that have a reasonable degree of predictability. We believe these characteristics present attractive investment opportunities for the Funds and lend themselves to our strengths and expertise. In addition, we focus on acquiring operated oil and gas assets and, where applicable, related midstream infrastructure assets. Operated assets are those assets that permit us to act as the named operator and to control the day-to-day management and capital expenditures of the acquired oil and gas asset, in contrast to non-operated properties, where the operations are largely controlled by a third party. Certain funds may also invest to a limited degree in complementary midstream assets.

The investment strategies summarized above are not intended to be comprehensive. For more information regarding our investment strategies, please see the offering document of the applicable Fund.

CERTAIN RISK FACTORS

There can be no assurance that the Funds will achieve their investment objectives or that an investment in the Funds will be profitable. The Funds' investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that an investment in the Funds is low risk or risk free. The Funds' investment strategies and programs are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors should consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with these investment strategies and processes. The following risks are qualified in their entirety by the risks set forth in the Funds' offering documents.

Risk of Oil and Gas Investments. Investments in oil and gas assets are subject to various risks, including adverse changes in commodity prices, adverse geological conditions, changes in availability of debt financing, changes in interest rates, production tax rates and other operating expenses, environmental laws and regulations, other governmental rules and fiscal policies, environmental claims arising in respect of oil and gas assets acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, risks due to dependence on cash flow, as well as acts of God, uninsurable losses and other factors which are beyond the control of us, our affiliates and the Funds.

Commodity Price Fluctuations. The Funds' revenues, profitability and future rates of growth are substantially dependent upon prevailing prices for oil, gas and natural gas liquids ("NGL"), which are dependent upon numerous factors beyond our control, such as: (i) the domestic and foreign supply of oil and natural gas; (ii) the actions of the Organization of Petroleum Exporting Countries ("OPEC"); (iii) the level of demand for oil and natural gas; (iv) the availability, proximity and capacity of gathering systems of natural gas; (v) the price and availability of alternative fuels; (vi) weather conditions; (vii) political conditions in oil and natural gas producing regions; (viii) the price and

quantity of foreign imports; (ix) technological advances affecting energy consumption; (x) acts of war and other conflicts in the Middle East or in other areas; (xi) overall economic conditions; and (xii) domestic and foreign governmental regulations.

All of these factors are beyond our control. The volatile nature of the energy markets and the unpredictability of actions of major oil and gas producing countries make it particularly difficult to estimate future prices of oil, gas and NGL. Oil and gas markets are seasonal and cyclical. Prices of oil, gas and NGL are subject to wide fluctuations in response to relatively minor changes in circumstances, and there can be no assurance that future prolonged decreases in such prices will not occur. Any significant prolonged decline in oil and gas prices generally could have a material adverse effect on the Funds' financial condition, and level of operations and expenditures for the development of a Fund's oil and gas reserves and the oil and gas reserves on the properties underlying a Fund's net profit interests. If a Fund's assets are concentrated in reserves of only one of oil, gas or NGL, rather than all three, the Fund is likely to be affected more by fluctuations in prices of such commodity than by fluctuations in oil, gas or NGL prices as a whole.

Hedging. As part of each Fund's business strategy and to reduce its exposure to the volatility of oil and gas prices, we may, directly or indirectly, hedge a portion of its production. Additionally, we may hedge a portion of the production attributable to a Fund's net profits interests. Physical hedges generally are not permitted. In a typical hedging transaction, a Fund will have the right to receive from the counterparty to the hedge, the excess of the fixed price or range of prices specified in the hedge over a floating price based on a market index, multiplied by the quantity or notional amount hedged. If the floating price exceeds the fixed price or range of prices, the Fund will be required to pay the counterparty the difference multiplied by the quantity or notional amount hedged. The Fund may be required to make such payment regardless of whether the Fund has access to the quantities of oil or gas specified in the hedge or receives sufficient proceeds from the net profits interests to make the payment. Significant reductions in production at times when the floating price exceeds the fixed price or range of prices could require the Fund to make payments under the hedge agreements even though such payments are not offset by sales and production revenues or production proceeds credited to the net profits account, in which case distributions to investors would be reduced or eliminated. Hedging will also prevent the Funds from receiving the full advantage of increases in oil or gas prices above the fixed amount or range specified in the hedge. These hedging arrangements also may expose the Funds to risk of financial loss if the other party to any hedging arrangement fails to perform, in which case, distributions to investors would be reduced or eliminated.

Substantial Capital Requirements. The Funds could be required to make substantial capital expenditures to develop existing reserves and to discover new oil and gas reserves. Historically, exploration and production companies have financed such expenditures primarily with cash from operations, proceeds from bank borrowings and proceeds from the sale of debt and equity securities. Future cash flows and the availability of credit are subject to a number of variables, such as the level of production from existing wells, prices of oil and gas and our success in locating and producing new reserves. If revenues were to decrease as a result of lower oil and gas prices or otherwise, the Funds could have a limited ability to replace their reserves or to maintain production at current levels, resulting in a decrease in production and revenue over time. If a Fund's cash flow from operations is not sufficient to satisfy its capital expenditure budget, there can be no assurance that additional financing will be available to meet these requirements. The Funds may also make offers to acquire additional oil and gas assets in the ordinary course of their businesses. If any such offers are accepted, a Fund's capital needs may increase substantially. Even if a Fund is not required to make capital expenditures to develop or discover reserves, increases in such expenditures could reduce the net profits payable to the Fund.

Ability to Acquire Oil and Gas Reserves. Each Fund's success depends upon our ability to find, develop or acquire additional oil and gas reserves that are economically recoverable and in which a Fund may acquire net profits interests). Unless we are successful in acquiring reserves through exploration, development or acquisition, the Funds will not produce a satisfactory rate of return. There can be no assurance that we will be successful in our effort to develop or acquire reserves.

Uncertainty of Estimates of Oil and Gas Reserves. Successful acquisition and development of oil and gas assets and acquisition of net profits interests with respect to oil and gas assets requires an assessment of recoverable reserves, future oil and gas prices and operating costs, potential environmental and other liabilities and other factors. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Such estimates are inherently imprecise. The reserves that a Fund owns or that relate to a Fund's net profits interests may be subject to downward or upward revision, based upon production history, results from future exploration and development, prevailing oil

and gas prices and other factors, many of which are beyond the Fund's control. Actual future production, revenue, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves may vary substantially from those estimated by us. Any significant variance in these assumptions could materially affect the estimated quantity and value of reserves available in connection with any proposed investment. As a result, a Fund may not recover the purchase price of an investment, or it may not recognize an acceptable return from the investment it acquires.

Drilling and Operating Risks. Oil and gas drilling activities are subject to numerous risks, many of which are beyond our control. Although the net profits account will be debited with drilling costs, the Funds will have no opportunity to participate in the operation of properties burdened by their net profits interests. Drilling activities involve the risk that no commercially productive oil or natural gas reservoirs will be found or produced. The operator of the properties owned by the Funds and underlying the Funds' net profits interests may drill or participate in new wells that are not productive. The operator may drill wells that are productive but that do not produce sufficient net revenues to return a profit after drilling, operating and other costs, in which case, a Fund would not receive any return for its investment. Whether a well is productive and profitable depends on a number of factors, many of which are beyond our control. If the operator of the properties owned by the Funds and underlying the Funds' net profits interests does not drill productive and profitable wells in the future, the financial condition and results of operations of the Funds will be materially and adversely affected.

Operations by the operator of the properties owned by the Funds and underlying the Funds' net profits interests may be curtailed, delayed or canceled as a result of general economic conditions, title problems, weather conditions, compliance with governmental requirements, mechanical difficulties, equipment failures, strikes or other labor problems and shortages or delays in the delivery of equipment. In addition, the oil and gas assets owned by the Funds and underlying the Funds' net profits interests may be susceptible to hydrocarbon drainage from production by other operators on adjacent properties. Industry operating risks include risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. The Funds will maintain insurance coverage to an extent that we believe is customary for entities of a similar size and engaged in similar operations, but losses can occur from uninsurable risks or in amount in excess of existing insurance coverage. The occurrence of an event that is not insured or not fully insured by the Funds or the operator could have an adverse impact upon the Funds' earnings, cash flows and financial position.

The operator of the properties owned by the Funds and underlying the Funds' net profits interests may determine that the optimal exploration or development of their oil and gas assets requires the drilling of horizontal wells. Horizontal drilling activities involve a greater risk of mechanical problems than conventional, vertical drilling operations. In some cases, the locations will require wells be drilled to greater depths, which may involve more complex drilling than shallow wells involve.

Midstream Operating Risks. Midstream operations are subject to many hazards inherent in the transportation and distribution of petroleum products and ammonia, including ruptures, leaks and fires. In addition, midstream operations are exposed to potential natural disasters, including hurricanes, tornadoes, storms, floods and earthquakes. 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 curtailment or suspension of our related operations. If the assets are located in or near high consequence areas such as residential and commercial centers or sensitive environments, the potential damages would likely be even greater in these areas. If a significant accident or event occurs, it could materially adversely affect a Fund's and Tax Exempt Fund's earnings, cash flows and, financial position.

Shortages of Equipment and Personnel. Shortages or the high cost of drilling rigs, equipment, supplies or personnel could delay or adversely affect ability of the operator of the properties owned by the Funds and underlying the Funds' net profits interests to initiate and execute development and exploration operations, which could have a material adverse effect on the Funds' financial condition and results of operations. If drilling activity in the United States increases, associated costs may also increase, including those costs related to drilling rigs, equipment, supplies and personnel and the services and products of other vendors to the industry. These costs may increase and necessary equipment and services may become unavailable to the operator of the properties owned by the Funds and underlying the Funds' net profits interests at economical prices. Should this happen, the operator may delay drilling activities,

which may limit its ability to establish and replace reserves, or the operator may incur these higher costs, which may negatively affect the Funds' results of operation.

Investment Plans Reflect Current Intent and are Subject to Change. The Funds' acquisition, exploitation, development and exploration strategy and the Funds' investment strategy may be described in materials provided to investors in connection with a particular investment, but whether a Fund ultimately undertakes such strategy, or continues to adhere to such strategy, will depend on the following factors, among others:

- Receipt of engineering, production and seismic data or the reprocessing of existing data;
- Current and forecasted oil and gas prices;
- Costs and availability of equipment, supplies and personnel necessary for the operator of the properties to conduct such operations;
- Success or failure of activities in similar areas;
- Changes in the estimate of the costs to complete such operations;
- The ability to attract other industry partners to acquire a portion of the working interest to reduce exposure to costs and risks; and
- Decisions of our affiliates' joint working interest owners.

Successful Marketing of Production Depends on Factors Beyond our Control. The ability to market and sell oil or gas from the Funds' wells depends upon numerous factors beyond our control. These factors, to the extent applicable to particular oil and gas assets owned by the Funds and underlying the Funds' net profits interests, include:

- Extent of domestic production and imports of oil and gas;
- Availability of capacity to refine or process the hydrocarbons produced on satisfactory terms;
- Proximity of the hydrocarbon production to appropriate pipelines;
- Availability of pipeline capacity;
- Demand for oil, gas or NGL by end users;
- Availability of alternative fuel sources;
- Effect of inclement weather;
- State and federal regulation of oil or gas marketing;
- Federal regulation of oil or gas sold or transported in interstate commerce; and
- Availability of satisfactory oil and natural gas transportation arrangements.

The operator may be required to shut in wells for lack of a market or because of inadequacy or unavailability of natural gas pipeline or gathering system capacity. If that were to occur, the Funds would be unable to realize revenue from those wells and would be unable to realize revenue from net profits interests relating to those wells until production arrangements were made to deliver the production to market.

Because of these factors, among others, the operator of the properties owned by the Funds and underlying the Funds' net profits interests might be unable to market all of the oil, gas or NGL it produces. In addition it might be unable to obtain favorable prices for the oil, gas or NGL it does produce.

Limitations on Production Due to Unitization or Pooling Regulations. The operations of the operator of the properties owned by the Funds and underlying the Funds' net profits interests may also be subject to various conservation matters, including the regulation of the size of drilling and spacing units or proration units, the number of wells which may be drilled in a unit, and the unitization or pooling of oil and gas assets. In this regard, some U.S. states allow forced pooling or integration of tracts to facilitate exploration while other states rely on voluntary pooling of lands and leases, which may make it more difficult to develop oil and gas assets. In addition, state conservation laws establish maximum rates of production from oil and gas wells, generally prohibit the venting or flaring of gas, and impose certain requirements regarding the ratable purchase of production. The effect of these regulations may be to limit the amounts

of oil and gas that the operator of the properties owned by the Funds and underlying the Funds' net profits interests can produce from its wells and to limit the number of wells or the locations at which the operator of the properties owned by the Funds and underlying the Funds' net profits interests can drill.

Production and Severance Taxes. Each U.S. state generally imposes a production or severance tax with respect to production and sale of crude oil, natural gas and natural gas liquids within their respective jurisdictions, which tax would be imposed on the Funds or deducted from proceeds payable to a Fund in accordance with the conveyance document pursuant to which the Fund acquired its net profits interests.

Use of Debt. Certain of the Funds may obtain debt financing when acquiring oil and gas assets. While the use of debt may increase the potential returns on equity, it also increases the risk of loss since borrowings represent a prior claim on assets and require fixed payments, regardless of the profitability of particular investments encumbered by such borrowing. In the case of default under any borrowing, some or all of the assets of the borrower could be taken by the lenders in payment of their claims. Moreover, leveraged capital structures are more sensitive to rising interest rates and to increases and decreases in revenues and expenses.

Any instruments governing the indebtedness of the Funds may impose significant operating and financial restrictions on the Funds, and may significantly limit or prohibit, among other things, the ability of the Funds to pay distributions to investors, repay indebtedness prior to their stated maturity, sell assets or engage in mergers or acquisitions. These restrictions could also limit the ability of the Funds to incur additional indebtedness, make needed capital expenditures, withstand a future downturn in the Funds' businesses or the economy in general or otherwise conduct necessary corporate activities. A failure by a Fund to comply with these restrictions could lead to default. In the event of default, the holders of such indebtedness would normally be entitled to declare all of the funds borrowed pursuant thereto to be due and payable together with accrued and unpaid interest. In such event, there can be no assurance that the Fund would be able to make such payments or to borrow sufficient funds from alternative sources to make any such payment. Even if additional financing could be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to the Fund. In addition, the Fund's indebtedness may be secured by all or a substantial portion of its oil and gas assets. The pledge of such collateral to existing lenders could impair the Fund's ability to obtain additional favorable financing.

Competition for Investments. We will encounter strong competition from other oil and natural gas companies in acquiring properties and leases for the exploration and production of oil and natural gas and the related net profits interest for the Funds. The operator of the properties owned by the Funds and underlying the Funds' net profits interests also will compete for the equipment and labor required to operate and develop properties. Many of our competitors have substantially greater financial resources, staffs and facilities. In addition, larger competitors may be able to absorb the burden of any changes in federal, state and local laws and regulations more easily than we can, which would adversely affect our competitive position. Our competitors may be able to pay more for desirable properties and to evaluate, bid for and purchase a greater number of properties or prospects than we can for the Funds. As a result, we may not be able to buy properties or lease acreage and the related net profits interest for the Funds at affordable prices or to successfully develop properties. Our ability to explore, develop and exploit oil and natural gas reserves and to acquire properties and the related net profits interest for the Funds will depend on our ability to conduct operations, to evaluate and select suitable properties and to complete transactions in this highly competitive environment.

Risk of Limited Number of Investments. The Funds may make a limited number of oil and gas investments and, as a consequence, the aggregate return of the Funds may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, the diversification of the Funds' investments could be even further limited to the extent the Funds invest a significant portion of their capital in one or a small number of transactions.

The Funds may make relatively few investments, and such investments may be acquired in a single, or only a few, transactions. Accordingly, the Funds will not hold a diversified portfolio of investments and such investments may be acquired at a time when, it is later determined, prices were unfavorable to the Funds. A consequence of a having limited number of investments might be that the aggregate return realized by investors is substantially adversely affected by the unfavorable performance of even a small portion of the Funds' assets.

Investment Risks. Our investment analyses and decisions may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to us and our affiliates at the time of making an investment decision may be limited, and we and our affiliates may not have access to detailed information

regarding the investment property to be owned by a Fund or to underlie the net profits interest, such as physical characteristics, environmental matters, zoning regulations or other local conditions affecting an investment property. Therefore, no assurance can be given that we and our affiliates will have knowledge of all circumstances that may adversely affect an investment. In addition, we and our affiliates may rely, in part, upon independent consultants in connection with our evaluation of proposed investment properties, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants.

Before acquiring oil and natural gas properties and net profits interests in oil and natural gas properties we and our affiliates will estimate the reserves, future oil and natural gas prices, operating costs, potential environmental liabilities and other factors relating to the properties. We and our affiliates believe the method of review they will employ is generally consistent with industry practices. However, our review will involve many assumptions and estimates, and their accuracy is inherently uncertain. As a result, we and our affiliates may not discover all existing or potential problems associated with the properties underlying the investments they make. We and our affiliates may not become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. We and our affiliates do not generally perform inspections on every well, and we may not be able to observe mechanical and environmental problems even when we conduct an inspection. If a Fund acquires properties or net profits interests with respect to properties with risks or liabilities we did not know about or that we did not correctly assess, the Fund's financial condition and results of operations could be adversely affected as amounts with respect to claims and cleanup costs related to these liabilities would be incurred by the Fund or deducted from proceeds received by the Fund in accordance with the conveyance documents pursuant to which it acquired the net profits interests.

Investments Burdening Troubled Properties. The Funds' investments in non-performing, under-performing or other troubled properties, or the net profits interests burdening such properties, may involve a high degree of risk. As a result, some or all of their investments may become worthless.

Government Regulation. Oil and gas exploration and production, transportation, processing and storage operations are subject to various federal, state and local governmental regulations, which may change from time to time in response to economic or political conditions. From time to time, regulatory agencies have imposed price controls and limitations on production in order to conserve supplies of oil and gas. The production, processing, handling, storage, transportation and disposal of oil and gas, by-products thereof and other substances and materials produced or used in connection with oil and gas operations are subject to regulation under federal, state and local laws and regulations primarily relating to protection of human health and the environment. Numerous laws and regulations govern the operation and maintenance of the assets owned by the Funds and underlying the Funds' investments, the discharge of materials into the environment and protection of the environment. These laws and regulations may:

- Require that operator of the properties owned by the Funds and underlying the Funds' net profits interests acquire permits before commencing operations;
- Restrict the substances that can be released into the environment in connections with the operator's activities;
- Limit or prohibit engaging in drilling or pipeline construction activities, if applicable, on protected areas such as wetlands or wilderness areas; and
- Require remedial measures to mitigate pollution from former operations, such as plugging abandoned wells.

Under these laws and regulations, the operator could be liable for personal injury and clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties, which costs would be incurred by the Funds or deducted from proceeds received by the Funds in accordance with the conveyance.

General Economic and Market Risks. The Firm and Fund investments may be materially affected by market, economic, political and social conditions globally and in the jurisdictions and sectors in which they invest or operate, including factors affecting interest rates, the availability of credit, currency exchange rates, inflation risk, supply chain disruptions, sanctions, and trade barriers. These factors are outside the control of the Firm and could adversely affect the liquidity and value of the Funds' investments, and may reduce the ability of the Funds to make attractive new investments or extend the time for the Funds to be able to acquire or dispose of investments. The recent conflict between Ukraine and Russia, and the sanctions recently adopted by the United States, the European Union and other countries presents significant economic, market and other risks.

Potential Conflicts of Interest. In the ordinary course of their businesses, we and our affiliates may engage in activities in which our interests may conflict with the interests of the Funds or investors. We or our affiliates, in our ordinary course of business, may possess, or come into possession of, information relevant to the Funds' investment activities

that we may be prohibited from disclosing to the Funds or investors. Additionally, conflicts of interest may occur between the Funds.

Information Technology, Electronic Communications & Cybersecurity. The Firm, the Funds, the Firm's respective service providers and other market participants increasingly depend on information technology and electronic communications systems to conduct business functions, including through expanded remote work activities. These systems are subject to a number of different threats or risks that could adversely affect the Fund and its investors, despite the efforts of the Firm and the Fund's 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 the Fund and its investors. Moreover, notwithstanding the diligence that we may perform on such service providers, the Firm may not be in a position to verify the risks or reliability of such information technology systems. The Firm, the Funds and our respective service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. The Funds', service providers' and our information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Firm has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Funds and/or the Firm may have to make a significant investment to fix or replace them. The failure of these systems and/or of continuity and disaster recovery plans for any reason could cause significant interruptions in the Firm's and the Funds' 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 could harm the Funds' and the Firm's reputations, subject any such entity to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Funds or individual investors by interfering with the Firm's operations. The Funds may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Funds or the Firm to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Funds may be required to indemnify the Firm against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

Epidemics, Pandemics, and Public Health Issues. Our business activities as well as our clients and their operations and investments could be adversely affected by the outbreaks of epidemics in China and globally, such as CoronaVirus, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Specifically, CoronaVirus, or COVID-19, has spread rapidly around the world since December 2019 and has negatively affected the global economy, oil, gas and commodity markets, and the stock market. Although the ongoing and long-term effects of coronavirus cannot be predicted with certainty, the pandemic to date, as well as previous occurrences of other pandemic and epidemic diseases, such as H5N1 and H1N1, have had an adverse effect on the economies of the United States and other countries in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the business, financial condition and operations of us and our clients. Should these or other major public health issues, including pandemics, arise or spread farther, we and our clients could be adversely affected by more stringent travel restrictions, additional limitations on the firm's operations or business and governmental actions limiting the movement of people between regions and other activities or operations.

Force Majeure & Catastrophic Risks. The Firm and the Funds may be subject to operational risk from unforeseeable and uncontrollable catastrophic events, including fires, floods, earthquakes, adverse weather conditions and related power outages, water shortages or other damage caused by such events, changes in law, eminent domain, wars, riots, terrorist attacks, and other similar risks, which may be uninsurable or insurable at rates that the Firm deems uneconomic. These events could result in loss and litigation, among other potentially detrimental effects. Certain force majeure events (such as an outbreak of an infectious disease (including the COVID-19 global pandemic)) could have

a broader negative impact on the world economy and international business activity generally, or in any of the countries or jurisdictions in which investments are located. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over an investment, could result in a loss to the Funds. Any of the foregoing would therefore adversely affect the performance of the Funds' or any of their investments. In February 2022, armed conflict escalated between Russia and Ukraine and Russia invaded Ukraine. In response to Russia's invasion of Ukraine, the United States, the European Union and various other countries have announced, and continue to announce and expand, sanctions against or targeting Russia and various important Russian people and companies. These sanctions currently include, among others, restrictions or bans on selling or importing goods, services or technology in or from Russia, bans on Russian energy imports, and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. The U.S. and other countries could impose wider or more significant sanctions and take other actions against Russia or its interests should the conflict further escalate or deteriorate. The Ukraine-Russian conflict has led to, and may continue to lead to, significant political, geopolitical, economic and market turmoil and volatility, including dramatic increases in oil and gas prices and further supply chain disruptions. It is not possible to predict the broader consequences of this conflict or the sanctions imposed or applied as a result thereof, which could include further sanctions, embargoes, regional instability, geopolitical shifts, conflicts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact the Firm and the Funds' business, financial condition and results of operations.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FUNDS' INVESTMENT PROGRAMS. PROSPECTIVE INVESTORS SHOULD READ THIS BROCHURE AND THE OFFERING AND GOVERNING DOCUMENTS OF THE FUNDS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

Item 9: Disciplinary Information

Not applicable.

Item 10: Other Financial Industry Activities and Affiliations

Certain of our affiliates, including Foundation Energy Company III-GP, L.L.C., Foundation Energy Company IV-GP, L.L.C., Foundation Energy Company V-GP, L.L.C., Foundation Energy Company VI-GP, L.L.C., and Foundation Energy Company VII-GP, L.L.C. (each, a “Relying Adviser” and, collectively, “Relying Advisers”), serve as general partners with respect to certain of the Funds and, in such capacity, may be deemed to be “investment advisers” (as such term is defined in the Advisers Act). The Relying Advisers will rely on our registration instead of separately registering with the SEC as an investment adviser under the Advisers Act. To rely on our registration, we will enter into investment management supervision agreements with each Relying Adviser, pursuant to which, among other things (i) the Relying Adviser, its employees and persons acting on its behalf will be “persons associated with” and “supervised persons” of (as each term is defined in the Advisers Act) Foundation Energy Management, LLC, (ii) the investment advisory services of the Relying Adviser, its employees and persons acting on its behalf will be subject to our supervision and control with respect to any investment advisory functions thereof, (iii) any investment advisory functions of the Relying Adviser will be subject to the Advisers Act and the rules and regulations thereunder, and (iv) the activities and books and records of the Relying Adviser will be subject to inspection and examination by the SEC. Each Relying Adviser will be subject to our compliance policies and procedures and, except as the context otherwise requires, any reference in this brochure to “we,” “us,” “our” includes Foundation Energy Management, LLC and the Relying Advisers.

The Funds invest in hedging instruments deemed to be commodity interests as defined in the Commodity Futures Trading Commission (“CFTC”) regulations. Foundation Energy Management, LLC claims an exemption from registration with the National Futures Association as a commodity pool operator or commodity trading advisor pursuant to CFTC Rule 4.13(a)(3). Neither we nor any of our affiliates or supervised persons is registered or has an application pending to register as a broker-dealer, registered representative of a broker-dealer or futures commission merchant.

Operator

As disclosed in Fund governing documents and Item 4 above, Foundation Energy Management, LLC serves as the operator with respect to certain direct working interest in oil and gas properties owned by the Funds. This is intended to provide the Funds with greater control of the timing and conduct of drilling and production operations. As the operator, we also provide engineering, geotechnical, and operational services to the Funds and have primary responsibility with respect to the identification, evaluation, acquisition, operation, and divestiture of oil and gas properties and related interests on behalf of the Funds.

Outside Board Member Activities

Outside members of the Funds’ Board of Managers are engaged in other outside activities in the oil and gas and/or financial industry. In particular, outside board members serve as executive officers, board members and/or outside counsel to multiple oil and gas companies and oil and gas service companies. One board member is a principal of an investment banking firm. Outside board members may also serve as directors of other private or public companies. Outside board members generally have extensive personal investments in oil and gas properties and assets. The outside activities of each outside board member are described more fully in the offering documents for each Fund.

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

CODE OF ETHICS

We adopted and implemented a code of ethics, which sets forth standards of business conduct for our supervised persons. Our code of ethics will primarily be designed to educate supervised persons about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to the Funds, encourage supervised persons to comply with applicable laws, prevent the misuse of material non-public information, restrict the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by access persons. Among other things, we impose restrictions on access persons relating to the purchase or sale of certain securities for their own accounts and the accounts of certain affiliated persons. Access persons are required to submit reports disclosing personal securities transactions. We also maintain certain policies and procedures designed to prevent supervised persons from misusing material non-public information or trading the same security ahead of the Funds. We will furnish a copy of our code of ethics to the Funds upon request.

ADVISORY COMMITTEES

An advisory committee (the “Advisory Committee”) has been established with respect to each Fund. The Advisory Committee typically consists of a representative of each investor (or related investors jointly managed) that has made a capital commitment of \$5 million or more. In general, the Advisory Committee of a Fund is authorized to (i) consent to, approve, review or waive any matter requiring the consent, approval, review or waiver of the Advisory Committee as set forth in the Fund’s governing documents, (ii) review and approve or object to valuations of securities or other assets of the Fund for which no third party valuation has been obtained and (iii) provide such advice and counsel as is requested or required pursuant to the Fund’s governing documents in connection with potential conflicts of interest, valuation matters and other matters relating to the Fund. We and/or our affiliate generally will seek the consent of the Advisory Committee on any matter involving a material conflict of interest (as determined by us or such affiliate) with the Fund that is not specifically addressed in the applicable governing documents.

TRANSACTIONS WITH AFFILIATES

We and/or our affiliates may enter into (i) contracts and transactions with the Fund that are authorized or contemplated by the governing documents of the Fund and (ii) any other contract; *provided* that the Advisory Committee consents thereto. In particular, the governing documents of certain of the Funds specifically authorize such Funds to acquire net profits interests from one of our affiliates (which have been carved out of working interests acquired by such affiliate).

PERSONAL INVESTMENTS

Except as otherwise provided in the governing documents of each Fund, we and our Affiliates (as defined in the governing documents of each Fund), including the Relying Advisers, may not acquire, invest in or hold an interest in any lease owned by a Fund or from which a net profits interest is created without the prior consent of the Advisory Committee of such Fund. The governing documents of each Fund include procedures to address potential conflicts of interest that may arise between us, our Affiliates and/or the Relying Advisers, on one hand, and the Funds, on the other hand. In general, we will attempt to manage any conflicts in accordance with fiduciary requirements and applicable law (which may include disclosure and consent). Outside board members may hold personal investments in oil and gas properties and securities are subject to reporting and pre-clearance requirements regarding such investments under our Code of Ethics.

Item 12: Brokerage Practices

BROKERAGE PRACTICES

In general, we (or our affiliates) have authority to determine the brokers to be used for Fund transactions and to negotiate commission rates and other monies paid by the Funds. We may use brokers to purchase or sell oil and natural gas working interests, net profits interests and related assets. The governing documents with respect to each Fund do not preclude us from engaging such brokers as we determine are in the best interests of such Fund for purposes of the transaction, or limit the amount of fees paid in connection with such engagement. The Funds utilize commodity hedges that are executed through hedging counterparties we select. We select counterparties and brokers based on various factors including marketing approach, products and services offered, access to buyers and fees.

ALLOCATION OF INVESTMENT OPPORTUNITIES

During the investment period of a Fund, any investment opportunity that is presented to us or our affiliates that we (or our affiliates) believe is suitable and appropriate for the Fund and consistent with its investment objectives will be offered to the Fund and its related Funds to the extent that the Fund and its related Funds have available remaining capital commitments net of reasonable reserves for expenses, follow-on investments and investments that are in process. Notwithstanding the foregoing, we may call and invest the remaining capital commitments of existing Funds in our discretion; *provided* that the Advisory Committee consents to any investment that is not a follow-on investment. If an investment opportunity is offered to and declined by a Fund, then we may offer such investment to another Fund.

Item 13: Review of Accounts

REVIEWS OF ACCOUNTS

We provide investment advice primarily with respect to investments in oil and natural gas working properties and assets, including working interests and net profits interests. In monitoring the performance of the Funds and their investments, we perform various levels of review. Among other items, we may consider the following: production data, drilling or other development activity reports, engineering reports and reviews of net profits accounts.

For Funds investing in oil and gas interests, our engineers and geologists monitor the Funds' oil and gas investments daily by reviewing production data and drilling or other development activity reports from the field. They are instructed to monitor performance and propose field and well management techniques consistent with prudent oil and gas industry standards. Senior management reviews production and production sales performance of the oil and gas investments, and reports from the engineers at least weekly. For Funds investing in oil and gas net profits interests, our accounting and financial personnel review debits and credits to the net profits accounts monthly. They are instructed to ensure that the debits and credits conform to the net profits interest conveyance agreement defining and creating each net profits interest, and their work is reviewed by senior management.

All Funds and investments are reviewed by our executive officers at least quarterly. With respect to accounting matters, we have engaged a nationally-recognized, independent public accounting firm to conduct annual audits of the Funds.

ADDITIONAL REVIEWS

While we generally will conduct reviews of all client accounts on at least a quarterly basis, we may conduct additional or more frequent reviews under certain circumstances, including in the event of a proposal for or the acquisition of an investment.

REPORTS TO INVESTORS

We generally provide investors in the Funds with the following reports and information: (i) quarterly unaudited financial statements of the Fund; (ii) annual audited financial statements of the Fund (prepared in accordance with generally accepted accounting principles); (iii) an annual schedule reflecting the total costs of the Fund and the costs charged to us and/or our affiliates and the investors and total revenues of the Fund and the revenues credited to the account of us and/or our affiliates and the investors; (iv) an annual summary itemization by type and/or classification of the total fees, compensation and reimbursement paid by the Fund to us and/or our affiliates; (v) a schedule reflecting the capital account balances of each investor; (vi) our annual audited financial statements; and (vii) an annual report containing (a) an estimation of the oil and gas reserves as of the end of the fiscal year attributable to the leases held by the Fund and the investors, (b) a projection of the rate of production of and net income from such reserves with respect to each such lease, (c) a calculation of the present worth of such net income, and (d) a schedule or complete description of all assumptions, estimates and projections made or used in the preparation of the report.

Item 14: Client Referrals and Other Compensation

THIRD PARTY COMPENSATION

Except as otherwise disclosed herein, we currently do not receive any economic benefit from any person who is not a client for providing advisory services with respect to the Funds.

REFERRALS

We previously engaged MCAM Advisers (UK) Limited (the “Placement Agent”), a limited liability company incorporated in the United Kingdom (MCAM) to act as exclusive placement agent on our behalf in the UK and EU in connection with the sale of limited partnership interests in Foundation Energy Fund VII, which had a single closing in April 2019. MCAM acted only as our agent and not as a principal in the procurement of offers for, and sale and placement of, the limited partnership interests in the UK and the EU, acting at all times in our and Fund VII’s best interest and without conflict of interests or conflict of duties. MCAM earned a fee in the form of a commission calculated as a percentage of the aggregate principal amount of limited partnership interests sold during the period of MCAM’s engagement. The commission rate payable equaled one and one half percent (1.5%) of limited partnership interests sold to eligible investors introduced to us by MCAM during the engagement period.

We may engage a Placement Agent with respect to future fundraising activities. Generally, we pay placement agent fees, and any placement agent fees charged to a fund shall be offset against Management Fees payable to us.

Item 15: Custody

We are deemed to have custody of each Fund's cash and securities for purposes of Rule 206(4)-2 under the Advisers Act, since an affiliate serves as the general partner to each of the Funds. To the extent required by Rule 206(4)-2, each Fund's cash and securities are held with one or more qualified custodians. The oil and gas investments held by each Fund are deemed "privately offered securities" and are not required to be held at a qualified custodian. We or our affiliates may change custodians at any time and from time to time without the consent of, or notice to, investors. Generally, the securities owned by the Funds are deemed to be "privately offered securities" as defined in Rule 206(4)-2 and accordingly are not required to be and are not maintained at a qualified custodian.

In general and to the extent required by law, independent public auditors will conduct annual audits of each of the Funds, and audited financial statements (prepared in accordance with U.S. generally accepted accounting principles) will be provided to investors on an annual basis. We and/or our affiliates generally attempt to provide such statements to investors within 90 or 120 days, as applicable, after the end of each fiscal year, but there can be no assurance that this goal will be achieved. Qualified custodians do not provide statements directly to investors in the Funds.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

We and/or our affiliates have discretionary power and authority over the types of investments to be bought or sold, as well as the amount to be bought or sold, on behalf of each of the Funds, subject to the limitations set forth in the applicable governing documents of each Fund. As described in Item 10 above, the investment advisory services provided by the Relying Advisers are subject to our supervision and control.

LIMITED POWER OF ATTORNEY

Each investor generally grants a limited power of attorney to us or our affiliates in order to take certain actions with respect to the Fund.

Item 17: Voting Client Securities

While we and/or our affiliates technically have the authority to vote proxies on behalf of the Funds, the Funds only invest in oil and natural gas properties and assets, including working interests and net profits interests. Accordingly, neither we nor any of our affiliates currently vote proxies for any Funds or clients and we do not expect to be called upon to vote proxies with respect to securities owned by the Funds. In the event the Funds ever hold public securities and/or we are in a position to vote proxies, we will adopt and implement proxy voting policies and procedures designed to ensure that the firm will vote such proxies based on what it considers to be in the best financial interest of the Funds and fund investors. Copies of our proxy voting policy, together with information regarding how we have voted past proxies, will be made available to the Funds upon request.

Item 18: Financial Information

Not applicable.