

## Item 1 - Cover Page

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

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Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Basin Oil and Gas Management, LP (the “Adviser” or “Basin”). If you have any questions about the contents of this Brochure, please contact us at (817) 820-8910 or [contact@basinfunds.com](mailto:contact@basinfunds.com). 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.

Basin Oil and Gas Management, LP is an investment adviser that registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an investment adviser does not imply any level of skill or training.

Additional information about Basin Oil and Gas Management, LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. The information set forth herein is qualified in its entirety by reference to applicable offering and governing documents. In the event of a conflict between the information set forth in this Brochure and the information in the applicable governing and/or offering documents, the governing and/or offering documents shall control.

## **Item 2 - Material Changes**

The last annual updating amendment to the Brochure was made on March 30, 2024. The annual amendment to the Brochure included updates to the Adviser's regulatory assets under management in Item 4 and added additional risk disclosures in Item 8. In this other-than-annual amendment, the following material changes took place since the last updating amendment, dated March 30, 2024:

- Basin changed its principal office and place of business.

There are no other material changes to summarize. However, in the future, this section of our Brochure will contain a summary of any material changes we have made since our last annual Brochure, and we will provide you with a copy of that summary within 90 days of the end of our fiscal year each year. We will also provide you with copies of any new Brochure as necessary under the state rules.

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#### **Item 4 - Advisory Business**

Basin Oil and Gas Management, LP (the “Adviser” or “Basin”) is an investment advisory firm with its headquarters in Fort Worth, Texas. Basin was formed as a Texas limited liability company in 2014 and converted to a limited partnership in December 2018. The Adviser is led and managed by Stephen Howard and Mason Manulik (the “Founding Partners” or “Principals”).

The Adviser is a private equity firm and invests in domestic oil and gas interests. The Adviser provides investment advisory, management and other services on a discretionary basis to private investment funds (each a “Fund”, “Client”, or “Partnership,” and collectively, the “Funds”, “Clients”, or “Partnerships”), for sophisticated, qualified investors (“Investors” or “Limited Partners”).

The general partner or equivalent of each Fund is, or will be, an affiliate of the Adviser (each a “General Partner”). Each General Partner is, or will be, subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Adviser. The governing documents of each Client may also provide for the establishment of parallel, feeder or other alternative investment vehicles in certain circumstances. Investors may participate in such vehicles for the purposes of certain investments, and if formed, such vehicles would also become Clients of the Adviser. In this Brochure, because it is uncertain whether such additional parallel, feeder or alternative investment vehicles will be classified as Clients of the Adviser, when we refer to a Fund or Client, we are also referring to such additional parallel, feeder or alternative investment vehicles, if any.

Investment advisory services include working with Clients to establish an investment objective and selecting portfolio investments utilizing the Adviser’s overall investment strategy, which focuses on acquiring oil and gas interests and related assets within the United States, which may include but is not limited to oil and gas reserves, leasehold interests, working interests, net profits interests, mineral interests, and royalty interests. The Adviser’s advisory services also consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Clients, managing and monitoring the performance of such investments and disposing of such investments. The Adviser serves as the investment adviser or General Partner to the Clients in order to provide such services.

The Adviser provides investment supervisory services to each Client in accordance with the limited partnership agreement (or analogous organizational document) of such Client or separate investment and advisory, investment management or portfolio management agreements (each such limited partnership agreement advisory agreement or similar document an “Advisory Agreement”).

Investment advice is provided directly to the Clients, subject to the discretion and control of the applicable General Partner, and not individually to the investors in the Clients. Services are provided to the Clients in accordance with the Advisory Agreements with the Clients and/or organizational documents of the applicable Client. Investment restrictions for the Clients, if any, are generally established in the organizational or offering documents of the applicable Client, Advisory Agreements and/or side letter agreements negotiated with investors in the applicable Client (such documents collectively, a Client’s “Organizational Documents”).

While each of its Clients generally follows the strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client based on the individual investment strategy of each Client. Additionally, from time to time and as permitted by the relevant Organizational

Documents, the Adviser in its sole discretion, is permitted (but is not obligated to) offer co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Adviser's personnel and/or certain other persons associated with the Adviser and/or its affiliates. Such co-investments typically involve investment and disposal of interests in the applicable portfolio investment at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle could purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio investment (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in the Adviser's sole discretion, the Adviser is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

Notwithstanding the Adviser's tailoring of its specific advisory services to each Client, its exercise of any "excuse" or similar rights in Client Organizational Documents, or the Adviser's offering of co-investment opportunities to one or more co-investors, the Adviser provides advice to Funds, and not to their investors, and such arrangements do not (and will not) create an adviser-client relationship between the Adviser and any investor.

As of December 31, 2023, the Adviser manages approximately \$310,623,624 in Client assets on a discretionary basis through the Funds. The Adviser is controlled by the Principals.

## **Item 5 - Fees and Compensation**

The Adviser or its affiliates generally receive Management Fees and Carried Interest (each as defined below) or similar performance-based remuneration from a Fund. Additionally, consistent with the Organizational Documents of a Client, the Client typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Client and/or the portfolio investments. Below is a discussion of how the Adviser is generally compensated in connection with providing advisory services to its Clients. As described below in more detail, the Adviser may enter into different fee arrangements on a Client by Client basis.

It is critical that investors and prospective investors refer to a Client's Organizational Documents for a complete understanding of how the Adviser and the applicable General Partner are compensated for advisory services and what organizational and operational expenses are charged to the Client and ultimately borne by investors. The information contained herein is a summary only and is qualified in its entirety by each Client's Organizational Documents. Investors and prospective investors are advised that they should consult with their own legal, financial, tax, and other advisers when making any investment decision.

### Management Fees

For its services to each Fund, the Adviser receives a management fee (the "Management Fee") which is based on a percentage of assets under management or a percentage of capital commitments. Prior to the end of the investment period for each Fund, the Adviser receives a Management Fee based on a percentage (generally 2%) of total capital commitments to the Funds. After the investment period, the Management Fee with respect to the Funds is based on percentage

(generally 1-2%) of assets under management or total capital commitments to the Funds. Management Fees paid by a Fund may also be reduced by other fees or compensation received by the Adviser or its affiliates that relate to such Fund's activities and investments, or by certain organizational or other expenses borne by such Fund, as described in more detail below. Management Fees paid by a Fund are indirectly borne by investors in such Fund.

The annual Management Fee is generally paid quarterly in advance. Pursuant to the Fund's Organizational Documents, the Adviser may refund any pre-paid Management Fees by a Fund if the Advisory Agreement with such Fund is terminated before the end of the billing period. Management Fee refunds are calculated on a pro-rata basis for partial periods, if applicable.

The precise amount of, and the manner and calculation of, the Management Fees for each Fund are established by the Adviser and are set forth in such Fund's Organizational Documents received by each investor prior to making investment in such Fund. The Management Fees and other fees and distributions described herein are generally subject to modification, waiver, or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which may not be disclosed to other investors in the same Fund. The fee structures described herein may be modified from time to time. Fees differ from one Fund to another, as well as among investors in the same Fund.

As more fully described below, the Adviser or its affiliates are permitted to charge Other Fees (as defined below); however, in certain Funds, the Adviser's Management Fee with respect to the Funds is reduced by all or a portion of such fees paid to the Adviser, net of expenses. Fees earned by the Adviser, if any, in connection with transactions not completed with respect to the Funds are to be paid first to offset expenses associated with such transaction and, thereafter, to the Adviser and credited against the Management Fee. In addition, in certain Funds, the Management Fee payable in any quarterly period shall be reduced by an amount equal to the aggregate amount of any private placement or finders' fee paid or reimbursed by the Funds to placement agents, finders or other third parties performing similar services in connection with the organization or funding of the Funds during any immediately preceding quarterly period. The amount and manner of such reduction, if any, is set forth in the Advisory Agreement and/or Organizational Documents of the applicable Fund. To the extent a reduction relates to more than one Fund, the Adviser shall allocate the resulting Management Fee reduction among the applicable Fund(s) in proportion to their interest (or prospective interest) in the portfolio investment.

#### Other Fees

Additionally, with respect to certain Clients and as more fully described in the applicable Clients' Organizational Documents, the General Partners of the Clients, the Adviser, or any of the Principals have the right to contract for and receive (i) financing fees, commitment fees, closing or other similar fees in connection with investments made by the applicable Client, (ii) directors' fees, monitoring fees, management fees, advisory fees, investment banking fees, structuring fees, success or other similar fees in connection with investments made by the applicable Client or from portfolio (whether paid in cash or in-kind) or (iii) break-up or other similar fees as a result of the failure to consummate an investment by the applicable Client (with the fees described in clauses (i) through (iii) being called "Other Fees"); provided, however, that a specified portion of such Other Fees so received, net of applicable related expenses (without duplication) are generally applied to reduce on a fully diluted dollar-for-dollar basis any future payment of the Management Fee due.

The Adviser may also be paid fees of the type referred to in the preceding paragraph from, on behalf of, or with respect to co-investors in an investment. It is expected that receipt of such fees would

not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant. Similarly, in certain circumstances, the Adviser may negotiate the right to share a portion of such fees from a particular investment with co-investors or other third parties, and the above-described offset percentage will be applied after excluding any amounts paid to such persons. Offsets generally are performed on a net basis, after giving effect to taxes and other expenses in connection with the receipt of such fees or the provision of related services.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Organizational Documents, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

### Expenses

#### *Adviser Expenses*

To the extent provided in the Advisory Agreements and the Organizational Documents of the Clients, the Adviser will pay out of Management Fees certain expenses and costs associated with the performance of its services, including the salaries, wages, and employee benefits of certain officers, directors, and employees of the Adviser; and office rent, utility charges, and equipment and furniture costs and expenses.

#### *Client Expenses*

Each Client will bear legal and other organizational expenses, including all direct, out-of-pocket fees, costs, expenses, liabilities and obligations reasonably incurred either by the Client or by the General Partner or an affiliate thereof on behalf of the Client relating to the management, conduct, and operation of Client business (or that of its subsidiaries and intermediate entities), as described in the applicable Organizational Documents. These generally include (i) activities with respect to the structuring, organizing, studying (including any site, reservoir or market studies), negotiating, consummating, financing, refinancing, diligencing (including developing, licensing, implementing, maintaining or upgrading any information technology systems (including any engineering, land, seismic, geophysical or geological reporting tools, databases, hardware or software (including any subscriptions to any periodicals, databases or other subscription-based services, including Petra, Aries, DrillingInfo, IHS Markit, PHDWin, LandPro, PLS, Spotfire and other services of a similar nature or functionality))), acquiring, bidding on, developing, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving, or otherwise disposing of, as applicable, the Partnership's actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, geologists, landmen, engineers (including petroleum engineers), lenders, third-party diligence software and service providers, consultants (including health, safety, environmental, social and governance consultants), executive search firms for searches related to portfolio investment personnel, data providers, title companies and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) with respect to the affiliated operator expenses discussed below, any fees, costs and expenses calculated at the rate as set forth in Partnership's Organizational Documents or such other

rate as determined by the General Partner in its sole discretion, and any direct or indirect fees, costs, expenses or charges outside of any such rates, including any amounts associated with salaries and wages, incentive compensation, vacation, and other customary allowances, insurance, office rent, utilities and maintenance, office furniture, supplies and technology, network connectivity, lease rentals and royalties, equipment rentals and repairs, any legal, transaction or other fees and expenses payable to attorneys, accountants or other professionals, environmental studies, land brokers, complying with ecological, environmental and safety laws or standards, complying with existing or future governmental regulations, establishing, organizing, maintaining and removing equipment and facilities, abandoning a well, assessments, permits, certifications, training personnel and maintaining applicable licenses and memberships, and/or transporting personnel, material or property; (iii) indebtedness of, or guarantees made by, a Partnership, the Adviser, the General Partner or any affiliate on behalf of a Partnership (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iv) financing, commitment, origination and similar fees and expenses; (v) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (vi) brokerage, sale, custodial, depository (including a depository appointed pursuant to AIFMD), a Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act (as amended), including any law, rule or regulation related to the implementation thereof), trustee, record keeping, account and similar services; (vii) legal, accounting, research, auditing, administration (including fees and expenses associated with any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees, salaries and other compensation paid and benefits provided to consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other similar consultants), tax and other professional services; (viii) reverse breakup, termination and other similar fees; (ix) directors and officers liability, fidelity bond, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles; (x) filing, title, transfer, survey, registration and other similar fees and expenses; (xi) printing, communications, mailing, courier, marketing and publicity; (xii) the preparation, distribution or filing of Partnership-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s or other communications with Partners or any other administrative, compliance or regulatory filings or reports (including Form PF and any administrative, regulatory, reporting, filing, or other compliance requirements (other than the initial registrations, filings and compliance contemplated by AIFMD)) or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xiii) compliance with any financial account reporting regime applicable to the Partnership, including Foreign Account Reporting Requirements, and fees, costs and expenses of any third-party service providers and professionals related to the foregoing; (xiv) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Partnership or the Limited Partners; (xv) any activities with respect to protecting the confidential or non-public nature of any information or data; (xvi) to the extent provided in the Client's Organizational Documents, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of the Advisory Board (including any reasonable out-of-pocket costs and expenses incurred by representatives of the General Partner, the Advisory Board members, permitted observers and other Persons in attending or otherwise participating in meetings of the Advisory Board); (xvii) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any Partner or other Person pursuant to the Client's Organizational Documents or otherwise and



advancing fees, costs and expenses incurred by any such Person in defense or settlement of any claim that may be subject to a right of indemnification), except as otherwise set forth in the Client's Organizational Documents; (xviii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xix) the Management Fee; (xx) any annual Limited Partner meeting or other periodic, if any, meetings of the Limited Partners and any other conference or meeting with any Limited Partner(s), in each case to the extent incurred by the Partnership, the General Partner or any other affiliate of the General Partner; (xxi) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio, actual or potential investments (to the extent not borne or reimbursed by an investment of such alternative investment vehicle) that would be a Client Expense if it were incurred in connection with the Partnership and any other costs and expenses related to any structuring or restructuring of any Partnership entity; (xxii) the termination, liquidation, winding up or dissolution of the Partnership; (xxiii) defaults by Partners in the payment of any capital contributions; (xxiv) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Partnership, any parallel funds or feeder vehicles, the General Partner(s), the Adviser and related entities and any alternative investment vehicle of the Partnership, including the preparation, distribution and implementation thereof; (xxv) complying with any law, rule, regulation or policy related to the activities of the Partnership (including any legal fees, costs and expenses related thereto, any regulatory expenses of the General Partner incurred in connection with the operation of the Partnership, any fees, costs and expenses of any administrator related thereto, any fees, costs and expenses related to compliance with any privacy, data protection, know-your-customer, anti-money laundering or anti-terrorist laws, rules, regulations, directives or special measures and any fees, costs and expenses related to compliance with environmental, social or governance considerations and policies); (xxvi) any litigation or governmental inquiry, investigation or proceeding involving the Partnership, including any fees, costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the Client's Organizational Documents; (xxvii) any third-party experts, including independent appraisers, engaged by the General Partner in connection with the Partnership considering, making or holding an investment in the same Person as one or more other affiliates of the Partnership or the General Partner; (xxviii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer of Limited Partner interests, as set forth in the Client's Organizational Documents; (xxix) any taxes, fees and other governmental charges levied against the Partnership and all expenses incurred in connection with any tax audit, investigation settlement or review of the Partnership; (xxx) distributions to the Partners and other expenses associated with the acquisition, holding and disposition of the Partnership's investments, including extraordinary expenses; (xxxi) compliance or regulatory matters related to the Partnership, except as otherwise set forth in the Client's Organizational Documents, including compliance with the Organizational Documents and/or any letter agreement and costs and expenses incurred in connection with the most-favored nations process; (xxxii) any travel (including, where appropriate in the General Partner's sole discretion, the cost of chartering a private aircraft or other private air travel (including the use of a private aircraft owned or partially owned by the Adviser, any of its affiliates or any of their respective owners)), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxiii) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the Adviser or the General Partner at any trade conference, including any applicable registration fees and exhibition, sponsorship or other presentation fees, costs and expenses; (xxxiv) any organizational expenses incurred in connection with the structuring, organization, funding and

startup of the Partnership, General Partner and any parallel or feeder funds associated with the Partnership; (xxxv) all costs and expenses associated with operating a feeder vehicle, including all expenses associated with its management, operation, winding-up, liquidating and dissolution and with preparing and distributing the feeder vehicle's financial statements, tax returns and feeder vehicle Limited Partner reports, but not including any income-based or similar taxes, fees or other governmental charges levied against the Feeder Vehicle; (xxxvi) any private placement or finders' fees paid by the Partnership to placement agents, finders, or other third parties performing similar services in connection with the organization and funding of the Partnerships; and (xxxvii) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Board.

From time to time, the General Partner of a Client expects to create certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal, and regulatory considerations of investors ("SPVs"). In the event the General Partner creates an SPV, consistent with the Organizational Documents of the Client, the SPV, and indirectly, the investors thereof, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV, as well as expenses generally consistent with the above (in addition to any expenses specified in such SPV's Organizational Documents).

#### *Affiliated Operator Expenses*

The Adviser expects that the General Partners will designate an affiliate of the Adviser to act as the operator of the portfolio investments of each Fund. As such, each Fund will bear fees, costs and expenses, calculated at the rates set forth in the applicable Organizational Documents of the Fund, related to such appointment for certain services in connection with portfolio investments and/or potential portfolio investments, including (i) surveying, staking and preparing new surface locations, (ii) drilling, casing, completing and turning in line wells; (iii) providing, monitoring, reviewing, evaluating and supervising field and production operations; (iv) marketing oil and gas production; (v) coordinating and collecting production sales and volumes; (vi) maintaining well records and reports; (vii) preparing, distributing, filing or maintaining regulatory, production and other records and reports; (viii) paying any shut-in royalties, minimum royalties, delay rentals and other lease obligations; (ix) processing and distributing division orders; (x) providing accounting services; (xi) providing geological services; (xii) implementing, maintaining and overseeing banking, treasury management and debt facilities; (xiii) conducting AFE reviews and maintaining reserve records and reports; (xiv) acquiring, modifying, maintaining, removing or transporting materials, property, assets, equipment and facilities; (xv) establishing, maintaining and supporting any information technology systems (including SCADA, measurement, nomination/scheduling, marketing, network, communication and accounting systems); (xvi) complying with ecological, environmental and safety laws, regulations, rules, policies or standards; (xvii) legal, land, title, regulatory and other similar matters; (xviii) shutting-in, plugging, abandoning or otherwise ceasing the operation of any well; (xix) acquiring permits and certifications and training and/or transporting personnel; (xx) any other activities that are necessary, appropriate or desirable to operate, maintain or dispose of the portfolio investments as determined by the General Partner in its sole discretion; (xxi) other customary services in the upstream energy sector as determined by the General Partner in its sole discretion; and/or (xxii) paying salaries and wages, incentive compensation and other customary allowances to hire, retain or otherwise engage persons or entities to perform any of the foregoing. In addition, each Fund will bear any direct or indirect fees, costs and expenses or charges outside of the rates contemplated in the applicable Organizational Documents, including any amounts associated with salaries and wages, incentive compensation, vacation, and other customary allowances, insurance, office rent, utilities and maintenance, office furniture, supplies and technology, network connectivity, lease rentals and royalties, equipment rentals and repairs, any legal, transaction or other fees and expenses payable to attorneys, accountants or other

professionals, environmental studies, land brokers, complying with ecological, environmental and safety laws or standards, complying with existing or future governmental regulations, establishing, organizing, maintaining and removing equipment and facilities, abandoning a well, assessments, permits, certifications, training personnel and maintaining applicable licenses and memberships, and/or transporting personnel, material or property.

#### *Co-Investment Vehicle Expenses*

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the Client, are formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically (but not always) bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making of an investment. Any such expenses not borne by the co-investment vehicle will generally be paid by the relevant Client.

If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction (“Dead Deal Costs”) would therefore be borne by the Client or Clients selected by the Adviser as proposed investors for such proposed transaction (including reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses), and not by any prospective or expected co-investors. Similarly, co-investment vehicles are not typically allocated any share of break-up fees paid or received in connection with such an unconsummated transaction. Furthermore, to the extent a co-investment vehicle is formed in connection with a proposed transaction, costs and expenses relating to such co-investment vehicle, will in certain situations (such as in the event no investors invest in such co-investment vehicle), be borne by another Client or Clients, regardless of whether such proposed transaction is consummated, to the extent permitted by applicable Organizational Documents.

#### *Allocation of Expenses*

From time to time the Adviser will be required to decide whether certain fees, costs and expenses should be borne by a Fund, on the one hand, or the Adviser on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Funds and/or other parties. Certain expenses can be expected to be the obligation of one particular Fund and be borne by such Fund; alternatively, certain expenses can be expected to be allocated among multiple Funds and entities. In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser is faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Clients with differing fee, expense, and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Clients from which the Adviser or its related persons derives, directly or indirectly, a higher fee, compensation, or other benefit. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

The Adviser will allocate fees and expenses incurred in the course of evaluating and making investments that are consummated between Clients in accordance with each Client’s Organizational Documents or, to the extent not addressed in such Organizational Documents, in accordance with its allocation procedures then in effect.

The appropriate allocation between Clients and third parties of expenses and fees generated in the course of evaluating potential investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their good faith discretion, consistent with the Organizational Documents of the Clients, as applicable. If multiple Clients evaluate a potential investment that is not consummated, the Adviser generally allocates fees and expenses generated in the course of evaluating such investments among such clients based on the anticipated investment of each such Client. Such expenses are typically not allocated to co-investment vehicles.

With respect to allocating other expenses among Client(s), co-investment vehicles, and/or third parties, as appropriate, to the extent not addressed in the Organizational Documents of a Client, the Adviser will make any such allocation determination in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. The Adviser will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a Client for a particular service in certain cases will not reflect the relative benefit derived by such Client from that service in any particular instance. Although the Adviser will endeavor to allocate such fees, costs and expenses on a fair and equitable basis over time, as described herein, there can be no assurance that such fees, costs and expenses will in all cases be allocated in a manner that is most favorable to a client.

#### Performance Fees

Additionally, a Fund will generally be charged a performance fee (sometimes referred to as “carried interest”) based on a fixed percentage (generally 20-30%) of net profits (the “Performance Fee”). The Performance Fee for each Client is specified in the Organizational Documents of such Client.

The Performance Fee will be calculated and billed or allocated periodically. With respect to the Funds, the General Partner of each Fund is entitled to receive an allocation of net profits subject to limited partners receiving all capital contributions, a stated preferred return (generally either 8% or a multiple on the limited partners’ capital commitments equal to 1.30), and in accordance with other provisions of the applicable Fund’s limited partnership agreement. Lower fees for comparable services may be available from other sources.

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

As stated in Item 5, the Adviser or its affiliates are entitled to receive performance-based fees (“Carried Interest”) or allocations from certain Clients. Each General Partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds may incur lower or no Carried Interest. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees in general (including the payment of Performance Fees at varying rates) creates an incentive for the Adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. Generally, and except as may be otherwise set forth in the Organizational Documents of the Funds, this conflict is mitigated by (i) certain limitations on the ability of the Adviser to establish new investment funds, (ii) contractual provisions requiring certain

Funds to purchase and sell investments contemporaneously, and/or (iii) contractual provisions and procedures setting forth investment allocation requirements. Please also see Item 11 below regarding allocation for additional information relating to how conflicts of interests are generally addressed by the Adviser.

### **Item 7 - Types of Clients**

The Adviser provides investment advisory services to the Funds, which are pooled investment vehicles organized as private funds, entities that are investment partnerships or other investment entities formed under domestic or foreign laws and are exempt from registration under the Investment Company Act of 1940, as amended. Generally, each investor in a Fund must be a “qualified purchaser” for Investment Company Act purposes and a “qualified client” for Advisers Act purposes. However, certain Funds have accepted “accredited investors” in the past, and the General Partner of a Fund has the discretion to admit such investors in the future. Investors in the Funds generally include, among others, high net worth individuals, insurance companies, pension and profit-sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

The minimum investment requirement for third-party investors in the Funds is generally \$10,000,000, though the General Partner of a Fund has the discretion to accept investments of lesser amounts.

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

#### Introduction

The Adviser’s primary investment objective is to pursue investment opportunities that it perceives as possessing potential for significant upside, while still providing current income for investors. The Adviser seeks to do this through leveraging its Principals’ proprietary network and industry knowledge to identify and acquire or create opportunistic oil and gas assets. The Principals believe that their differentiated approach to creating value in the oil and gas sector combines the best elements of a lower-risk, capital preservation-oriented model, balanced with the upside potential associated with exploitation and exploratory oil and gas investment programs.

The Adviser focuses on balancing the portfolio of assets for its Clients across different mixes of oil and gas, productive life, potential upside, and basins. Within this balanced portfolio, the Adviser specifically seeks to purchase productive long-life assets. The Adviser limits the purchase of non-producing properties in an effort to mitigate the risk of acquiring exploratory assets. The Adviser believes properties that have a longer productive life have historically provided increased safety through temporary downturns in commodity pricing, upside through technological improvements, and upside in newly productive horizons.

#### Investment Strategy

The Principals believe there are significant exploitation and exploration opportunities in many prolific, multi-pay fields throughout basins in which they have experience. Specifically, the Adviser seeks to build a portfolio of assets for its Clients using a balanced approach to growing reserves, production, cash flows and profits. The Principals have an extensive history of acquiring and unlocking value of attractive, but less-than-fully-exploited, oil and gas assets. The Adviser believes these assets often are overlooked or underappreciated either because the property was not a priority focus for the seller (where majors or large independents historically deployed value-enhancing

resources to higher priority strategic initiatives or geographies), or because other market participants simply did not recognize the same value creation potential.

After progressing past an initial screening, prospective investments are typically subjected to a thorough due diligence process. It is intended that this review will be performed by a team of investment professionals, including one or more petroleum engineers. The Principals believe that their technical experience will generally allow them to develop independent internal projections without relying on the seller's forecasts. Once the internal analysis has been prepared, it is compared with historical production data to challenge and verify forecasts being made by the seller. The due diligence process examines what the Adviser believes to be the important aspects of a prospective investment in detail, including but not limited to: (i) production rates and ultimate recoverable reserves; (ii) risk profiles of the properties, including an analysis of concentration, reservoir peculiarities, geologic conditions, operational risks and other related risks; (iii) lease operating costs and overhead expenses; (iv) historical oil and gas prices and related "basis" risk relative to geographic location and quality of the oil or gas; (v) other potential burdens or benefits to future cash flow, including contingent liabilities; (vi) any special tax consequences of the investment; and (vii) possible hedges and exit strategies.

There can be no assurance that the Adviser will achieve the investment objectives of any Fund and a loss of investment is possible. Prospective investors should carefully review the risks associated with investing in a Fund, as discussed more fully below, with their financial, tax and legal advisors.

#### Risk of Loss

Investing in a Fund involves significant risks and other considerations and, therefore, should be undertaken only by prospective investors capable of evaluating and bearing such risks. Fund returns may be unpredictable and, accordingly, a Fund's investment program is not suitable as the sole investment vehicle for an investor. A prospective investor should only invest in the Funds as part of a broader overall investment strategy, and only if the prospective investor is able to withstand a total loss of its investment. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the limited partner interests. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that a Fund will meet its investment objectives or otherwise be successfully able to carry out its investment program. The following list is not a complete list of all risks and other considerations involved in connection with an investment in the Funds. Prospective investors should make their own inquiries and investigation of the investment described herein, including the merits and risks involved and the legality and tax consequences of such an investment, and consult their own advisors as to the Funds, the offering of limited partner interests described herein and the legal, tax and related matters concerning an investment in the Funds.

#### **Investment Risks**

Business Risks. A Fund's investment portfolio is expected to consist primarily of privately held oil and gas related assets, including oil and gas reserves, leasehold interests, working interests, net profits interests, mineral interests and royalty interests, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance; Loss of Principal. Certain Funds consist of newly organized entities that have no prior operating history or track record. Accordingly, these Funds do not have performance history for a prospective investor to consider. In considering the prior performance

information of the other investment funds, acquisition vehicles and other entities managed by the Adviser and its affiliates (collectively, the “Basin Funds”) as well as “pre-fund” investments made by the Principals (“Pre-Fund Investments”), prospective investors should understand that an investment in these Funds does not represent an interest in any investment or investment portfolio of any other Basin Fund or Pre-Fund Investments. Information about the prior performance of the Basin Funds and the Pre-Fund Investments is not necessarily indicative of an applicable Fund’s future results. An investor should not rely on any expectation and there can be no assurance that the risk/return profile of an investment in an applicable Fund will resemble that of the prior Basin Funds or Pre-Fund Investments. An investor should only invest in a Fund as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment in a Fund. While the General Partner intends for a Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

*Concentration of Investments; Lack of Diversification.* The Funds will focus primarily on upstream investments in the energy industry. While the General Partner has extensive experience within this industry, the ultimate performance of a Fund’s investments cannot be predicted with certainty. Although the General Partner will attempt to minimize risk, a Fund’s actual returns will be subject to numerous factors beyond the General Partner’s control, including natural causes, governmental regulation, competing responses to population growth, economic development, and increased urbanization, the successful implementation of measures to counter any of the foregoing, whether by way of political will, the development of new technologies for that purpose or otherwise, and consumer needs and preferences. In addition, a Fund may participate in a limited number of investments within the upstream sector of the energy industry and, as a consequence, the aggregate returns to a Fund may be substantially adversely affected by the unfavorable performance of even a single investment. To the extent a Fund concentrates its investments in a particular issuer, security, producing basin, geographic region or type of geological play, such investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect to that issuer, security or geographic region. If a Fund co-invests with another private equity fund, a Limited Partner invested in such other fund may have exposure to a single portfolio project through more than one fund, potentially multiplying such Limited Partner’s losses. In addition, during the early stages of a Fund’s term, a Fund may hold more concentrated positions than it otherwise would.

*Highly Competitive Market for Investment Opportunities Generally.* The business of identifying and structuring transactions in the energy industry is competitive and competition is increasing. A number of new funds and established funds with more generalized investment capabilities have entered into the energy industry within the last several years as capital needs in the industry have increased and investment returns in other industries have decreased. As global efforts are made to respond to anticipated future population growth, economic development and increased urbanization, and the effects of each of them, the number of funds and sources of investment capital that have similar investment objectives to the Funds, or that target similar investment opportunities, is likely to increase. Some of these competitors may have more relevant experience, greater financial resources and/or purchasing power, greater negotiating power, a greater willingness to take on risk, and/or more personnel than the General Partner, the Funds and their respective affiliates. In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Therefore, identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense. This may adversely affect the terms upon which a Fund makes investments, decrease the number of suitable investment opportunities and inhibit a Fund’s ability to satisfy its investment objectives. To the

extent that a Fund encounters competition for investments, returns to Limited Partners may decrease.

Unspecified Investments. Limited Partners will be relying on the ability of the General Partner to locate and evaluate the investments to be made by the Funds using the proceeds of this offering. The activity of identifying, completing and realizing investments in the upstream oil and gas sector involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that the General Partner will be able to locate or the Funds will be able to complete portfolio investments that satisfy the Funds' rate of return objectives or, if completed, realize such investments for fair or attractive values or that a Fund will be able fully to invest its committed capital.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing investments in the upstream oil and gas sector is highly competitive. The Funds will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers and other financial investors, including hedge funds, investing directly or through affiliates. Over the past several years, an ever-increasing number of private equity funds have been or are being formed, and many existing funds have grown in size. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, and/or more personnel than the General Partner, the Funds and their respective affiliates.

In this highly competitive environment, the valuations of many potential targets have recently risen to historically high levels. The General Partner expects that competition for appropriate investment opportunities may increase, which also may require a Fund to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to a Fund and/or adversely affecting the terms upon which investments can be made.

To the extent that a Fund encounters competition for investments, returns to Limited Partners may decrease. In addition, it is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. Moreover, Limited Partners generally will be required to bear Management Fees through a Fund during the investment period based on the entire amount of the Limited Partners' commitments and other expenses as set forth in the Organizational Documents of each Fund.

Illiquidity; Lack of Current Distributions. An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. A Fund's ability to dispose of investments may be limited for several reasons. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by a Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In addition, the ability to exit an investment through the public markets will depend upon favorable market conditions, including receptiveness to initial or secondary public offerings for a Fund's investments and an active (mergers and acquisitions (or recapitalization and reorganizations) market. Public offering, merger and acquisition and recapitalization and reorganization opportunities may be limited or non-existent for extended periods of time, whether due to economic, regulatory or other factors. In view of these limitations on liquidity, a Fund generally will not be able to realize an investment until the sale of such investment. While an investment may



be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from a Fund's capital, including, unfunded commitments. In view of the fact that a Fund is only obligated to make distributions to the extent of distributable cash, if any, after taking into account reserves for future obligations and may, subject to certain limitations set forth in the Organizational Documents of each Fund, reinvest, rather than distribute, or otherwise recall certain proceeds from investments, if any, an investment in a Fund is not suitable for prospective investors seeking current income for financial or tax planning purposes.

To the extent that Partnership capital is invested in newly discovered oil or natural gas properties, there may be a delay of several calendar quarters in cash distributions made to Limited Partners. There are numerous factors that could influence the receipt by a Fund of first production payments from these type of wells, including construction of gas processing plants, distance to pipelines, property right-of-way negotiations, availability of custom equipment for high pressure wells, market demand for product, and the process of obtaining appropriate division orders. As the owner of less than a majority of the working interests in Partnership properties, a Fund will have little or no influence over these factors.

*Borrowing.* A Fund may borrow money or guaranty indebtedness (such as a guaranty of a subsidiary's debt) or otherwise be liable therefore, and in such situations it is not expected that a Fund would be compensated for providing such guarantee or exposure to such liability. Although use of such borrowing facilities enhances the General Partner's ability to close transactions quickly, such activity also increases risk and raises the possibility that the General Partner will need to call additional capital to pay off such debt. Any use of leverage by a Fund may result in interest expense and other costs to a Fund that may not be covered by distributions made to a Fund or appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the General Partner or any of its affiliates and, in connection with incurring such indebtedness, the General Partner may, in its sole discretion, cause a Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when a Fund were to seek to enforce any such right, any such entity could default on its obligation and/or such right may otherwise be unenforceable. In addition, to the extent a Fund incurs leverage or provides any guaranty, such amounts may be secured by the commitments of a Fund's investors and other Partnership assets, including the working interests owned by a Fund. The inability of a Fund to repay any leverage secured by the commitments of a Fund's investors could enable a lender to issue a capital call on behalf of the General Partner of a Fund.

*Uncertainty of Projections.* A Fund may use financial projections to help analyze a potential investment or future capital raises and financing for portfolio projects or other transactions. Projected operating results of a project in which a Fund invests normally will be based primarily on financial projections prepared by such project's management, with adjustments to such projections made by the General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the portfolio project and third parties and assumptions made at the time the projections are developed. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio project to realize projected values. There can be no assurance that the results set forth in any projections will be attained, and actual results may be significantly different from projections.

*Risks Relating to Due Diligence of and Conduct at Portfolio Projects; Expedited Transactions.*

Before making investments, the General Partner will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, geophysical, geological, environmental and legal issues. Outside consultants, legal advisors, accountants, geologists, engineers, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the General Partner may rely on the advice received from such third parties. Investment analyses and decisions by the General Partner will often be undertaken on an expedited basis in order for a Fund to take advantage of investment opportunities. In such cases, the information available to the General Partner at the time of an investment decision may be limited, and the General Partner may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.

*Depleting Assets.* The net proceeds payable to a Fund as the direct holder of properties or through portfolio projects in the exploration and production sector will be derived from the sale of depleting assets. The reduction in reserve quantities is a common measure of depletion. Future maintenance and development projects with respect to a property will affect the quantity of reserves and can offset the reduction in reserves. The timing and size of these projects often will depend on the market prices of crude oil, natural gas and other hydrocarbons. If the operator developing a property does not implement additional maintenance and development projects, the future rate of production decline of reserves of such a property may be higher than the rate currently expected.

*Hedging Arrangements; Related Regulations.* The General Partner will endeavor to manage a Fund's or any portfolio project's interest rate exposures, currency exposures, commodity price exposures or other exposures, using hedging techniques where available and appropriate as set forth in the Organizational Documents of each Fund. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Partnership to hedge its exposures becomes limited by such requirements.

*Position Limits.* Under current and proposed rules concerning position limits with respect to CFTC-regulated products, including futures, swaps and certain other contracts on or linked to certain physical commodities, the positions in such contracts held by certain Partnership-owned portfolio projects may be required to be aggregated. To the extent aggregation applies to a Fund or

its portfolio projects, it may not be feasible to hedge one or more risks in their respective operations, or the costs of hedging such risks may increase substantially, either of which is expected to have an adverse effect on the Funds.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to, or extend, a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio projects to execute their respective strategies. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio projects.

*General Economic and Market Conditions.* The upstream oil and gas sector generally and the success of a Fund's investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by the General Partner. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund and may affect a Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or commodity prices) also may increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of a Fund's portfolio projects. A Fund's performance can be affected by deterioration in the capital markets and by market events, including events similar to the credit crisis in the summer of 2007, the downgrading of the credit rating of the U.S. in 2011 or the decline in oil and gas prices that began in the fourth quarter of 2014, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio projects and investors' risk-free rate of return. Such adverse effects may include the requirement of a Fund to pay breakup, termination or other fees and expenses in the event a Fund is not able to close a transaction and/or the inability of a Fund to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other economic events also may affect a Fund's ability to obtain funding to support its investment objective. Any of the foregoing events could result in substantial or total losses to a Fund in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage and may be magnified by the expected limited geographic diversity of a Fund's investments.

*Financial Institution Risk.* Actual events involving reduced or limited liquidity, defaults, non-performance, or other adverse developments that affect financial institutions or other companies in the financial services industry, including banks and other custodians of a client's funds and securities, or impact the financial services industry generally, as well as concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems, defaults on financial obligations, non-performance of contractual obligations, and other adverse impacts on these financial institutions, investors that deposit funds and securities at these institutions, lenders and borrowers of these institutions, and other companies in the financial services industry. Investor concerns regarding the U.S. or international financial systems could

result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult to acquire financing on acceptable terms or at all. Any decline in available funding or access to cash and liquidity resources could, among other risks, adversely impact the ability to meet operating expenses, satisfy financial obligations, liquidate portfolio holdings, withdraw capital, or fulfill other obligations, or result in breaches of financial and/or contractual obligations. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on portfolio holdings, client performance, or business operations.

*Enhanced Scrutiny and Additional Regulatory Risks.* Following global market volatility and dislocations, financial institution failures and financial frauds in recent years, governmental authorities in the United States and elsewhere have called for financial system and participant regulatory reform, including additional regulation of investment funds and their managers and their activities, including compliance, risk management and anti-money laundering procedures; restrictions on certain types of investments; restrictions on the provision and use of leverage; implementation of capital requirements; and books and records, reporting and disclosure requirements. The ultimate effect of government actions cannot be predicted, but these regulatory reform measures could cause Basin to incur significant expense to comply with such measures.

Regulation generally, as well as regulation more specifically addressed to the private equity industry and an increase in regulatory scrutiny of the alternative investment industry, including tax laws and regulation, whether in the United States or outside of it, could further increase the cost of acquiring, holding or divesting investments and the cost of operating the Funds as well as harm the profitability of enterprises and interfere with the ability of Basin to engage in certain transactions.

*Coronavirus and Public Health Emergencies Considerations.* As of the date of this Brochure, there is an outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization has declared a pandemic. The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries and U.S. states have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. Due to the disruptions and uncertainty caused by the outbreak, oil and gas prices have significantly declined and there can be no assurances if or when they will recover. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on a Fund and its portfolio investments and could adversely affect a Fund’s ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on a Fund’s and its portfolio investments’ operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods

and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of a Fund's portfolio investments, a Fund's ability to source, manage and divest investments and a Fund's ability to achieve its investment objectives, all of which could result in significant losses to the Funds. In addition, the operations of a Fund, its portfolio investments, the General Partner and the Adviser may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

*Labor Matters.* Certain portfolio projects may depend upon a unionized work force that is covered by a collective bargaining agreement, which could directly or indirectly subject a portfolio project to labor relations disputes or difficulties generally. Business operations at one or more drilling sites or facilities may be interrupted as a result of work stoppages and delays in the process of renegotiating collective bargaining agreements.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as a Fund to obtain favorable financing for investments, a Fund's ability to generate attractive investment returns may be adversely affected to the extent a Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Adequacy and Availability of Insurance.* While a Fund may seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact a Fund's profitability.

*Failure of Counterparties to Perform Obligations.* In its ordinary course of business, the Adviser relies on various counterparties, which include, but is not limited to, brokers, dealers, banks, custodians, and administrators ("Counterparties"). These Counterparties, with which the Adviser does business and on behalf of a Fund, may, from time to time, default on their obligations with or without notice. Such defaults include, but are not limited to, a Counterparty's bankruptcy, insolvency, or other failure. A Counterparty's default on their obligations may impact the Adviser's or the Fund's ability to conduct its business in the ordinary course. There is a risk of loss of assets on deposit at the Counterparty. Although government agencies or other organizations provide insurance coverage to depositors in the event of a Counterparty failure, coverage is limited to a specified amount and subject to rules and regulations. Prior events where a government agency or other organization stepped in to make depositors whole over their excess deposits at select Counterparties, which may or may not have a current or prior relationship with the Adviser or the

Fund, should not be construed as a guarantee that such action will be taken in the future. There is no guarantee that any excess deposits are recoverable. In the event of a Counterparty's default, the Adviser will work diligently to access its capital and take actions it deems appropriate while acting in the best interest of the Fund. However, the Adviser's access to capital is subject to a variety of external factors that are outside of the Adviser's control, including the timing of default, a government agency's or other organization's actions, including the timing of the Counterparty's closure, ability to liquidate the Counterparty's assets, or to effect the Counterparty's sale or dissolution, unforeseeable economic factors or market conditions, and the Counterparty's technology infrastructure operating as intended to facilitate access. Furthermore, the Adviser's ability to access capital may have an impact on the Adviser's and the Fund's ability to conduct operations in the normal course including, but not limited to paying expenses, funding investment opportunities resulting in delayed or missed opportunities, and calling capital from or making distributions to limited partners. Deposits concentrated at one or a limited number of Counterparties may amplify these risks.

### **Risks Relating to the Energy Industry**

*Energy and Natural Resources Industries Risks.* As detailed further herein, investments in the upstream oil and gas sector are subject to a variety of risks, not all of which can be foreseen or quantified. For example, the success of many of a Fund's investments is likely to be affected by numerous factors, including the following: (i) amount, nature, and timing of property acquisitions or capital expenditures; (ii) the market for oil and gas acreage or properties or working interests therein; (iii) drilling of wells and other planned development activities; (iv) timing and amount of future production of oil or gas; (v) quantities of discovered or probable, potential or proved reserves of oil or gas; (vi) marketing of and market prices for oil, gas or oil or gas properties or working interests therein generally or in any particular location; (vii) operating costs including lease operating expenses, administrative costs and other expenses; (viii) a Fund's future operating or financial results; (ix) cash flow and anticipated liquidity; (x) the timing, success and cost of exploration and development activities; (xi) the risk that the technology employed in an energy project will not be effective or efficient; (xii) governmental and environmental regulation of the oil and gas industry, including the risk that regulations affecting the energy industry will change in a manner detrimental to the industry; (xiii) environmental liabilities relating to energy properties and projects; (xiv) industry competition, conditions, performance and consolidation; (xv) the availability of drilling rigs and other oilfield equipment and services and (xvi) natural events.

Because of the Funds' upstream oil and gas sector focus, investment-related decisions and determinations, such as portfolio construction and diversification, may generally differ as compared to a more broadly focused private equity fund. When making such decisions and determinations, the General Partner may emphasize factors in a different manner and consider different factors, in each case as compared to such decisions and determinations relating to a more broadly focused private equity fund.

*Energy and Natural Resources Investment Risks.* The revenues generated from the activities of a Fund and the return on the investments made by the Limited Partners will be highly dependent upon the future prices and demand for oil and gas, which can be volatile. Factors that may affect prices and demand include the world-wide supply of oil and gas, the price of foreign imports, the levels of consumer demand, price and availability of alternative fuels and changes in existing and proposed federal regulation and taxation. Also, gas prices remain somewhat seasonal in nature and, for this reason, it is particularly difficult to estimate accurately future prices of gas, and any assumptions concerning future prices may prove to be incorrect.

The potential value of an investment in a Fund depends to a considerable extent on the prices received for any oil and gas produced. In determining the amounts a Fund will pay for oil and gas assets, the General Partner will place substantial emphasis upon current market conditions, including the possibility of increases in the prices at which crude oil and gas can be sold. Because price increases may not occur, this will increase the risk that the investments by a Fund may produce lesser amounts of income than could have been achieved by other comparable investments. No prediction can be made as to what economic controls or taxes, if any, may be imposed on the production, sale and pricing of oil and gas during the life of a Fund. There is no assurance that the prices of crude oil, condensate and gas will not decrease from their present levels.

***Drilling, Exploration and Development.*** The Funds intend to invest in oil and gas exploration and development projects; a speculative business involving a high degree of risk. Exploration and development projects usually have limited production, marketing, and financial resources and are, therefore, more vulnerable to the adverse impact of competition and changes in market conditions. Moreover, oil and gas drilling may involve unprofitable and unsuccessful efforts. Companies engaged in oil and gas exploration and development may expend a significant amount of capital drilling in wells that do not produce oil or gas, or in wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

Additionally, if multiple rounds of drilling are undertaken before oil or gas is located or produced, the investment may be carried at little or no value, may face increased borrowing costs or trigger lending covenants, and may produce lower returns on an aggregate or an IRR basis. Acquiring, developing and exploring for oil and natural gas involve many risks. These risks include: (i) encountering unexpected formations or pressures; (ii) loss of drilling fluid circulations; (iii) premature declines of reservoirs; (iv) blow-outs; (v) possible claims of indigenous peoples; (vi) protests by environmental groups; (vii) eco-terrorism; (viii) continuity of mineable reserves; (ix) availability of essential infrastructure; (x) labor relations; (xi) industrial accidents; (xii) reclamation obligations; (xiii) other accidents in completing wells; (xiv) cratering; (xv) sour gas releases; (xvi) pipeline failures; (xvii) uncontrollable flows of oil, natural gas or well fluids; (xviii) pollution, release of toxic or other hazardous substances; (xix) fires; (xx) explosions; (xxi) spills; and (xxii) other environmental, health and safety risks. The risks and hazards inherent in the oil and gas industries, some of which are enumerated above, have the potential of causing widespread and catastrophic environmental disasters. Such disasters could materially and adversely harm the Funds and any portfolio project of the Funds that is directly or indirectly responsible for causing or exacerbating such disasters. In addition, the Funds also may be liable for environmental damages caused by the previous or subsequent owners or third-party operators of properties (or working interests therein) a Fund purchases. Insurance coverage for environmental damages that occur over time, or insurance coverage for the full potential liability that could be caused by sudden environmental damages, may not be available at a reasonable cost and a Fund may be subject to liability or may lose substantial portions of its properties (or working interests therein) in the event of certain environmental damages.

In addition to the economic costs resulting from such disasters that a Fund and/or a portfolio project of a Fund may have to bear through liability for third-party losses or the cessation or suspension of operations (which amounts could be greater than aggregate commitments, with respect to a Fund), such disasters could cause severe reputational damage to such portfolio project, a Fund, and, potentially, the Limited Partners. Furthermore, such disasters may not be covered by insurance, and casualty and business interruption insurance may not be available at rates and on terms that key personnel deem desirable. As a result, substantial liabilities to third parties or governmental entities may be incurred and the payment of such liabilities could have a material adverse effect on a Fund's financial condition and results of operations.

*Hydraulic Fracturing Regulations.* It is expected that many of the operators of the portfolio projects in which a Fund invests will use hydraulic fracturing as a means of producing commercial quantities of oil and natural gas from reservoirs in which they operate. There have been a number of initiatives and proposed initiatives at the U.S. federal, state and local level to ban or regulate hydraulic fracturing and to study the environmental impacts of hydraulic fracturing and further regulation of the practice. Such initiatives at the U.S. federal, state or local levels to expand or implement regulation of hydraulic fracturing, together with the possible adoption of new laws or regulations that significantly restrict hydraulic fracturing, could result in delays, eliminate certain drilling and injection activities, make it more difficult or costly to perform hydraulic fracturing or sell the oil and natural gas produced from wells that have used hydraulic fracturing in the completion process, increase a portfolio project's costs of compliance and doing business, and delay or prevent the development of unconventional hydrocarbon resources from shale and other formations that are not commercial without the use of hydraulic fracturing. These effects could have a material adverse effect on the feasibility of a portfolio project, the financial condition of a Fund and the value of the limited partner interests.

*Energy Regulatory Risk; Environmental Matters.* Investments in the upstream oil and gas sector may entail risks associated with more mature businesses and heavily regulated industries. The energy and natural resources industries are subject to comprehensive U.S. federal, state and local laws and regulations as well as non-U.S. laws and regulations. Present and future statutes, rules and regulations could cause additional expenditures, decreased revenues, restrictions and delays that could materially and adversely affect a Fund's investments and the prospects of a Fund. There can be no assurance that: (i) existing regulations applicable to investments generally or the portfolio projects will not be revised or reinterpreted, (ii) new laws and regulations will not be adopted or become applicable to the portfolio projects, (iii) the technology and equipment selected to comply with current and future regulatory requirements will meet such requirements, (iv) portfolio projects will not be materially and adversely affected by such future changes in, or reinterpretation of, laws, rules and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws, rules and regulations, or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

Further, environmental laws, rules, regulations and regulatory initiatives play a significant role in the energy and natural resources industries and can have a substantial impact on investments in these industries. For example, global initiatives to minimize pollution have played a major role in the increase in demand for natural gas and alternative energy sources, creating numerous new investment opportunities. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. The energy and natural resources industries will continue to face considerable oversight from environmental regulatory authorities and significant influence from non-governmental organizations ("NGOs") and special interest groups. A Fund may contract with an operator of a portfolio project that is subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements. New and more stringent environmental and health and safety laws, rules, regulations and permit requirements or stricter interpretations of current laws, rules or regulations could impose substantial additional costs on portfolio projects and potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the portfolio projects will not cause injury to the environment or to people under all circumstances or that the operator of a portfolio project, and therefore a Fund, will not be required to incur additional unforeseen environmental expenditures. Environmental hazards could expose a Fund's portfolio projects to material liabilities for property damages, personal injuries or



other environmental harm, including costs of investigating and remediating contaminated properties.

Moreover, failure to comply with any such requirements could have a material adverse effect on a portfolio project, and there can be no assurance that the operator of a portfolio project will at all times comply with all applicable environmental laws, rules, regulations and permit requirements. Past practices or future operations of portfolio projects also could result in material personal injury or property damage claims. Any noncompliance with these laws and regulations could subject a Fund and certain portfolio projects to material administrative, civil or criminal penalties or other liabilities. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the contracting parties to a joint operating agreement (“JOA”) (such as a Fund) subject to environmental liability.

Regulatory Approvals; Permits. Projects in which a Fund invests are expected to be required to comply with numerous U.S. federal, state and local statutory, rules and regulatory standards, including those related to air emissions, water discharge, waste disposal, the environment and safety and health, and to maintain numerous permits and approvals required for their operation. Compliance with these various rules and regulations may cause projects to incur significant costs and may impact almost every aspect of their respective businesses. In addition, a Fund may be required to obtain the consent or approval of applicable regulatory authorities in order to acquire or hold particular oil and gas assets. If a Fund is unable to obtain required consents or approvals, it may be unable to enter into transactions or to structure transactions in ways that are optimal for a Fund or particular Partnership vehicles. A Fund may contract with operators that it believes have obtained all material energy-related U.S. federal, state or local approvals and permits required as of the date thereof to acquire and operate the applicable oil and gas asset. However, such approvals and permits may be subject to conditions, and there is no assurance that the operators with whom a Fund contracts will be successful in meeting such conditions. A failure to satisfy such conditions could prevent the operation of certain facilities or result in additional costs to such projects, which may adversely affect a Fund’s investment performance and results. There can be no assurance that the operator of a portfolio project will be able to do any of the following: (i) obtain all required regulatory approvals and permits, (ii) obtain any necessary modifications to existing regulatory approvals and permits, or (iii) renew and otherwise maintain required regulatory approvals and permits. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals and permits (or amendments thereto) or delay or failure to satisfy any regulatory conditions or other applicable requirements (which may change over time), could prevent operation of certain assets or sales of such assets to third parties, or could result in additional costs to a project and adversely affect a Fund’s investment performance and results.

Environmental Liabilities. A Fund could face substantial risk of loss from environmental claims arising from investments made with undisclosed or unknown environmental problems or inadequate reserves or insurance for previously identified matters, as well as from occupational safety issues and concerns. Under certain circumstances, U.S. courts have held that a parent entity is responsible for the environmental clean-up obligations of its subsidiary imposed by applicable laws. In the event that a Fund is the parent of a portfolio project with such obligations, a U.S. court or a court of any other applicable jurisdiction might find that a Fund is liable for such obligations. Environmental claims with respect to a specific investment may exceed the value of such investment.

Governmental Contracts. A Fund’s portfolio projects may serve customers that include governmental entities. Investments that include significant customer concentration with governmental entities pose additional and unique risks. Governmental budgeting and procurement

requirements could adversely affect profitability. In addition, to the extent that a Fund invests in a project whose assets are governed by concession agreements with national, provincial or local authorities, there is a risk that these authorities may not be able to honor their obligations under the agreement, especially over the long term. The leases or concessions also may contain clauses more favorable to the governmental counterparty than a typical commercial contract and may restrict the project's ability to operate in a way that maximizes cash flows and profitability. Governments typically have considerable discretion in implementing regulations that could impact these businesses, may be influenced by political (rather than just economic) considerations and may make decisions that adversely affect a Fund's investments.

*Siting.* Energy and energy-related projects may be subject to siting requirements. Siting of energy projects is also frequently subject to regulation by applicable governmental authorities. For example, proposals to site a facility may be challenged by a number of parties, including NGOs and special interest groups based on alleged security concerns, disturbances to natural habitats for wildlife and adverse aesthetic impacts, including the common "not in my backyard" phenomenon. Concerns also may arise that may require governmental permits or approvals, the receipt of which may depend, in part, on heightened environmental concerns and public opposition in some jurisdictions.

*Sovereign Rights.* The right of the operator of a portfolio project to extract mineral resources, or to generate, deliver or sell energy or related services and equipment may be granted by or derive from approval by governmental entities and are subject to special risks, including the risk that the relevant governmental entity will exercise sovereign rights and take actions contrary to the rights of a Fund or the relevant portfolio project under the relevant agreement. There can be no assurance that the relevant governmental entity will not legislate, impose rules or regulations or change applicable laws or act contrary to the law in a way that would materially and adversely affect the operations of any portfolio project.

*Change of Law.* Government counterparties or agencies may have the discretion to change or increase regulation of a portfolio project's operations, or implement laws or regulations affecting the portfolio project's operations, separate from any contractual rights it may have. A project in which a Fund invests could thus be materially and adversely affected as a result of statutory or regulatory changes or changes in judicial or administrative interpretations of existing laws, rules and regulations that impose more comprehensive or stringent requirements on such project, the market in which such project operates or the energy industry generally. Such changes could adversely affect the performance of one or more of a Fund's investments. Moreover, additional regulatory approvals, including renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in the customers to whom oil and gas production is marketed, or for other reasons. Changes in laws, rules and regulations could result in increased compliance costs, additional capital expenditures or unanticipated liabilities. A project also could be materially and adversely affected by regulations that have been vacated by court decisions. Several U.S. federal environmental programs, including the Clean Water Act rules regarding cooling water intake structures, the Clean Air Mercury Rule, and the Clean Air Interstate Rule, have been fully or partially vacated by the courts. The U.S. Environmental Protection Agency issued its Cross-State Air Pollution Rule replacing the Clean Air Interstate Rule on July 7, 2011. There is considerable uncertainty as to how these and other federal environmental programs will be modified and/or ultimately implemented. Any such modifications could alter the competitive landscape and/or the nature of the market in which a project operates in a material and adverse manner to such project.

Reliance on Estimates of Oil and Gas Reserves. In acquiring oil and gas properties or working interests therein, the General Partner expects to rely to a large degree on estimates of oil and gas reserves to determine the value of its current and prospective investments and in negotiating the acquisition terms of its investments. Estimates of oil and gas reserves are inherently uncertain. Inaccurate estimates may cause a Fund to underbid and fail to win an acquisition target, or overpay in its acquisitions and adversely affect its ability to generate attractive results. Estimates of oil and gas reserves, by necessity, are projections based on engineering and geological data. There are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering, geophysical and geological interpretation, and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend on a number of variable factors and assumptions, such as historical production from the examined area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions concerning future oil and gas prices, future operating costs, severance and excise taxes, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and gas attributable to any particular group of properties and classifications of such reserves based on risk of recovery and estimates of the future net cash flows expected from such reserves may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves.

Production. Exploration and production projects are particularly vulnerable to declines in the demand for and prices of crude oil and natural gas. Reductions in prices for crude oil and natural gas can cause continued production from a given reservoir to cease being economical earlier than it would if prices were higher, resulting in the plugging and abandonment of, and cessation of production from, that reservoir. In addition, lower commodity prices not only reduce revenues but also can result in substantial downward adjustments in reserve estimates. Actual oil and gas prices, development expenditures and operating expenses will vary from those assumed in reserve estimates, and these variances may be significant. Any significant variance from the assumptions used could result in the actual quantity of reserves and future net cash flow being materially different from those estimated in reserve reports. In addition, results from drilling, testing and production and changes in prices after the date of reserve estimates may result in downward revisions to such reserve estimates. Substantial downward adjustments in reserve estimates could have a material adverse effect on a given exploration and production project's financial position and results of operations and could result in acceleration of result-based loans or defaults thereunder. Actual amounts produced from such reserves may similarly vary. In addition, due to natural declines in reserves and production, exploration and production projects must economically find or acquire and develop additional reserves in order to maintain and grow their revenues and distributions. Oil and gas wells are by their nature depleting assets, and as a result, annual production will naturally decline over the life of a well and so too will returns to a Fund attributable to such well.

Moreover, U.S. federal, state or local laws, regulations and orders may restrict the rate of oil and gas production below the rate that would otherwise exist in the absence of such laws, regulations and orders, and may restrict the number of wells which may be drilled in any particular area, thereby also restricting the cash flows of a particular portfolio project and, therefore, of a Fund. State laws regulate the size and shape of drilling and spacing units or proration units governing the pooling of oil and gas properties. Some states allow forced pooling or integration of tracts to facilitate development while other states rely on voluntary pooling of lands and leases. In some instances,

forced pooling or unitization may be implemented by third parties and may result in a reduction of Basin's interest in the unitized properties. In addition, state conservation laws establish maximum rates of production from oil and gas wells, which generally prohibit the venting or flaring of natural gas and impose requirements regarding the ratable production. These laws and regulations may limit the amount of oil and gas that can be produced from wells that generate payments to a Fund or limit the number of wells or locations that can be drilled, further limiting potential payments that might otherwise be made to a Fund.

*Commodity Price Volatility.* The value of a Fund's investments will be substantially dependent upon the market price for oil, natural gas and other hydrocarbons, which value ultimately impacts the demand for their products and services. Historically, the markets for hydrocarbons have been volatile and such volatility is likely to continue in the future. Various factors beyond the control of a Fund, the General Partner, the Adviser or any operator will affect hydrocarbon prices including: (i) the worldwide and domestic supplies of oil and natural gas; (ii) the ability of the members of the Organization of the Petroleum Exporting Countries to agree to and maintain oil prices and production controls; (iii) political instability or armed conflict in the Middle East and other oil or natural gas producing regions; (iv) terrorist acts; (v) the price and level of foreign imports; (vi) the level of consumer demand; (vii) the price, availability and acceptance of alternative fuels; (viii) the availability of pipeline capacity; (ix) weather conditions; (x) transportation interruption; (xi) domestic and foreign governmental regulations, price controls and taxes; (xii) domestic and foreign environmental laws and regulations; and (xiii) the overall economic environment, including interest rates, levels of economic activity, the price of securities and the participation by other investors in the financial markets. There can be no assurance that there will not be a significant decline in the prevailing price for hydrocarbons, which could adversely affect the value of a Fund's investments and its income from its investments. Price volatility also makes it difficult to budget for, and project the return on, acquisitions, exploration and development projects.

*Transportation Risks; Commodity Price Controls and Regulation.* The availability, terms and cost of transportation significantly affect sales of natural gas. The interstate transportation and sale or resale of natural gas is subject to federal regulation, including regulation of the terms, conditions and rates for interstate transportation, storage and various other matters, primarily by the Federal Energy Regulatory Commission. Federal and state regulations govern the price and terms for access to natural gas pipeline transportation. The Federal Energy Regulatory Commission's regulations for interstate natural gas transmission in some circumstances also may affect the intrastate transportation of natural gas. Although natural gas prices are currently unregulated, Congress historically has been active in the area of natural gas regulation. There is no way to predict whether new legislation to regulate natural gas might be proposed, what proposals, if any, might actually be enacted by Congress or the various state legislatures, and what effect, if any, the proposals might have on a Fund's investments. Sales of condensate and natural gas liquids are not currently regulated.

There are currently no federal price controls on oil production, and sales of oil, condensate and natural gas liquids by the operator of a prospect in which a Fund owns an interest can be made at uncontrolled market prices. However, there can be no assurance that Congress will not enact controls at any time.

States do not currently regulate wellhead prices or engage in other similar direct economic regulation, but there can be no assurance that they will not do so in the future. The effect of these regulations may be to limit the amounts of natural gas that may be produced from wells that generate payments to a Fund, and to limit the number of wells or locations that can be drilled.

Seasonal Nature of Oil and Gas Industry. Seasonal weather conditions and the provisions of oil and gas leases can limit the drilling and producing activities of operators and, as a result, the majority of drilling activities by those operators may occur during the summer months. These seasonal anomalies can pose challenges to an operator for meeting well drilling obligations and increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay operations. Generally, but not always, the demand for gas decreases during the summer months and increases during the winter months. Among other factors, seasonal anomalies such as mild winters or hot summers sometimes lessen this fluctuation. Such factors can adversely impact the quantities of oil and gas that are produced and, therefore, a Fund's revenues.

New Technology Risk. The upstream oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, the operator of a portfolio project may be placed at a competitive disadvantage or competitive pressures may force the operator to implement those new technologies at substantial costs to a portfolio project, which could affect a Fund's returns attributable to such portfolio project. In addition, other oil and natural gas projects have greater financial, technical, and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the operator of a portfolio project can. The operator may not be able to respond to these competitive pressures and implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies an operator uses now or in the future were to become obsolete or if the operator is unable to use the most advanced commercially available technology, a Fund's investments could be materially adversely affected.

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

Licenses and Lease. Interests in the exploration and operation of oil and gas businesses are governed by statutes, rules and regulations and are evidenced by the granting of exploration and development licenses or production leases. Each license is typically for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the owners or operator of a portfolio project could lose title to, or its interest in, such licenses if the license conditions are not met or if insufficient funds are available to meet expenditure commitments. If the operator of a portfolio project is unable to meet its obligations in relation to the work programs of any of the licenses, it may be required to relinquish the license or the license may be revoked. In addition, an operator may choose to allow some oil and gas leases to terminate or forfeit, without drilling or development thereof, for a variety of reasons, including changing opinions on the geology, recoverable reserves, or election to devote capital elsewhere. These decisions could adversely impact the possible net revenues available to a Fund. Certain tenements and licenses may be located in, or adjacent to, areas that may be subject to actual or potential border disputes between two or more countries. These disputes cause disruptions, delays and possibly cancellation of certain projects, as well as the impairment of certain assets. Further, certain reserves, particularly shale gas reserves may be located below privately owned properties and may require regulatory intervention to permit and facilitate the exploration and development of such reserves.

*Risks in Effecting Operating Improvements; Undeveloped Acreage.* A Fund will, in some cases, acquire working interests from current owners. In such cases, the success of a Fund's investment strategy will depend, in part, on the ability to effect improvements in the operations of such asset. The activity of identifying and implementing operating improvements entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of key personnel and disrupt normal business. There can be no assurance that an operator or a Fund will be able to successfully identify and implement such improvements.

In other cases, a Fund will create a working interest from a formerly operated asset or newly created structure. As a result, in some cases, a Fund may hold, or seek to hold, undeveloped acreage and/or acreage in new or emerging plays. Undeveloped acreage may not ultimately be developed or become commercially productive, which could cause the loss of rights under the applicable leases as well as have a material adverse effect on the oil and natural gas reserves and future production attributable to a portfolio project. As a result, drilling results in these areas are uncertain, and the value of undeveloped acreage will decline if drilling results are unsuccessful. In addition, drilling results in these areas are more uncertain than drilling results in areas that are developed and producing. Because new or emerging plays have limited or no production history, the General Partner and operator may be unable to use past drilling results in those areas to help predict future drilling results. As a result, costs of drilling, completing and operating wells in these areas may be higher than initially expected, and the value of undeveloped acreage will decline if drilling results are unsuccessful.

*Operator Risks.* In some instances, Basin (or an affiliate thereof) may operate certain portfolio projects. Oil and gas operations are subject to many risks, including well blowouts, cratering and explosions, pipe failures, fires, formations with abnormal pressures, uncontrollable flows of oil, natural gas, brine or well fluids, oil spills, severe weather, natural disasters, groundwater contamination and other environmental hazards and risks. Some of these risks or hazards could materially and adversely affect a Fund's revenues and expenses by reducing or shutting in production from wells or otherwise negatively impacting the projected economic performance of a portfolio project. For a Fund's non-operated assets, the General Partner will be dependent on the third-party operator for operational and regulatory compliance. If any of these risks occurs, a portfolio project and, therefore, a Fund could sustain substantial losses as a result of: (i) injury or loss of life; (ii) severe damage to or destruction of property, natural resources or equipment; (iii) pollution or other environmental damage; (iv) clean-up responsibilities; (v) regulatory investigations and administrative, civil and criminal penalties; and (vi) injunctions resulting in limitation or suspension of operations.

A material event such as those described above could expose a portfolio project to liabilities, monetary penalties or interruptions in its operations. While portfolio projects may maintain insurance against some, but not all, of the risks described above, such insurance may not be adequate to cover casualty losses or liabilities and may not cover penalties or fines that may be assessed by a governmental authority. For certain risks, such as political risk, business interruption, war, terrorism and piracy, there may be limited or no insurance coverage. Also, in some cases, a portfolio project may not be able to obtain insurance at premium levels that justify its purchase. The occurrence of a significant event against which a portfolio project is not fully insured may expose such portfolio project and, therefore, a Fund to liabilities.

*Title to Interests.* Typically, interests acquired by a Fund will be evidenced by written conveyances which are duly filed (in the applicable records of the county or parish in which such interests are located) in a Fund's name or, in the discretion of the General Partner, in the name of a nominee of the General Partner (including the General Partner or Affiliates of the General Partner) if such

practice facilitates assembly or acquisition of interests, administration of Partnership affairs or as otherwise determined by the General Partner. Generally, the General Partner will not make on-site inspections of the properties in which it acquires an interest for a Fund.

As is customary in the upstream oil and gas industry, the General Partner expects to initially conduct only a cursory review of title to interests that a Fund or an operator intends or attempts to purchase. Depending upon the results of Basin's cursory review, the location of the interest, the size and materiality of the potential acquisition and other factors the General Partner deems relevant, a Fund or the operator may have title reviews conducted by an attorney or a land service company. The General Partner may elect to perform curative work with respect to significant defects. If title reviews or other investigations reflect title defects on those properties, any curative work the General Partner elects to undertake will be at a Fund's expense. A Fund generally does not intend to purchase an interest until any material title defects on such property are cured.

*Key Inputs.* The operations of the projects in which a Fund invests may rely on access to certain key inputs such as strategic consumables, raw materials and drilling and processing equipment. The inability to obtain such key inputs in a timely manner could delay or reduce a portfolio project's production, which could have an adverse impact on its results of operations and financial condition. Periods of high demand for such supplies can result in periods when availability of supplies are limited and cause costs to increase above normal inflation rates. Any interruption to supplies or increase in costs could adversely affect the operating results and cash flows of a Fund's investments and, therefore, of a Fund.

*Independent Contractors.* Independent contractors are typically used in operations in the energy industry to perform various operational tasks, including carrying out drilling activities and delivering raw commodities to processing or beneficiation plants. In periods of high commodity prices, demand for such contractors may exceed supply resulting in increased costs or lack of availability of key contractors. Disruptions of operations or increased costs also can occur as a result of disputes with contractors or a shortage of contractors with particular capabilities. Additionally, since a Fund will not have control over any third-party operators of the portfolio projects in which a Fund invests and/or operators (including operators that are affiliates of Basin) may not have the same control over independent contractors as they may have over their own employees, there is a risk that such operators and contractors will not operate in accordance with their own safety standards or other policies. Any of the foregoing circumstances could have a material adverse effect on the projects in which a Fund invests, and ultimately a Fund's operating results and cash flows.

*Natural Disasters, Terrorist Acts and Similar Dislocations.* Upon the occurrence of a natural disaster such as a flood, hurricane, or earthquake, electricity shortages or other similar national or local emergencies, or upon an incident of war, riot or civil unrest, the impacted country may not efficiently and quickly recover from such event, which can have a materially adverse effect on portfolio projects and other developing economic enterprises in such country. Terrorist attacks and related events can result in increased short-term economic volatility. U.S. military and related actions in Afghanistan and Iraq, other events in the Middle East, and terrorist actions worldwide could have significant adverse effects on U.S. and world economies and securities markets. The effects of future terrorist acts (or threats thereof), military action or similar events on the economies and securities markets of countries cannot be predicted. Such disruptions of the world financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to a Fund's investments.

Regulation of Greenhouse Gases. In the U.S., emissions of greenhouse gases (“GHGs”) are increasingly regarded as linked to global climate change, which may lead to more stringent regulation of GHGs in the future. Increased public concern and mounting political pressure may result in more U.S. federal, state or local requirements to reduce or mitigate the effects of GHGs. These requirements include adoption of cap and trade regimes, carbon taxes, restrictive permitting, increased efficiency standards, and incentives or mandates for renewable energy, all of which could make a Fund’s interest in exploration, development and production activities more expensive, lengthen project implementation times, and reduce demand for hydrocarbons. Any such future laws and regulations imposing reporting obligations on, or limiting emissions of GHGs from, an operator’s equipment and operations could require it to incur costs to reduce emissions of GHGs associated with its operations. Furthermore, current and pending GHG regulations also may increase compliance costs, such as for monitoring or sequestering emissions. Substantial limitations on GHGs also could adversely affect demand for oil and natural gas. Changes in the regulation of GHGs could impact the assets in which a Fund owns an interest or make future investments undesirable.

Documentation and Other Legal Risks. In addition to the matters described above, energy and energy generation and related projects are typically governed by complex legal agreements. As a result, there can be a higher risk of dispute over interpretation or enforceability of such agreements. It is not uncommon for energy generation and related assets to be exposed to a variety of other legal risks, including legal action from special interest groups. Special interest groups may use legal processes to seek to impede particular projects to which they are opposed.

Construction Risk. A Fund’s investments may involve significant construction risk, including the risk of substantial delay or increase in cost due to a number of unforeseen factors, including: (i) political opposition, regulatory and permitting delays; (ii) delays in procuring real property rights; (iii) equipment, transmission grid interconnection delays; (iv) labor disputes, lawsuits and other disputes; (v) environmental issues and force majeure; and (vi) failure by one or more of the investment participants to perform in a timely manner (or at all) its or their contractual, financial or other commitments. New facilities have no operating history and may employ recently developed or technologically complex equipment that may take time to operate at peak levels of output and efficiency. A material delay or increase in cost not absorbed by other participants in the transaction could significantly impair the financial viability of a project and result in a material adverse effect on a Fund’s investment therein.

Risks Associated with Non-Operating Interests. The Funds are not expected to operate or have controlling interests in all of its portfolio projects. The Funds may invest in non-operating oil and gas assets and in such instance the Funds intend to exercise influence over the material decisions of a portfolio project through its ability to appoint members to the joint operating committee or similar governing body of a portfolio project, decide the method and timing of exiting a portfolio project and/or negotiate for certain other contractual rights. However, the Funds do not intend to exercise control over the day-to-day operations of all of its portfolio projects and the assets in which a Fund acquires a non-operating interest. Notwithstanding the foregoing, with respect to assets in which a Fund has acquired non-operating interests, certain circumstances may arise that render the operator unwilling or unsuitable to continue operating the asset. In such circumstances, it may become necessary or desirable for a Fund, the General Partner or one of their respective affiliates to exercise greater control over such asset than originally anticipated, including assuming the role of the operator. To the extent that a Fund has a controlling interest in or is deemed to control the operations of any portfolio project, the exercise of control over a portfolio project may impose additional risks of liability for environmental damage, failure to supervise management, violation of laws and governmental regulations and other types of liability, for which the limited liability



generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any portfolio project's facilities or operations, a Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. The exercise of control over an investment also could expose the assets of a Fund to claims by any third-party operators and/or creditors of a portfolio project. If any such liabilities were to arise, a Fund might suffer significant losses. While the General Partner intends to manage the Funds in a manner that will minimize the exposure of these risks, the possibility of successful claims against a Fund and/or its affiliates cannot be precluded.

The value of a Fund's investments in non-operating interests is generally dependent upon the third-party operation of certain oil and gas related assets, such as drilling rigs. Investors should be aware that there are numerous risks associated with such investments that may affect the business operation of a third-party operator and that could result in substantial losses and liabilities to such operator and/or a portfolio project. For example, delays in land acquisition, shortages of construction materials or equipment and labor, environmental conditions such as bad weather and natural disasters, disputes with workers or contractors, accidents, changes in government policies and other unforeseeable difficulties or circumstances could potentially delay or even cancel the required development, improvement or maintenance of necessary infrastructure required for oil and gas projects. Any of these events may cause significant losses and liabilities for a Fund.

As is the case with minority holdings in general, and non-operated working interests specifically, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such portfolio project or were otherwise granted control and/or management rights alongside any third-party operator and/or other third-party investor. Even if a Fund has contractual rights to seek liquidity of the Fund's minority interests in such portfolio projects, it may be difficult to sell such interests upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such portfolio project have different business and investment objectives and goals.

In addition, a Fund may co-invest with other persons or entities through JOAs, joint ventures, partnerships or other entities or arrangements as a JOA party, co-venturer or partner. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that: (i) a Fund and such JOA party, co-venturer or partner may reach an impasse on a major decision that requires the approval of both parties; (ii) a JOA party, co-venturer or partner of a Fund may at any time have economic or business interests or goals that are inconsistent with those of a Fund; (iii) the JOA party, co-venturer or partner may encounter liquidity or insolvency issues or may become bankrupt; (iv) the JOA party, co-venturer or partner may be in a position to take action contrary to a Fund's investment objective; (v) the JOA party, co-venturer or partner may take actions that subject the property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances a Fund may be liable for actions of its JOA parties, co-venturers or partners. The JOA party, co-venturer or partner may be a joint venture partner or interest holder in another joint venture or other vehicle in which the Adviser or its affiliates has an interest or otherwise controls. The JOA party, co-venturer or partner also may be entitled to receive payments from, or allocations or performance-based compensation (e.g., carried interest) in respect of, a Fund and/or such investments, and in such circumstances, any such amounts will not, even if they have the effect of reducing any retainers or minimum amounts otherwise be payable by the Adviser or its affiliates, be deemed paid to or received by such persons or entities or reduce the Management Fee. In addition, a Fund may co-invest with non-affiliated co-investors or partners whose ability to influence the affairs of the projects in which a Fund invests

may be significant, and even greater than that of a Fund and as such, a Fund may be required to rely upon the abilities and management expertise of such JOA party, co-venturer or partner. It also may be more difficult for a Fund to sell its interest in any JOA, joint venture, co-investment, partnership or entity with other owners than to sell its interest in other types of investments (and any such investment may be subject to a buy-sell right). A Fund may grant JOA parties, co-venturers or partners approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks or unanticipated exits from an investment. A deadlock could delay the execution of the business plan for the investment or require a Fund to engage in a buy-sell of the venture with the JOA party, co-venturer or partner or conduct the forced sale of such investment or require alternative dispute resolution in order to resolve such deadlock. As a result of these risks, a Fund may be unable to fully realize its expected return on any such investment. Further, to the extent that a Fund offers any co-investment opportunity to any Limited Partners or third parties, some or all of the risks described above also may apply to such co-investments.

*Broken Deal Expenses.* Investments in the energy industry often require extensive due diligence activities and regulatory approvals prior to acquisition. Due diligence may include feasibility and technical studies, preliminary engineering and marketing studies, legal and environmental review and bid preparation and submission costs, any or all of which may entail significant third-party expenses. In the event that an investment is not consummated, a Fund may bear some or all of such third-party expenses and any termination fees. Furthermore, in the event that a transaction in which a co-investment was to be sought ultimately is not consummated, it is expected that some or all of such third-party expenses and any termination fees will be borne by the Funds, and not by any prospective or expected co-investors that were to have participated in such transaction.

*Ability to Exit Investments.* Individual investments in certain assets may have unique geographic and market characteristics (and may be subject to political, regulatory and public opinion considerations), which could make them highly illiquid. A Fund may acquire portfolios of assets that are not easily separated into individual asset acquisitions or dispositions. Accordingly, a Fund's investments may be quite sizeable. There are limited pools of capital available in the sector that can make sizeable investments and limited numbers of market participants. As a result, the potential exits from these investments may be limited and there can be no assurance that a Fund will be able to realize its investments on favorable terms, in a timely manner or at all. Moreover, the realizable value of a highly illiquid investment may be less than its intrinsic value.

*Reliance on Third Parties.* A Fund may rely to a significant extent on third-party operators of the portfolio projects with respect to the day-to-day operation of such portfolio projects, and generally will have consent rights only with respect to major decisions. Subjective decisions made by a Fund and/or certain third-party operators may cause a portfolio project to incur losses or to miss profit opportunities on which it would otherwise have capitalized. As a result, a Fund's ability to protect its position in such asset will be limited.

The failure of the third-party operator of a portfolio project to adequately or efficiently perform operations, or failure to act in ways that are in the best interests of the portfolio project or a Fund could reduce production and revenues. In the absence of a specific contractual obligation, any development and production activities generally will be subject to the reasonable discretion of the third-party operator of the portfolio project. For instance, the third-party operator of the portfolio project could determine to drill and complete fewer wells than is expected upon investment in a portfolio project. The success and timing of drilling and development activities and whether the third-party operator of the portfolio project elects to drill any additional wells depends on a number of factors that will be largely outside of a Fund's control, including: (i) the capital costs required

for drilling activities, which could be significantly more than anticipated; (ii) prevailing commodity prices; (iii) the availability of suitable drilling equipment, production and transportation infrastructure and qualified operating personnel; (iv) the third-party operators' expertise, operating efficiency and financial resources; (v) approval of other participants in drilling wells; (vi) the selection of technology; (vii) the selection of counterparties for the marketing and sale of production; and (viii) the rate of production of the reserves. The third-party operator of a portfolio project may elect not to undertake development activities, or may undertake these activities in an unanticipated fashion, which may result in significant fluctuations in the results of operations and cash distributions. Sustained reductions in production by the third-party operator of the portfolio project on portfolio projects also may adversely affect the results of operations and cash distributions.

The marketing of oil and gas produced from properties in which a Fund owns a non-operated interest also will depend on third-party operators that a Fund does not own or control. The ability of such operators to market oil and gas production from properties in which a Fund owns a non-operated interest depends in part upon the availability and capacity of oil and natural gas gathering systems and pipelines and other transportation facilities. The ability of a Fund to realize proceeds, if any, from its oil and gas assets will depend on numerous factors beyond the control of a Fund, the effect of which cannot be accurately predicted or anticipated. Some of these factors include: (i) the ability of the third-party operator of a prospect to market oil and gas found and produced, if any, (ii) the availability of other domestic and foreign production, (iii) the marketing of competitive fuels, (iv) the proximity and capacity of pipelines, (v) fluctuations in supply and demand, (vi) the availability of a ready market, (vii) the effect of U.S. federal and state regulation of production, refining, transportation and sales and (viii) general national and worldwide economic conditions. There is no assurance that the third-party operator of a property in which a Fund owns a non-operated interest will be able to market any oil or gas produced by such operator or, if such oil or natural gas is marketed, that favorable prices can be obtained by a Fund. If any of the third-party operators of properties in which a Fund owns a non-operated interest suffers the loss of any one of their purchasers, such loss could materially affect their ability to sell the oil and natural gas they produce and, therefore, a Fund's revenues.

In addition, environmental laws and regulations indirectly impact a Fund inasmuch as its source of revenues is ultimately dependent upon the activities of other third parties that operate the oil and gas properties in which a Fund owns non-operated interests. Although the General Partner believes that most third-party operators will generally be able to substantially comply with all current applicable environmental laws and regulations and that continued compliance with existing requirements will not have an overall material adverse impact on their financial condition and results of operations, the General Partner cannot predict how future environmental laws and regulations may ultimately impact such operators and, therefore, a Fund's properties, investments and revenues.

Availability of Raw Materials. Constraints in the supply of, prices for, and availability of transportation of raw materials can adversely affect entities engaged in the energy business. Raw materials that are expected to be essential to a Fund's portfolio projects, such as proppants, hydrochloric acid, and gels, including guar gum, are normally readily available. Shortage of raw materials as a result of high levels of demand or loss of suppliers during market challenges can trigger constraints in the supply chain of those raw materials, particularly where an entity has a relationship with a single supplier for a particular resource. Many of the raw materials essential to the energy business require the use of rail, storage, and trucking services to transport the materials to jobsites. These services, particularly during times of high demand, may cause delays in the arrival of or otherwise constrain the supply of raw materials. These constraints could adversely

affect the business and results of operations of a portfolio project. In addition, price increases imposed by vendors for raw materials used in such project and the inability to pass these increases through to customers could have a material adverse effect on the operations of a portfolio project.

*Rate Risk.* The Federal Energy Regulatory Commission (the “FERC”), the California Public Utilities Commission (the “CPUC”), the National Energy Board (the “NEB”) or other similar agencies may establish pipeline tariff rates that have a negative impact on a Fund’s portfolio projects. In addition, the FERC, the CPUC, the NEB, other similar agencies could file complaints challenging the tariff rates charged by the pipelines of a portfolio project’s customer, and a successful complaint could have an adverse impact on that project.

### **Investment Structuring and Legal Risks**

*Representative Liability.* The Funds will often seek to obtain the right to appoint one or more representatives to the joint operating committee or similar governing body of the portfolio projects in which it invests (each, a “Representative”). In those instances where a Fund is not the sole investor in a portfolio project, a Representative may have duties to persons other than a Fund. Serving on the joint operating committee or similar governing body of a portfolio project exposes the Representative, and ultimately a Fund, to potential liability. Not all portfolio projects may obtain insurance with respect to such liability, and the insurance that portfolio projects do obtain may be insufficient to adequately protect against such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund’s investment activities.

*Litigation.* The transactional nature of the business of the Funds exposes the Funds, the General Partner and their respective affiliates generally to this risk of third-party litigation. In the ordinary course of its business, a Fund may be subject to litigation from time to time. Under the Organizational Documents, a Fund will generally be responsible for indemnifying the General Partner and certain of its affiliates for costs they may incur with respect to such litigation not covered by insurance. The outcome of litigation proceedings may materially adversely affect the value of a Fund and may continue without resolution for long periods of time. Additional regulation also could increase the risks of third-party litigation. Any litigation may consume substantial amounts of the General Partner’s time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Contingent Liabilities Upon Disposition.* In connection with the disposition of an investment, a Fund and the General Partner may be required to make (and/or be responsible for another person’s or entity’s breach of) representations and warranties, e.g., about the financial affairs of the applicable portfolio project, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar projects, and may be responsible for the content of disclosure documents under applicable securities laws. They also may be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by a Fund and, ultimately, its investors. In such a situation, Limited Partners may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in a Fund Agreement.

*Liability of Limited Partners.* A Fund has been organized as a limited partnership. Generally, a Limited Partner should not be personally liable for the debts of a Fund except that, in the event a Fund is otherwise unable to meet its obligations, the Limited Partners may, under applicable law,

be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them, subject to certain limitations set forth in the Organizational Documents. In addition, any Limited Partner's commitment is susceptible to risk of loss as a result of any liability of a Fund irrespective of whether such liability is attributable to an investment to which such Partner did not contribute any capital.

*Over-Commitment.* In order to facilitate an investment in a portfolio project, a Fund may make (or commit to make) an investment in such project with a view to selling a portion of such investment to co-investors or other persons prior to or within a brief period after the closing of the investment. In such event, a Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, a Fund may bear the entire portion of any breakup fee or other fees, costs and expenses related to such investment, hold a larger than expected investment in such portfolio project or may realize lower than expected returns from such investment.

### **Management Risks**

*Reliance on the General Partner.* The Funds will be dependent on the General Partner. Limited Partners generally have no right or power to take part in the management of a Fund, and control over the operation of a Fund, including decisions with respect to structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of a Fund, as control over these decisions will be vested with the General Partner. Consequently, a Fund's future profitability and investment performance will depend largely upon the business and investment acumen of the principals of the General Partner (the "Principals"). The loss or reduction of service of one or more of the Principals could have an adverse effect on a Fund's ability to realize its investment objectives. In addition, the Principals currently, and may in the future, manage other investment funds, separate accounts or other investment vehicles besides a Fund and the Principals may need to devote substantial amounts of their time to the investment activities of such other funds, accounts or vehicles, which may pose conflicts of interest in the allocation of the time of the Principals. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on a Fund or one or more of its portfolio projects. Limited Partners are reminded that the composition of the professionals making up particular industry sector investment teams change over time, and the professionals included in such teams and who may have contributed to the past performance of any prior Basin Funds may no longer be members of the particular team or serve in the same or similar roles thereon (or may no longer be employed by the Adviser, or may leave such team or the Adviser during the life of a Fund).

*Standard of Care; Indemnification.* The Organizational Documents contain provisions that, subject to applicable law, reduce, modify or eliminate the duties that the General Partner would otherwise owe to a Fund and the Limited Partners. Pursuant to a Fund Agreement, the General Partner, the Principals, the Adviser and certain of their employees and affiliates will be indemnified and held harmless from losses sustained from any act or omission in connection with a Fund's activities, subject to certain exceptions set forth in the Organizational Documents, and may receive advances for any fees, costs and expenses incurred in the defense or settlement of any claim that may be subject to a right of indemnification. The application of the foregoing standards may result in Limited Partners having a more limited right of action in certain cases than they would in the absence of such standards. As a result, a Fund may bear significant financial losses even where such losses were caused by the negligence of the General Partner and certain of its affiliates. Such financial losses may have an adverse effect on the returns to the Limited Partners. The fees, costs and expenses (whether or not advanced) and other liabilities resulting from a Fund's indemnification obligations will generally be paid by or otherwise satisfied out of the assets of a

Fund, including the unpaid capital obligations of the Limited Partners. In addition, if the assets of a Fund are insufficient to satisfy a Fund's indemnification obligations, the General Partner may recall distributions previously made to the Limited Partners, subject to certain limitations set forth in the Organizational Documents.

*Possibility of Fraud or Other Misconduct of Employees and Service Providers.* Misconduct by (i) the Adviser's employees, (ii) portfolio project directors, officers or employees, (iii) service providers to the foregoing and/or their respective affiliates; and (iv) third-party operators could undermine the due diligence efforts of a Fund and/or the General Partner and cause significant losses to a Fund. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by a Fund, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting a Fund's business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealing of any of the foregoing). Such activities may result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to a Fund. The Adviser has controls and procedures through which it seeks to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

### **Partnership Risks**

*No Market for Interests; Restrictions on Transfer; No Right of Withdrawal.* There are substantial restrictions upon the transferability of interests under the Organizational Documents and applicable securities laws. Limited Partner interests in a Fund may not generally be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the General Partner, which may be withheld pursuant to the Organizational Documents, and the volume of transfers permitted in any calendar year may be restricted in order to comply with certain safe harbors under the tax regulations promulgated under the U.S. Internal Revenue Code of 1986, as amended from time to time (the "Code"). One of the requisites to such consent may be an opinion of a Fund's counsel that such a transfer would not subject a Fund or the General Partner to any regulatory or tax requirements or result in the violation of any applicable law or governmental regulation. The transferor and transferee may be required to bear the cost of such legal opinion. Voluntary withdrawals from a Fund will not be permitted except in limited circumstances generally involving situations where retaining an interest in a Fund would violate certain laws or regulations. In addition, interests in a Fund are not redeemable. There will be no public market for interests in the Funds, and none is expected to develop. Interests in the Funds 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 unless an exemption from registration is available. It is not contemplated that registration of the interests in the Funds will ever be effected. As a purchaser of limited partner interests in a private placement not registered under the Securities Act, each purchaser will be required to make certain representations to the Funds, including that the purchaser is acquiring such interests for investment, and not with a view to resale or distribution, and that it is an accredited investor, as defined in Regulation D under the Securities Act. Limited Partners may not be able to liquidate their investments prior to the end of a Fund's term and must be prepared to bear the risks of an investment in a Fund for an extended period of time.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Partnership investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Partners and it may be difficult to liquidate the oil

and gas assets received at a price or within a time period that is determined to be ideal by such Partners. After a distribution of oil and gas assets is made to the Partners, many Partners may decide to liquidate such assets within a short period of time, which could have an adverse impact on the price of such assets. The price at which such assets may be sold by such Partners may be lower than the value of such assets determined pursuant to the Organizational Documents, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

*Significant Adverse Consequences for Default.* The Organizational Documents provides for significant adverse consequences in the event a Limited Partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from a Fund, a defaulting Limited Partner may be forced to transfer its interest in a Fund for an amount that is less than the fair market value of such interest. Whether and how to exercise the General Partner's remedies against a defaulting Limited Partner will be in the discretion of the General Partner, and the General Partner may require the non-defaulting Limited Partners to contribute capital to make up for the shortfall created by such defaulting Limited Partner.

*Failure to Make Capital Contributions.* If a Limited Partner fails to pay when due installments of its commitment to a Fund, and the contributions made by non-defaulting Limited Partners and borrowings by a Fund are inadequate to cover the defaulted amount, a Fund may be unable to pay its obligations when due. As a result, a Fund may be subjected to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners).

*Mandatory Redemption.* Under the Organizational Documents, if the General Partner determines that continued membership of a Limited Partner in a Fund could constitute a violation of law or subject a Fund or the General Partner to material onerous legal, tax or regulatory requirements, disputes or controversies that could have material adverse consequences to a Fund or the General Partner, a Fund may redeem the limited partner interests held by such Limited Partner in accordance with the terms of the Organizational Documents. In such an instance, the redeemed Limited Partner shall not contribute additional capital to a Fund in respect of any subsequent capital call and the redeemed Limited Partner's interest in a Fund will be entirely terminated (and such Limited Partner's commitment will be reduced to zero).

*Dilution from Subsequent Closings.* Limited Partners admitted or that increase their respective commitments to a Fund at subsequent closings generally will participate in then-existing investments of a Fund, thereby diluting the interest of existing Limited Partners in such investments. Although any such new Limited Partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of a Fund's existing investments at the time of such contributions.

*Transfer by General Partner.* To the extent the General Partner, its partners, including the Principals, and/or their respective affiliates commit to make a direct or indirect investment in or along-side a Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Organizational Documents.

*Recycling; Reinvestment.* As set forth in the Organizational Documents, the General Partner has the right to recall certain capital returned or distributed to the Partners. Accordingly, a Partner may be required to make capital contributions in excess of its commitment (with certain limitations), and to the extent such recalled or retained amounts are reinvested in investments, a Partner will remain subject to investment and other risks associated with such investments.

*Fees and Expenses.* A Fund will pay and bear all expenses related to its operations, including management fees and the costs of holding, monitoring, maintaining and disposing of investments, including investment banking fees and consulting fees, whether or not a Fund makes any profits. While it is difficult to predict the future expenses of a Fund, such expenses may be substantial and may surpass a Fund's operating income. The amount of these partnership expenses will reduce the actual returns realized by Limited Partners on their investment in a Fund (and may, in certain circumstances, reduce the amount of capital available to be deployed by a Fund for investments). Partnership expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of a Fund expenses ultimately called or called at any one time may exceed expectations.

*Need for Follow-On Investments.* Following its initial investment in a given oil and gas asset, the General Partner may decide to invest additional Partnership funds in such asset or may have the opportunity to increase its investment in a successful oil and gas asset (whether for opportunistic reasons, to fund the needs of a portfolio project or for other reasons). There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio project in need of such an investment (including the termination of a portfolio project in the event that expenditures to complete a portfolio project exceed certain thresholds set forth in the applicable agreement). Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio project or the dilution of a Fund's ownership in a portfolio project if a third party invests in such portfolio project.

*Additional Capital.* Certain of a Fund's portfolio projects, especially those in a development or "platform" phase, may be expected to require additional financing to satisfy their working capital requirements or exploration, development and production strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio project. Each such round of financing (whether from a Fund or other investors) is typically intended to provide a portfolio project with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, such portfolio project may have to raise additional capital at a price unfavorable to the existing investors, including a Fund. In addition, a Fund may make additional investments in such project in order to preserve a Fund's proportionate ownership when a subsequent financing is planned, or to protect a Fund's investment when such portfolio project's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of a Fund or any portfolio project. There can be no assurance that any portfolio project will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

*Removal of the General Partner; Early Termination of a Fund.* If, pursuant to and in accordance with the terms of the Organizational Documents, the General Partner is removed and a replacement general partner is appointed, the Adviser and its affiliates will cease to be involved in the management or control of the business of a Fund. Therefore, there can be no certainty regarding a Fund's ability to consummate investment opportunities thereafter. Similar risks exist if the investment period is cancelled earlier than anticipated pursuant to the terms of the Organizational Documents. Moreover, it is possible that a Fund may be dissolved and terminated prematurely, and as a result, may not be able to accomplish its objectives and may be required to dispose of its investments at a disadvantageous time or make an in-kind distribution (resulting in Limited Partners not having their capital invested and/or deployed in the manner originally contemplated).



*Investments Longer than Term.* A Fund may make investments that may not be advantageously disposed of prior to the date a Fund is dissolved, either by expiration of a Fund's term or otherwise, or a Fund's term may be extended to facilitate the wind-down of a Fund. Although the General Partner expects that investments will be disposed of prior to dissolution, the General Partner has a limited ability to extend the term of a Fund, and a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. To the extent that such investments are held in trust, the trust may incur operating and formation expenses. In addition, there can be no assurances with respect to the timeframe in which the winding-up and the final distribution of proceeds to the Limited Partners will occur.

*Distributions in Kind.* Although, under normal circumstances, prior to the termination of a Fund, a Fund intends to make distributions in cash or marketable securities, it is possible that under certain circumstances (including the winding-up of a Fund), distributions of investments for which there is no readily available public market and/or which may be subject to substantial restrictions on sale or transfer may be made in-kind. It may be difficult for Limited Partners to liquidate the investments received at a price or within a time period that is determined thereby to be ideal, and significant administrative burden may be involved. After a distribution of investments is made, the recipients may decide to liquidate such investments within a short period of time, which could have an adverse impact on the price of such investments. Limited Partners in receipt of a distributed investment will have no guidance from a Fund or the General Partner with respect to disposition of such investment (including timing of such disposition). The price at which such investments may be sold by such Limited Partners may be lower than the value of such investments determined pursuant to the Organizational Documents, including the value used to determine the amount of carried interest accrued with respect to such investment. In addition, the direct holding of certain investments may subject the holder to suit or taxes in jurisdictions in which such investments are located.

*Agreements with Certain Investors.* The General Partner may enter into a side letter or other similar agreement with a particular Limited Partner in connection with its admission to a Fund without the approval of any other Limited Partner, which would have the effect of establishing rights (including economic rights) under, altering or supplementing the terms of, or confirming the interpretation of an applicable Partnership document (including the Organizational Documents and any related subscription agreement) with respect to such Limited Partner in a manner more favorable to such Limited Partner than those applicable to other Limited Partners, and such rights may be significant. Such rights or terms in any such side letter or other similar agreement may include: (i) reporting obligations of the General Partner; (ii) certain economic rights, such as a reduced management fee or carried interest; (iii) waiver of certain confidentiality obligations; (iv) consent of the General Partner to certain transfers by such Limited Partner; or (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such Limited Partner. Some, but not all, of such rights or terms may be subject to a "most favored nations" process.

*Disclosure of Confidential Partnership and Investor Information.* The Limited Partners are expected to include entities that are subject to public disclosure requirements, including state public records or similar freedom of information laws which may compel public disclosure of confidential information regarding a Fund, its investments and its investors. There has been a recent increase in the number of requests under such laws for contracts (including partnership agreements, subscription agreements and side letters) that investors in private equity funds that are subject to such laws have in place with private equity funds. A Fund may incur expenses in connection with responding to any such disclosure requests, even if the Fund ultimately succeeds in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that the Limited Partners will have pursuant to the Organizational Documents to maintain the confidentiality of Fund information, there can be no assurance that such information will not be

disclosed either publicly or to regulators, law enforcement or otherwise. The General Partner also may in certain circumstances, in an effort to protect any such potential disclosure, withhold all or any part of the information otherwise to be provided to such a Limited Partner, as more fully described in the Organizational Documents. There can be no assurance that such information will not be disclosed by a Fund, the General Partner, the Adviser, their affiliates and personnel, portfolio projects or services providers to any of them, including to comply with laws, regulations or policies to which they are or may become subject. In addition, under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act the U.S. Securities and Exchange Commission (“SEC”) has authority to require private equity fund advisers, such as the Adviser, to file additional reports with the SEC regarding their funds and investment activities. Any public disclosure of Fund information could have an adverse effect on the Funds and their investors, for example, by affecting a Funds’ competitive advantage in finding attractive investment opportunities.

*Requests for Additional Information.* Each Limited Partner will be required to comply promptly with reasonable requests for information made by the General Partner in order for the Funds to satisfy any request for information about such Limited Partner, its capital commitment and other information regarding its interest in the Funds in connection with the operation of the Funds, including requests made by any U.S. federal, state or local or non-U.S. regulatory authority, agency, committee, court, exchange or self-regulatory organization (e.g., obtaining approvals necessary for the making, holding or disposition of any portfolio project).

*Cyber Security Breaches and Identity Theft.* A Fund and its portfolio projects’ information and technology systems may be 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 earthquake. Although the General Partner intends to implement 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 General Partner, a Fund and/or a portfolio project may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the General Partner’s, a Fund’s and/or a portfolio project’s operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the General Partner’s, a Fund’s and/or a portfolio project’s reputation, subject any such entity and its respective affiliates to legal claims or otherwise affect their business and financial performance.

In addition, the oil and gas sector has become increasingly dependent on digital technologies to conduct certain exploration, development and production activities. The General Partner may depend on digital technology to estimate quantities of oil and gas reserves, process and record financial and operating data, analyze seismic and drilling information, and communicate internally and with third parties. Unauthorized access to seismic data, reserves information or other proprietary or commercially sensitive information could lead to data corruption, communication interruption, or other disruptions in exploration or production operations or planned business transactions, any of which could have a material adverse impact on the operating results of a Fund’s investments, and, therefore, of the Funds. Further, as cyberattacks continue to evolve, the General Partner may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any vulnerabilities to cyberattacks.

*Electronic Delivery of Certain Documents.* Pursuant to the subscription agreement entered into by a Limited Partner, Limited Partner may consent to electronic delivery (including email, facsimile

or posting on the Funds' web-based investor reporting site or other Internet service in accordance with the Organizational Documents) of (i) any notices or communications required or contemplated to be delivered to such Limited Partner by a Fund, the General Partner or any of their respective affiliates, pursuant to applicable law or regulation (including the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "IAA")), at the option of the person making such delivery, and (ii) capital call notices and other notices, requests, demands or consents or other communications and any financial statements, reports, schedules, certificates or opinions required to be provided to such Limited Partner under the Organizational Documents or under any side letter or similar agreement with such Limited Partner. There are certain costs and possible risks (e.g., system outages) associated with electronic delivery. Moreover, the General Partner cannot provide any assurance that these communication methods are secure and will not be responsible for any computer viruses, problems, malfunctions, theft of information or related problems that may be associated with the use of an Internet-based system.

### **Certain Regulatory and Tax Issues**

*Lack of Regulatory Oversight.* The Funds will not be registered as an investment company under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Funds. Similarly, the Funds' investments in portfolio projects are not expected to be registered under the Investment Company Act. Accordingly, Limited Partners will not be afforded the protections of the Investment Company Act.

*U.S. Federal Securities Regulation.* In connection with any acquisition of beneficial ownership by a Fund, or by a group that includes a Fund, of more than 5% of any class of the equity securities of a company registered under the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"), a Fund may be required to make certain filings with the U.S. Securities and Exchange Commission. Generally, these filings require disclosure of the identity and background of the purchasers, the source and amount of funds used to acquire the securities, the purpose of the transaction, the purchaser's interest in the securities, and any contracts, arrangements, or undertakings regarding the securities. In certain circumstances, a Fund may be required to aggregate its investment position in a given portfolio project with the beneficial ownership of that company's securities by, or on behalf of, the General Partner and its affiliates or other members of a group that includes a Fund, which could require a Fund, together with such other parties, to make certain disclosure filings or otherwise restrict a Fund's activities with respect to such portfolio project securities.

Also, if a Fund becomes the beneficial owner of more than 10% of any class of the equity securities of a company registered under the Exchange Act, or otherwise becomes an "affiliate" of such a company, a Fund may be subject to certain additional reporting requirements and to liability for short-swing profits under Section 16 of the Exchange Act. The Funds intend to manage their investments so as to avoid the short-swing profit liability provisions of Section 16 of the Exchange Act.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund's activities, including the ability of a Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the 2008 global financial crisis, may complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

More recently, in connection with the outcome of the 2016 U.S. federal elections and the current control by one political party of the U.S. federal legislative and executive branches, uncertainty has arisen regarding potential changes in law and regulation affecting the U.S. private equity industry, including the possibility of significant revision to the Code, U.S. financial law and regulation. The likelihood of occurrence and the effect of any such change is highly uncertain and could have an adverse impact on a Fund, the General Partner and/or the Limited Partners.

*Regulation and Enforcement.* The growth of the private equity industry, and the increasing size and reach of transactions, has prompted additional governmental and public attention to the industry and its practices. In recent years, there have been governmental investigations and lawsuits over whether certain club deals or consortium bids constituted an illegal attempt to collude and drive down the prices of acquisitions. Consortium bids are deals in which two or more unaffiliated entities either provide equity financing or divide the target business being acquired. These transactions can range in size from the large private equity club deals in which the target remains intact to much smaller deals in which a target is broken up and sold to multiple strategic buyers. Private equity firms that engage in potentially anti-competitive practices in an otherwise permissible and lawful club deal could be liable for monetary damages to former shareholders of target projects and could be subject to U.S. Department of Justice (the "DOJ") investigation and civil and criminal prosecution resulting in fines. The Antitrust Division of the DOJ has previously issued information requests relating to private equity transactions among multiple fund sponsors, and in 2014 several fund sponsors settled claims that they had conspired to not bid against each other on eight large "take-private" buyouts that occurred prior to the 2008 global financial crisis. There can be no assurance that a Fund will not be subject to third-party litigation and/or investigations involving consortium bids.

In addition, numerous regulatory initiatives have been launched and significant legislation has been enacted as a result of the severe global market volatility and dislocations, financial institution failures and defaults and large financial frauds that occurred during the 2008 global financial crisis. U.S. regulators, including the U.S. Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have also recently warned banks against leveraged lending that load companies with large amounts of debt. Regulation generally, as well as regulation more specifically addressed to the private equity industry, including tax laws and regulation, whether in the U.S. or outside of it, could further increase the cost of acquiring, holding or divesting portfolio investments and the cost of operating the Funds, as well as harm the profitability of enterprises and interfere with the ability of the Funds to engage in certain transactions.

*OFAC and FCPA Considerations.* Economic sanction laws in the United States and other jurisdictions may prohibit or otherwise restrict the General Partner, the Funds, the portfolio investments and their respective officers, directors and employees from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and U.S. Department of State administer and enforce laws, executive orders and regulations establishing

U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities, individuals, and vessels. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. The lists of OFAC restricted countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at [www.treas.gov/ofac](http://www.treas.gov/ofac). In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions and similar laws and regulations in non-U.S. jurisdictions may significantly restrict a Fund's direct or indirect investment activities in certain countries. Finally, certain sanctions programs may restrict a Fund's direct and indirect participation in certain economic sectors. For instance, U.S. sanctions limit U.S. persons from trade in most debt and equity of certain Russian financial institutions and energy companies. The various economic sanctions laws and regulations described in this paragraph may change rapidly and without warning. The economic sanctions and related laws of different jurisdictions in which a Fund makes investments also may conflict with one another, such that compliance with all applicable laws may be difficult. The costs of monitoring compliance with OFAC or other relevant sanctions can be significant. Intervening changes to sanctions laws and regulations also could have an adverse financial consequence on a Fund to the extent that a Fund and/or its portfolio investments were required to discontinue or refrain from certain business opportunities. Failure by the General Partner, a Fund or any of a Fund's portfolio investments to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties. Similarly, U.S. anti-boycott regulations may require that a Fund and/or its portfolio investments monitor for requests to participate in unsanctioned boycotts and report such requests to the appropriate U.S. authorities. A Fund and/or its portfolio investments could face adverse financial consequences from their respective counterparties as a result of refusal to participate in unsanctioned boycotts. Furthermore, failure to comply with applicable anti-boycott regulations could expose a Fund and/or its portfolio investments to risk of regulatory fines and penalties.

In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities, and of corruption. The Adviser and a Fund are committed to complying with the U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, a Fund may be adversely affected because of its unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for a Fund to act successfully on investment opportunities and for certain investments to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has recently significantly expanded the reach of its anti-bribery laws. While the Adviser has developed and implemented policies and procedures designed to ensure strict compliance by its personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of the Adviser's policies and procedures, operators of portfolio projects, particularly given that the Funds or an affiliate generally will not control such operator, may engage in activities that could result in FCPA violations. Any determination that the Adviser has violated the FCPA or other applicable anti-corruption laws or anti-bribery laws could subject the Adviser to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect the

Adviser's business prospects and/or financial position, as well as the Funds' ability to achieve its investment objective and/or conduct its operations.

*Alternative Investment Fund Managers Directive.* The European Union ("EU") Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). To the extent a Fund is actively marketed to investors domiciled or having their registered office in the EEA: (i) the Fund, the General Partner and/or the Adviser will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which would result in the Fund incurring additional costs and expenses; (ii) the Fund, the General Partner and/or the Adviser may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in the Fund incurring additional costs and expenses or may otherwise affect the management and operation of the Fund; (iii) the General Partner and/or the Adviser will be required to make detailed information relating to a Fund and its investments available to regulators and third parties; and (iv) the AIFMD will also restrict certain activities of a Fund in relation to EEA portfolio companies, including, in some circumstances, a Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership, which may in turn affect operations of a Fund generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for a Fund to raise its targeted amount of commitments.

In the future, it may be possible for non-EEA alternative investment fund managers ("AIFMs") to market an alternative investment fund ("AIF") within the EEA pursuant to a pan-European marketing "passport", instead of under national private placement regimes. Access to this passport may be subject to the non-EEA AIFM complying with various additional requirements under the AIFMD, which may include one or more of the following: additional conduct of business and organizational requirements; rules relating to the remuneration of certain personnel; minimum regulatory capital requirements; restrictions on the use of leverage; additional disclosure and reporting requirements to both investors and EEA home state regulators; independent valuation of an AIF's assets and the appointment of an independent depositary. Certain EEA Member States have indicated that they will cease to operate national private placement regimes when, or shortly after, the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFMD in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, the General Partner and/or the Adviser may not seek to market interests in a Fund in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in a Fund. Alternatively, if the General Partner and/or the Adviser sought to comply with the requirements to use the passport, this could have adverse effects including, amongst other things, increasing the regulatory burden and costs of operating and managing a Fund and its investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting the General Partner's and/or the Adviser's ability to recruit and retain these personnel.

*Pay-to-Play Laws, Regulations and Policies.* A number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted a rule that, among other things, prohibits an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees makes a contribution to certain elected officials or

candidates. If the General Partner, any of its employees or affiliates or any service provider acting on their behalf, fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on the Funds. Limited Partners also may seek to pursue individual remedies, including withdrawal rights, which may be included in side letters or otherwise imposed by statute.

*Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities.* The United States, pursuant to the “Foreign Account Tax Compliance Act” or “FATCA” has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the OECD has been actively working towards exchange of information on a global scale and has published a global Common Reporting Standard for exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes are likely to apply to the Funds and/or alternative investment vehicles, and may require the General Partner to collect and share with applicable taxing authorities information concerning Limited Partners (including identifying information and amounts of certain income allocable or distributable to them). In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity’s share of most payments attributable to investments in the United States, including dividends and interest, unless an exception applies. Previously, withholding with respect to the gross proceeds of a disposition of any stock, debt instrument, or other property that can produce U.S.-source dividends or interest was scheduled to begin on January 1, 2019, however, such withholding has been eliminated under proposed U.S. Treasury regulations, which can be relied on until final regulations become effective. The Funds may be required to withhold such taxes from certain non-U.S. Limited Partners, unless an exception applies.

*Taxation of Carried Interest.* Recently enacted U.S. federal income tax legislation treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such gain for more than three years. This could reduce the after-tax returns of the Principals, employees, or other individuals associated with the Funds, the Adviser, or the General Partner who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Funds.

*Tax Liability Considerations.* A Fund may take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. Should any such positions be successfully challenged by the U.S. Internal Revenue Service (the “IRS”), a Limited Partner might be found to have a different tax liability for that year than that reported on its federal income tax return. In addition, an audit of a Fund may result in an audit of the returns of some or all of the Limited Partners of a Fund, which examination could result in adjustments to the tax consequences initially reported by a Fund and affect items not related to a Limited Partner’s investment in a Fund. If such adjustments result in an increase in a Limited Partner’s federal income tax liability for any year, such Limited Partner also may be liable for interest and penalties with respect to the amount of underpayment. The legal and accounting costs incurred in connection with any audit of a Fund’s tax return will be borne by a Fund. The cost of any audit of a Limited Partner’s tax return will be borne solely by the Limited Partner. The taxation of partnerships and partners is complex.

*Diverse Investor Group.* The investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests of investors may relate to or arise from, among other matters, the acquisition or structuring of investments in portfolio projects and the timing and disposition of investments in portfolio projects. As a consequence, conflicts of

interest may arise in connection with decisions made by the General Partner that may be more beneficial for one investor than for another investor, for example, with respect to investors' individual tax situations. In addition, a Fund may make investments in portfolio projects, which may have a negative impact on related or unrelated investments made by investors in transactions outside of a Fund. In selecting and structuring investments in portfolio projects appropriate for a Fund, the General Partner will consider the investment and tax objectives of a Fund and the investors as a group, not the investment, tax or other objectives of any investor individually.

*Proposed Legislation Regarding Taxation of Carried Interest.* The U.S. Congress has from time to time considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. The U.S. President has previously indicated support for such proposals. Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the ability of Adviser employees or other individuals associated with the Funds or the General Partner who were or may in the future be granted direct or indirect interests in the carried interest of a Fund to benefit from taxation at lower rates than the rates applicable to ordinary income. This may reduce such persons' after-tax returns from the Funds, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Funds. These same issues also may apply to officers, directors and employees of any partnership, limited liability company or other flow-through entity in which a Fund invests if such persons receive a profits interest in such companies.

*Delayed Annual Tax Information.* The Funds will likely not be able to provide final annual tax information to Limited Partners for any given fiscal year until after April 15 of the following year. The General Partner will endeavor to provide Limited Partners with annual tax information or with estimates of the taxable income or loss allocated to their investment in the Funds on or before such date, but final annual tax information may not be available until the Funds have received tax-reporting information from its investments necessary to prepare final annual tax information. Limited Partners may be required to obtain extensions of the filing dates for their U.S. and non-U.S. federal, state and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Funds.

*Tax Treatment.* There may be changes in tax laws or interpretations of such tax laws adverse to a Fund or its Limited Partners. There can be no assurance that the structure of a Fund or of any investment will be tax efficient to any particular Limited Partner. Prospective investors are urged to consult their own tax advisers with reference to their specific tax situations, including any applicable U.S. state or local or non-U.S. taxes and, in the case of U.S. tax-exempt and non-U.S. investors, with reference to any special issues that investment in a Fund may raise for such investors. There can be no assurance that a Fund will have sufficient cash flow to permit it to make annual distributions in the amount necessary for the Limited Partners of a Fund to pay all tax liabilities resulting from their ownership of interests in a Fund.

*New Rules Regarding U.S. Federal Income Tax Liability Resulting from IRS Audits.* For taxable years of a Fund beginning on or after January 1, 2018 (or earlier, if a Fund so elects), U.S. federal income taxes arising from an IRS audit will be paid by a Fund absent an election to the contrary. In addition, a designated "partnership representative" will have the power to act on behalf of a Fund and its Partners in all IRS audits and other proceedings involving a Fund's U.S. federal income, loss, deductions and credits. These new rules may be less favorable than current partnership audit rules for certain Partners in certain cases.



*Unrelated Business Taxable Income.* The Funds expect to invest in assets that generate UBTI for a tax-exempt Partner, either directly or indirectly through partnerships, limited liability companies and other flow-through entities that are engaged in business or otherwise generate UBTI. Because of the “flow-through” principles applicable to partnerships and limited liability companies, a Fund’s investments in equity interests in such entities will give rise to UBTI to the extent such entities generate trade or business income or other income that is treated as UBTI, such as ownership and operation of oil and gas working interests and transportation, processing and marketing facilities, which the General Partner expects will occur for certain investments. However, the General Partner may form a feeder entity treated as a corporation for U.S. federal income tax purposes, which is designed to prevent such tax-exempt investors from recognizing UBTI from a Fund’s investments (a “Blocker Corporation”). Partners who choose to invest in a Fund through a Blocker Corporation, if available, (“Blocker Limited Partners”) will participate in a Fund’s investments indirectly through the Blocker Corporation, which will invest in a Fund. The General Partner may, in its sole discretion, cause any Blocker Corporation to be capitalized with a combination of equity and indebtedness by its Blocker Limited Partners. Any such Blocker Limited Partners will indirectly bear certain costs and expenses attributable to any such Blocker Corporation, including those related to the structuring, formation, operation and liquidation of such Blocker Corporation, and will indirectly bear any U.S. federal and state corporate income taxes imposed on such Blocker Corporation.

*Effectively Connected Income.* The Funds expect to invest in assets that generate ECI for a non-U.S. investor, either directly or indirectly through partnerships, limited liability companies and other flow-through entities that are engaged in a U.S. trade or business or otherwise generate ECI. Because of the “flow-through” principles applicable to partnerships and limited liability companies, the Funds’ investments in equity interests in such entities will give rise to ECI for non-U.S. investors of the Funds. If the General Partner, in its sole discretion, chooses to form a Blocker Corporation, non-U.S. investors may elect to invest in a Fund indirectly as Blocker Limited Partners, which will prevent such Blocker Limited Partners from incurring ECI from a Fund’s investments. The General Partner may, in its sole discretion, cause any Blocker Corporation to be capitalized with a combination of equity and indebtedness by its Blocker Limited Partners. Any such Blocker Limited Partners will indirectly bear certain costs and expenses attributable to any such Blocker Corporation, including those related to the structuring, formation, operation and liquidation of such Blocker Corporation, and will indirectly bear any U.S. federal and state corporate income taxes imposed on such Blocker Corporation.

*Proposed Legislation Regarding Tax Deductions for Oil and Gas Exploration and Production.* Legislation has been proposed that would, if enacted into law, eliminate certain significant U.S. federal income tax incentives currently available with respect to oil and gas exploration and production. These changes include: (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drillings costs, or IDCs, (iii) the elimination of the deduction for certain domestic production activities, and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes would become effective. The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and gas exploration and development, which could result in an increase in the taxable income allocable to the Limited Partners and negatively impact the value of an investment in the limited partner interests in a Fund.

*Tax on Partnership Net Income.* A Limited Partner must report and pay income tax on its share of Partnership net income, regardless of whether any cash is distributed to such Limited Partner.

Limited Partners may not receive cash distributions from a Fund sufficient to cover the actual tax liability attributable to each such Limited Partner's ownership in a Fund.

United Kingdom Exit from the European Union. On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union. After a number of iterations, the European Commission and the United Kingdom's negotiators reached agreement on the terms of the United Kingdom's withdrawal from the European Union, and these terms have been approved by the United Kingdom and European Union Parliaments. The United Kingdom formally left the European Union on January 31, 2020 at 11:00 pm GMT, after which the United Kingdom entered the transition period specified in the withdrawal agreement, which is scheduled to end on December 31, 2020. During this period, it is expected that the majority of the existing European Union rules will continue to apply in the United Kingdom.

The terms of United Kingdom's exit from the European Union are still uncertain, including United Kingdom's access to the European Union single market permitting the exchange of goods and services between the United Kingdom and the European Union. The United Kingdom expects to agree a deal on a future relationship with the European Union by the end of the transitional period but whether this is possible is subject to disagreement by leaders of certain European Union member states.

The future application of European Union-based legislation to the private fund industry in the United Kingdom will depend, among other things, on how the United Kingdom renegotiates its relationship with the European Union. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the United Kingdom's exit from the European Union may adversely affect both European Union and United Kingdom-based businesses. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the United Kingdom and in one or more European Union Member States.

General Data Protection Regulation Compliance Risk. On May 25, 2018, the General Data Protection Regulation (EU 2016/679) (the "GDPR") replaced the European Union's prior data protection legislation. As a regulation, the GDPR is binding on data controllers and data processors in all European Union member states. The GDPR notably has a greater extra-territorial reach and applies to the "processing" of "personal data" by a "controller" or "processor" by organizations "established" within the European Union or outside the European Union if their data processing activities relate to the "offering of goods or services" to individuals in the European Union or to the monitoring of such individual's behaviour. Data protection and regulations related to privacy, data protection and information security could increase costs, and a failure to comply could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of a portfolio investment. Portfolio investments are subject to regulations related to privacy, data protection and information security in the jurisdictions in which they do business.

The current ePrivacy Directive will also be repealed by the European Union Commission's Regulation on Privacy and Electronic Communications (the "ePrivacy Regulation"), which is expected to come into force in early 2019.

Compliance with current and future privacy, data protection and information security laws and regulations could significantly impact current and planned privacy and information

security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of a Fund's current or planned business activities and result in increased costs to a Fund and its portfolio investments. A failure to comply with such laws and regulations could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business of a Fund and/or the portfolio investments, as well as have an impact on reputation.

*CFIUS & National Security/Investment Clearance Considerations.* Certain investments by a Fund that involve the acquisition of a U.S. business may be subject to review and approval by the U.S. Committee on Foreign Investment in the United States ("CFIUS") and/or non-U.S. national security/investment clearance regulators depending on the structure, beneficial ownership and control of interests in a Fund and industry sector of the U.S. business. In the event that CFIUS or another regulator reviews one or more of a Fund's proposed or existing investments, there can be no assurances that a Fund will be able to maintain, or proceed with, such investments on terms acceptable to a Fund. CFIUS or another regulator may seek to impose limitations or restrictions on or prohibit one or more of a Fund's investments. Such limitations or restrictions may prevent a Fund from maintaining or pursuing investments, which could adversely affect a Fund's performance with respect to such investments (if consummated) and thus a Fund's performance as a whole. In addition, certain of the Limited Partners may be non-U.S. investors, and in the aggregate, may comprise a substantial portion of a Fund's aggregate commitments, which increases both the risk that investments may be subject to review by CFIUS, and the risk that limitations or restrictions will be imposed by CFIUS or other non-U.S. regulators on a Fund's investments. In the event that restrictions are imposed on any investment by a Fund due to the non-U.S. status of a Limited Partner or group of Limited Partners or other related CFIUS or national security considerations, the General Partner may choose to restrict such Limited Partner's or such group of Limited Partners' ability to invest in any such portfolio investment and further, if applicable, restrict such Limited Partner's or such group of Limited Partners' rights to participate in or vote on certain decisions of the Advisory Board with respect to such investment. However, there can be no assurance that any restrictions implemented on any such Limited Partner or any such group of Limited Partners will allow a Fund to maintain, or proceed with, any investment. New regulations to reform CFIUS, which became effective on February 13, 2020, make certain CFIUS filings relating to investments in critical technology, critical infrastructure or data-intensive businesses mandatory. Any failure to make a mandatory filing could lead to adverse scrutiny and legal penalties. Moreover, CFIUS and non-U.S. national security considerations may limit or restrict the universe of suitable buyers for a portfolio investment, thereby reducing a Fund's ability to recognize value from exits and/or making exit transactions more difficult.

*Significant Developments Stemming From the U.S. Administration.* Public comments by key personnel within, and actions taken by, the current U.S. presidential administration have suggested that it is not supportive of certain existing international trade agreements. The United States has taken action to withdraw from and/or modify a number of such agreements, including the North American Free Trade Agreement, which will be replaced by the "U.S.-Mexico-Canada Agreement," subject to ratification. Further, the current presidential administration has announced the withdrawal of the U.S. from certain proposed trade agreements, like the Trans-Pacific Partnership, has supported greater restrictions on trade generally and has implemented significant increases on tariffs on goods imported into the United States, with particular impacts on goods imported from China.

The trade relationship between the U.S. and China has been a particularly contentious area of focus for the current presidential administration. Following the imposition of significant tariff increases on goods imported into the United States from China, in October 2018, the current presidential

administration announced plans to withdraw the U.S. from a 192-nation treaty that gives Chinese companies discounted shipping rates for small packages sent to U.S. consumers, further escalating the economic confrontation. Following a temporary trade truce, negotiations between the two countries deteriorated, with each country imposing further rounds of tariffs on domestic imports from the other country. At this time, it remains unclear whether a final trade deal will be struck between the two countries and, if so, the specifics of such deal and its effects on the broader geopolitical environment and global economic stability.

It is also unclear what further actions the current presidential administration may take with respect to trade agreements, individual companies or countries, including whether and when the scope of additional tariffs on imports into the U.S. may be increased if a trade deal is not reached. If the current presidential administration takes action to withdraw from or materially modify any international trade agreements, to implement greater restrictions on free trade, and/or to increase tariffs or duties, other countries may respond to such actions with similar actions (e.g., by imposing tariffs on U.S. imports), thereby adversely affecting the business, financial condition and performance of certain of a Fund's investments.

The General Partner also cannot predict how other countries will respond to the current presidential administration's actions. For example, whether legislation or regulations that would have adverse impacts on a Fund or its investments may be passed in other jurisdictions in response or related to any measures that may be imposed by the current presidential administration, including the imposition of tariffs on U.S. goods imported into such jurisdictions, increased inspections on U.S. companies, delays on approvals for mergers and acquisitions involving U.S. companies, preferential treatment of non-U.S. companies, media campaigns against U.S. companies and/or goods, and delays on license approvals in such jurisdictions. Moreover, social media (including the current presidential administration's use of social media) has the potential to influence public sentiment and escalate tensions around international relations, which could negatively impact stock markets and economies around the globe and a Fund's investments.

Any event causing a disruption or delay of imports from foreign suppliers, including the imposition of additional import restrictions, restrictions on the transfer of funds or increased tariffs or quotas, could increase the cost or reduce the supply of goods or merchandise available to the portfolio investments and materially adversely affect the business operations and performance of a Fund's investments.

The current presidential administration has also indicated its intention to direct federal agencies to proceed with deregulating the financial services industry through a series of executive actions. However, such actions have been and may continue to be subject to judicial and/or congressional scrutiny and even if implemented, may be replaced by regulatory actions at the state level. While there can be no assurance that the current presidential administration will be successful in implementing such actions, any measures that are implemented in connection therewith may result in material changes to the regulations and may impact the business operations and performance (even adversely) of a Fund's investments.

Moreover, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where a Fund may invest, and any negative sentiments towards the United States as a result of such changes, could adversely affect the performance of a Fund's investments. In addition, negative sentiments towards the United States among non-U.S. customers and among non-U.S. employees or prospective employees could adversely affect sales or hiring and retention, respectively, in portfolio investments.

The outcome of any future U.S. federal election and changes in the control of the U.S. federal legislative and executive branches during a Fund's term could result in potential changes in laws and regulations affecting the private equity industry, which could negatively impact the performance of a Fund's investments. The likelihood of occurrence and the effect of any such change is highly uncertain and could have an adverse impact on the Funds and the Funds' investments.

*U.S. Federal Commodities Regulation.* The Funds may trade in instruments regulated by the U.S. Commodity Futures Trading Commission (the "CFTC"), and in such event the General Partner and/or its affiliates intend to qualify for an applicable exemption from registration with the CFTC as a commodity pool operator ("CPO") with respect to the Funds (and/or such entities) pursuant to CFTC Regulation 4.13(a)(3), which requires filing a notice of exemption with National Futures Association. This Regulation also generally requires that (i) the limited partner interests are exempt from registration under the Securities Act and are not publicly marketed in the United States and (ii) at the time of the relevant investment, with respect to a Fund's positions in CFTC-regulated instruments: (A) aggregate initial margin and related amounts required to establish such positions will not exceed 5% of the liquidation value of a Fund's portfolio, after taking into account unrealized profits and unrealized losses on any such positions; or (B) the aggregate net notional value of such positions, determined at the time the most recent position was established, does not exceed 100% of the liquidation value of a Fund's portfolio, after taking into account unrealized profits and unrealized losses on any such positions. Therefore, unlike a registered CPO, the General Partner and/or such affiliates would not be required to deliver a CFTC-compliant disclosure document and a certified annual report to investors. Nonetheless, the General Partner does intend to provide investors with annual audited financial statements and the reports described in the Organizational Documents. The General Partner and/or its affiliates may pursue an alternative exemption from CPO registration, or else register with the CFTC.

### **Conflicts of Interest**

Investors should be aware that various actual and potential conflicts will arise from the overall investment activities of the Funds, the General Partner, the Adviser, and their respective affiliates. The following discussion identifies certain potential conflicts of interest that should be carefully considered before making an investment in a Fund. In addition, investors should be aware that the Adviser its personnel and affiliates may in the future engage in further activities that may result in additional conflicts of interest not addressed below. There can be no assurance that the General Partner will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to the Funds.

If any matter arises that the General Partner determines in its good faith judgment constitutes an actual or potential conflict of interest, the General Partner will, in its sole discretion, take such actions as may be necessary or appropriate to ameliorate such conflict (and upon taking such actions, the General Partner will be relieved of any responsibility for such conflict to the fullest extent permitted by law and shall be deemed to have satisfied its fiduciary duties related thereto to the fullest extent permitted by law). These actions may include, by way of example: (i) disposing of the security giving rise to the conflict of interest; (ii) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest; or (iii) in connection with a matter giving rise to a conflict of interest with respect to an investment, consulting with the Advisory Board regarding the conflict of interest and either obtaining a waiver from the Advisory Board of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the Advisory Board with respect to such conflict of interest.

In addition, investors should note that the Organizational Documents contains provisions that, subject to applicable law: (i) reduce, modify or eliminate the duties, including fiduciary duties, that the General Partner would otherwise owe to the Funds and the Limited Partners; (ii) waive duties or consent to the conduct of the General Partner that might not otherwise be permitted pursuant to such duties; and (iii) limit the remedies of a Limited Partner with respect to breaches of such duties.

Additionally, the Organizational Documents contains exculpation and indemnification provisions that, subject to the specific exceptions identified therein, provide that the General Partner and each officer, manager, director and partner thereof, and their respective controlling persons and agents will be held harmless and indemnified, respectively, for matters relating to the operation of the Funds, including matters that may involve one or more potential or actual conflicts of interest.

*Allocation of Investment Opportunities.* The Principals currently, and may in the future, form and/or manage several other investment funds, acquisition vehicles, investment vehicles, managed accounts and other entities besides the Funds and may direct certain relevant investment opportunities to those investment funds, acquisition vehicles, investment vehicles, managed accounts and other entities. As a result of the foregoing, certain investment opportunities identified by Basin will not be presented or made available to a Fund. Certain investments may be allocated between a Fund and any successor or predecessor fund in a manner as determined by the General Partner, in its sole discretion.

In determining how to allocate an investment opportunity, the General Partner and the Adviser generally assess whether an investment opportunity is appropriate for each relevant entity based on factors determined to be appropriate at such time, which may include: each entity's investment restrictions and objectives (including those set forth in the relevant entity's governing agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure. The General Partner's allocation of investment opportunities among the Funds, acquisition vehicles, investment vehicles, managed accounts or other entities sponsored by the General Partner or its affiliates may not always, and often will not, be proportional. Therefore, such allocations may be more advantageous to a Fund relative to one or all of the other investment funds, acquisition vehicles, investment vehicles, managed accounts or other entities, or vice versa. There can be no assurance that the allocation of any investment opportunity, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which the General Partner may be subject did not exist.

Additionally, conflicts of interest can arise if a Fund makes an investment in conjunction with an investment made by another investment fund, acquisition vehicle, investment vehicle, managed account or other entity sponsored by the General Partner or its affiliates. For instance, a Fund may not invest through the same holding companies or subsidiaries, have the same access to credit or employ the same hedging or investment strategies as such other investment fund. This may result in differences in price, investment terms, leverage and associated costs between a Fund and any other investment fund, acquisition vehicle, investment vehicle, managed account or other entity sponsored by the General Partner or its affiliates. There can be no assurance that a Fund and the other investing entities will exit the investment at the same time or on the same terms, and there can be no assurance that a Fund's return on such an investment will be the same as the returns achieved by any other investment fund, acquisition vehicle, investment vehicle, managed account or other entity participating in the transactions. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to the Funds.

*Time and Attention of the General Partner.* The Principals may spend a portion of their business time and attention pursuing investment opportunities that do not fall within the objectives, strategy, scope and investment criteria of the Funds. The Principals also will manage and monitor Pre-Fund Investments. The General Partner believes that the significant investment of the Principals in a Fund as well as the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the Limited Partners, although the Principals have or may have economic interests in such other Funds, investment funds, acquisition vehicles, investment vehicles, managed accounts and Pre-Fund Investments as well and receive management fees and carried interests relating to these interests. Such other Basin Funds, investment funds, acquisition vehicles, investment vehicles, managed accounts, Pre-Fund Investments and other entities that the Principals may control or manage may compete with a Fund or assets acquired by a Fund. The Principals will manage a Fund's investments, while also spending a significant amount of business time on other opportunities and areas unrelated to a Fund's investments, including on existing and future Funds, other investment funds, acquisition vehicles, investment vehicles, managed accounts, Pre-Fund Investments and other investments and entities.

*Transactions Among Basin Funds.* The General Partner expects that a portion of a Fund's investments may be made in or with a portfolio project of Basin. For example, the General Partner may determine that a Fund should invest in an existing portfolio project of Basin. Any investment by a Fund in a portfolio project in which Basin has a pre-existing investment could be viewed, especially in hindsight, to have been made based on a non-arm's length valuation. Similarly, other Basin Funds may later invest in entities in which a Fund has invested, which may have an effect (either positive or negative) on the market value of a Fund's investments. Generally, except as provided in the Organizational Documents, such transactions would be subject to the approval of the Advisory Board.

The General Partner reserves the right to make independent decisions regarding recommendations of when a Fund, as compared to Basin or any Basin Fund, should purchase and sell investments. As a result, a Fund may be purchasing an investment at a time when Basin or another Fund is selling the same or a similar investment, or vice versa. There can be no assurance that the return on a Fund's investments will not be less than the returns obtained by Basin or other Basin Funds participating in the investment.

*Co-Investments.* The General Partner may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more Limited Partners and/or other persons, in each case on terms to be determined by the General Partner in its sole discretion. Conflicts of interest may arise in the allocation such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons or entities for any number of reasons as determined by the General Partner in its sole discretion, may not be in the best interests of a Fund or any individual Limited Partner. In exercising its discretion to allocate co-investment opportunities with respect to a particular investment to and among potential co-investors and the terms thereof, the General Partner may consider some or all of a wide range of factors, which may include: (i) the ability of a person or entity to react promptly to co-invest opportunities; (ii) any strategic advantages that may result from a person's or entity's participation in a co-investment opportunity; (iii) a person's or entity's commitment to a Fund and/or one or more other funds, vehicles, managed accounts or other entities managed by the General Partner and its affiliates; and/or (iv) the likelihood that a person or entity may invest in a future fund, vehicle, managed account or other entity sponsored by the Adviser, the General Partner or their respective affiliates. The General Partner also may, in its sole discretion, charge a management fee and obtain a "carried interest" in respect of any such co-investment. Since co-investments will not be made through a Fund, any compensation received in connection with a co-investment does not arise out of the investment activities of a Partnership

or actions taken directly or indirectly by the Adviser and/or the General Partner on behalf of a Fund and, therefore, none of such fees and other co-investor related compensation reduces the Management Fee paid by a Fund. If a co-investment vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by a Fund. In the event that a transaction in which a co-investment was to be sought ultimately is not consummated, all obligations, liabilities and out of pocket and/or breakup fees, costs and expenses relating to such unconsummated transaction are expected to be borne by a Fund, and not by any prospective or expected co-investors that were to have participated in such transaction.

Co-investments with third parties through partnerships, joint ventures or other entities or arrangements 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 a Fund, may have financial difficulties (which may increase the possibility of default), or may be in a position to take (or block) action contrary to the investment objectives of a Fund. In addition, a Fund may in certain circumstances be liable for actions of its third party co-venturer or partner. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such co-investments, including incentive compensation arrangements. There can be no assurance that a Fund's return from a transaction would be equal to, and no less than, the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the General Partner or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Limited Partners. When and to the extent that employees and related persons of the General Partner make capital investments in or alongside a Fund, the General Partner is subject to conflicting interests in connection with these investments. The General Partner's allocation of co-investment opportunities among the parties and in the manner discussed herein may not, and often will not, result in proportional allocations among such parties, and such allocations may be more or less advantageous to some such parties relative to others.

Allocation of Expenses. The General Partner and its affiliates may from time to time incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of the Funds. Fees, costs and expenses, to the extent attributable to general and administrative overhead, generally will be charged equally to the active Basin Funds and each such Basin Fund will typically bear its portion of such fees, costs and expenses. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment or attributable to a particular asset generally will be charged to the applicable portfolio project; however, fees, costs and expenses attributable to a particular asset may be allocated to one or more portfolio projects in such manner as the General Partner considers, in good faith, to be fair and equitable. To the extent such fees, costs and expenses are not charged to a portfolio project, they will be paid by a Fund and each Fund that participated or was expected to participate in such portfolio project. The Funds will typically bear a portion of any such fees, costs, and expenses in proportion to the size of its actual or proposed investment, or in such other manner as the General Partner considers, in good faith, to be fair and equitable. Although the General Partner and its affiliates will endeavor to allocate such fees, costs and expenses on a fair and equitable basis as described herein, there can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. Any such determinations may involve inherent matters of discretion and conflicts of interest. Notwithstanding the foregoing, the General Partner and its affiliates may in the future develop policies and procedures to address the allocation of expenses that differ from its current practice.



*Expense Reimbursement.* The operator of a portfolio project typically will reimburse the General Partner or service providers retained at the General Partner's discretion or influence for expenses (including travel expenses) incurred by the General Partner or such service providers in connection with the performance of services for such portfolio project. In addition, to the extent that the Adviser or other affiliate of Basin is the operator of an oil and gas asset, a Fund or applicable portfolio project may, at times, reimburse the Adviser or such affiliate for such expenses incurred in connection with the performance of oil and gas services for a portfolio project, and such amounts may be in addition to, and will not otherwise reduce or offset, the Management Fee. This subjects the General Partner, the Adviser and their respective affiliates to conflicts of interest because a Fund generally does not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Organizational Documents and its internal reimbursement policies and practices, the General Partner determines the amount of these reimbursements for such services in its own discretion.

*Employees and Service Providers.* The General Partner may, from time to time, employ personnel with pre-existing ownership interests in, or who provided services to, Pre-Fund Investments, other Funds or portfolio projects owned by a Fund; conversely, former personnel or executives of the General Partner and/or the Adviser may serve in significant management roles at service providers recommended by the General Partner and/or the Adviser. Similarly, the General Partner, the Adviser and/or their respective personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, oil and gas operators and energy companies. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the General Partner, the Adviser, and the Funds. The General Partner and/or the Adviser may have a conflict of interest with the Funds in recommending the retention or continuation of a third-party service provider to a Fund or a portfolio project owned by a Fund if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide the General Partner and/or the Adviser information about markets and industries in which the General Partner and/or the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the General Partner and/or the Adviser. The General Partner and/or the Adviser may have a conflict of interest in making such recommendations, in that each of the General Partner and the Adviser has an incentive to maintain goodwill between itself and the existing and prospective portfolio projects for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio projects in which a Fund invests.

Over the life of a Fund, each of the General Partner and the Adviser generally expects to exercise its discretion to recommend to a Fund or to the operator of a portfolio project in which a Fund invests that it contracts for services with various service providers, potentially including, among others: (i) the General Partner (or an affiliate, which may include other portfolio projects of the Funds) and at rates determined or substantively influenced by the General Partner; (ii) an entity with which the General Partner or its affiliates or current or former members of their personnel has a relationship or from which such person derives a financial or other benefit; or (iii) a Limited Partner (or a limited partner of another Fund) or its affiliates. This subjects the General Partner and/or the Adviser, as applicable, to potential conflicts of interest because, although the General Partner and the Adviser intend to select Operating Partners that they believe are aligned with a Fund's operational strategies and that will enhance portfolio project performance, each of the General Partner and the Adviser may have an incentive to recommend the related or other person because of its financial or business interest. Additionally, there is a possibility that the General Partner and/or the Adviser, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the

potential to provide longer term benefits to the General Partner, the Adviser, and/or the Funds), may favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person. Whether or not the General Partner or the Adviser has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

*Operating Partners.* The General Partner or one or more of its affiliates may from time to time retain or employ other companies and individuals (“Operating Partners”), which may be independent contractors, affiliates or employees of the General Partner, employees of such affiliates, third-party consultants (including individual consultants and external executives), “syndicate partners,” “special consultants,” “strategic partners,” “executive partners” or “senior advisors.” The Operating Partners may be engaged to provide operator and/or non-operator services to, or in connection with, a Fund in relation to its activities or one or more portfolio projects, including sourcing, identification, due diligence, acquisition, holding, improvement and/or disposition of such portfolio projects, operational, drilling, construction, geological, environmental, engineering and technical assistance, portfolio project management and/or other similar services in the upstream energy sector (“Services”).

Pursuant to the Organizational Documents, fees, compensation, costs and expenses, including certain travel and other costs, associated with the Services calculated at the COPAS Rate or such other rate as may be determined by the General Partner, the Operating Partner or a third party, and any direct or indirect fees, costs, expenses or charges outside of any such rates, including salaries and wages, incentive compensation, vacation, and other customary allowances, lease rentals and royalties, complying with ecological, environmental and safety laws or standards, establishing, organizing, maintaining and removing equipment and facilities, abandoning a well, assessments permits and certifications and training and/or transporting personnel, material or property (collectively, “Operator Fees and Expenses”), may be paid and/or reimbursed by applicable portfolio projects and/or a Fund and Operator Fees and Expenses do not offset or otherwise reduce the Management Fee. Operator Fees and Expenses are expected to include cash fees and may, at the discretion of the General Partner taking into account the particular Services, include a profits or equity interest in a portfolio project or in the General Partner (or an affiliate thereof) or other incentive based compensation to the Operating Partner, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operating Partner, a percentage of the value of the portfolio project, the invested capital exposed to such portfolio project, amounts charged by other providers for comparable services and/or a percentage of the production proceeds from such portfolio project. Additionally, portfolio projects may provide opportunities for Operating Partners to invest in such portfolio project and reimburse costs and expenses incurred by Operating Partners. Operating Partners also may receive remuneration from the General Partner and/or the Funds or their respective affiliates and/or be entitled to other forms of compensation or benefits, including guaranteed payments, office space, business cards, email addresses, access to certain databases and/or interests in portfolio projects and/or hold an economic interest in the Adviser or any of its affiliates, which may entitle them to receive distributions of fee income and/or to participate in any sale or public offering of the Adviser. Such investment opportunities, reimbursements and other compensation paid to an Operating Partner will not offset the Management Fee. In addition, Operating Partners may have a limited partner or profit interest in a Fund, the General Partner, or an affiliate of the General Partner, and certain Operating Partners may not bear management fees or carried interest with respect to such interest. Although the General Partner intends to retain Operating Partners with a view to reducing the costs to a portfolio project (and, ultimately, a Fund) and/or improving portfolio project performance, a number of factors may result in limited or no cost savings from such retention.

Certain Operating Partners also may be employees of Basin or an affiliate. The General Partner intends to retain only such Operating Partners that it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition, portfolio projects of a Fund may pay Operating Partners to perform Services that, directly or indirectly, benefit the Adviser, its affiliates and/or portfolio projects of the other Funds. Consequently, the Adviser, its affiliates and/or portfolio projects of other Basin Funds may receive Services without being charged or at below market rates. Conversely, portfolio projects of a Fund also may benefit from Services that are paid for by the Adviser, its affiliates and/or portfolio projects of other Funds. Additionally, while it is expected that the fees and expenses of an Operating Partner for certain projects will be determined in accordance with the COPAS Rate, in the General Partner's discretion, a Fund may elect to pay an Operating Partner for certain projects at a rate which may be higher than the COPAS Rate. In such circumstances, because the fees payable to the Operating Partner do not offset or otherwise reduce the Management Fee and do not accrue to the benefit of a Fund or any Limited Partner, the General Partner may have an incentive to cause portfolio projects to pay for Services at rates that were not determined in arm's length transactions and may be higher than the rates that would be available on the open market.

*Industry Relationships.* As with many other private equity fund sponsors, as part of the Adviser's business, the Principals, the Adviser and its employees have developed relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders, consultants, operators, geologists, engineers, professional advisors (such as attorneys and accountants), co-investors, current and former service providers to current and former portfolio projects, current and former employees of current and former portfolio projects and former employees and members of the Adviser. Certain of these third parties may: (i) introduce investment opportunities to the Adviser; (ii) arrange for, or facilitate the financing of, the purchase of current and potential portfolio projects or oil and gas assets; (iii) introduce portfolio projects or oil and gas assets to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio projects or oil and gas assets; or (v) provide investment banking, consulting, legal or advisory services to the Adviser, the Funds, or Fund portfolio projects. Such third parties also may provide goods or services to or have business, personal, political, financial or other relationships with the Principals. In addition, such third parties may invest in one or more Funds; co-invest in one or more investments or provide other significant business or investment services to the Adviser, the Funds and/or their portfolio projects. These relationships may influence the General Partner in deciding whether to select or recommend any such third party to perform services for a Fund or a portfolio project. The cost of any services provided by such third parties will generally be borne directly or indirectly by a Fund or the operator of a portfolio project (which may include the Adviser or other affiliate of Basin), as applicable.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the investments owned by the Funds. When estimating fair market value, the General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing assets for which reliable market quotations are not available, including oil and gas interests, is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such assets and may differ from the prices at which such assets ultimately may be sold. The exercise of discretion in valuation by the General Partner may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

Advisory Board. The General Partner will appoint one or more Limited Partner representatives to the Advisory Board, which has the ability to review and waive compliance with certain provisions of the Organizational Documents, including resolving potential conflicts of interest situations, and whose approval is required or may be requested in certain circumstances under the Organizational Documents, including certain approvals or consents required by the IAA. Pursuant to the terms of the Organizational Documents, all Limited Partners are bound by the determinations of the Advisory Board, regardless of whether a Limited Partner is represented by a member of the Advisory Board. The Organizational Documents will provide that, to the fullest extent permitted by applicable law, none of the Advisory Board members shall owe any fiduciary duties to a Fund or any other Limited Partner. Members of the Advisory Board may have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the Advisory Board for consideration or review. Members of the Advisory Board may have various business and other relationships with the General Partner and its members, partners, managers, directors, officers, employees and affiliates. These relationships may influence their decisions as members of the Advisory Board. To the extent that a Limited Partner is not represented by a member of the Advisory Board, such Limited Partner will have no influence over matters submitted to the Advisory Board for review or approval.

#### **Item 9 - Disciplinary Information**

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of management.

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

The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.

Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

In connection with sponsoring any Fund, the Adviser will also sponsor an affiliated General Partner for such Fund (the "General Partner"), which will receive the performance compensation described in Item 5. For a description of material conflicts of interest created by the relationship among the Adviser and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

Other than as laid out above, the Adviser does not recommend or select other investment advisers for its Clients.

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

##### Code of Ethics

The Adviser has adopted a written Code of Ethics (the "Code") applicable to all of its members, officers, employees, as well as officers and employees of its affiliates and certain independent contractors (collectively, "Adviser Personnel") designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Code sets forth a standard of

business conduct and compliance with federal securities laws by all Adviser Personnel. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser prohibits personal trading in certain securities; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

As part of its Code, the Adviser has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of a restricted trading list. In addition to procedures to prevent the abuse of material, non-public information, the Code contains policies and procedures covering standards of conduct, political contributions, potential conflicts of interest (including but not limited to gifts, entertainment, and outside business activities of Adviser Personnel), and Client confidentiality. All Adviser Personnel of the Adviser must acknowledge the terms of the Code annually or as the Code is amended on an ongoing basis.

Adviser Personnel who violate the Code may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension, or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of which they become aware. Adviser Personnel are required to annually certify compliance with the Code.

The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

#### Participation in Client Transactions

Neither the Adviser nor any of its related persons recommend to Clients investments in which the Adviser or any related persons have a material financial interest without appropriate approval as described in the applicable Organizational Documents.

In connection with sponsoring the Funds, the Adviser and certain affiliates have an economic interest in the Funds, the General Partner of the Funds, or both. Additionally, the governing documents of the Funds generally provide that the general partner has sole discretion to offer co-investment opportunities in a potential investment to any person (including other parties advised by the General Partner, or other related persons of the General Partner). A Fund or its General Partner, as applicable, may reduce all or a portion of the Management Fee and Performance-based fees related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

#### Conflicts of Interest

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, investment advisory, management, and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Client will, from time to time, conflict with the interests of the Adviser, other Clients, or their respective affiliates. Certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below.

### Resolution of Conflicts

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, but in its sole discretion. In resolving conflicts, the Adviser will consider various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) A Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered from the viewpoint of such Client;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Organizational Documents for the Clients;
- (3) Generally, the General Partner of the Funds has established a limited partner advisory board (an "Advisory Board") composed of representatives of Fund investors. While the Advisory Board will not have a direct role in management of the Funds, the Advisory Board may be consulted with respect to transactions involving conflicts of interest;
- (4) Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- (5) Prior to subscribing for interests in a Client, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Client.

In addition, certain provisions of a Client's governing documents are designed to protect the interests of investors in situations where conflicts exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Client and its ability to achieve its investment objectives.

### Conflicts

Certain conflicts of interest encountered by Clients include those discussed below, although the discussion below does not describe all of the conflicts that may be faced by a Client. Other conflicts are disclosed throughout this brochure, and the brochure should be read in its entirety, along with the Organizational Documents for the applicable Client, for other conflicts.

### Allocation of Investment Opportunities

In connection with its investment activities, the Adviser encounters situations in which it must determine how to allocate investment opportunities among various clients and other persons, which include, but are not limited to, the following:

- The Clients;

- Any co-investment vehicles that have been formed to invest side-by-side with one or more Funds in all or particular transactions entered into by such Client(s) (the investors in such co-investment vehicles may include employees, business associates and other “friends and family” of the Adviser or its personnel (“Adviser Investors”), and/or third parties;
- Adviser Investors and/or third parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Clients in particular transactions entered into by such Client(s); and
- Adviser Investors and/or third parties acting as “co-sponsors” with the Adviser with respect to a particular transaction.

The Adviser has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith.

The Clients are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”). Investment Allocation Requirements are generally set forth in the instrument under which the Client was established (such as a Client’s Organizational Documents). To the extent the Investment Allocation Requirements of a Client do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Clients, the Adviser will follow the process set forth below.

The Adviser must first determine which Clients will participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular Client(s), based on the Client’s investment objectives, strategies, and structure. A Client’s investment objectives, strategies, and structure typically are reflected in the Client’s Organizational Documents. Prior to making any allocation to a Client of an investment opportunity, the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the Client(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** the Adviser is in certain cases required to offer an investment opportunity to one or more Clients. This obligation to offer investment opportunities will generally be set forth in a Client’s Organizational Documents.
- **Related Investments:** the Adviser in certain cases offers an investment opportunity related to an investment previously made by a Client(s) to such Client(s) to the exclusion of, or resulting in a limited offering to, other Clients.
- **Legal and Regulatory Exclusions:** the Adviser reserves the right to determine that certain Clients or investors in such Clients should be excluded from an allocation due to specific legal, regulatory, and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the Clients that will participate in a particular investment have been identified, the Adviser, in its discretion, decides how to allocate such investment opportunity among the identified Clients. In allocating such investment opportunity, the Adviser is permitted to consider some or all of a wide range of factors, which include, but are not necessarily limited to, one or more of the following:

- Each Client’s investment objectives and investment focus;

- Time horizon and life cycle;
- Transaction sourcing;
- Each Client's liquidity and reserves;
- Each Client's diversification;
- Lender covenants and other limitations;
- Any "ramp-up" period of a newly established Client;
- Amount of capital available for investment by each Client as well as each Client's projected future capacity for investment;
- Each Client's targeted rate of return;
- Stage of development of the prospective portfolio investment and anticipated holding period of the portfolio investment;
- Composition of each Client's portfolio;
- The suitability as a follow-on investment for a current portfolio investment of a Client;
- The availability of other suitable investments for each Client;
- Supply or demand of an investment opportunity at a given price level;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the Organizational Documents of each Client.

The Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Client or (ii) the profitability of any Client to the Adviser. There can be no assurance that the application of the Investment Allocation Requirements and factors set forth above will result in a Client participating in all investment opportunities that fall within its investment objectives.



In addition, principal executive officers and other personnel of the Adviser invest indirectly in and in certain cases directly in Funds and therefore participate indirectly in investments made by the Funds in which they invest. Such interests vary Fund by Fund and create an incentive to allocate particularly attractive investment opportunities to the Client in which such personnel hold a greater interest. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Client.

The allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations will therefore likely be more or less advantageous to some such persons relative to others. While investment opportunities will be allocated in a manner that the Adviser believes in good faith is fair and equitable under the circumstances over time and considering relevant factors, there can be no assurance that each Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist.

#### *Allocation of Co-Investment Opportunities and Secondary Transactions*

The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to the Adviser and/or the Funds, certain strategic investors, and other investors whose allocation is determined by the Adviser to be in the best interest of the applicable Fund), and any such excess is permitted to be offered to one or more co-investors pursuant to the procedures included in such Funds' Organizational Documents and as set forth in the following paragraphs.

As more fully described in the Funds' Organizational Documents, and except as otherwise disclosed to investors, generally with respect to any available co-investment opportunity, the General Partner of a Fund, in its sole discretion, is permitted (but not obligated) to offer co-investment opportunities to any (including limited partners), in each case on terms to be determined by the General Partner in its sole discretion. Factors that the General Partner is permitted to consider in determining whether to offer a limited partner a co-investment opportunity include: (i) the amount of the Limited Partner's capital commitment to such Fund; (ii) if the limited partner was an investor in a prior Fund and the amount of such limited partner's capital commitment to such prior Fund; (iii) the amount the limited partner is willing to commit to a co-investment opportunity; (iv) the amount of time the limited partner will require in order to obtain the requisite internal approval of a co-investment opportunity; (v) the willingness of the limited partner to permit the General Partner to negotiate the terms of a co-investment opportunity and to defer to the General Partner with respect to all material elections and determinations with respect to such co-investment opportunity; and (vi) the General Partner's and the Adviser's experience in dealing with the limited partner.

It is possible that in certain circumstances, a Fund will be invited to co-invest in transactions being managed or led by one or more Fund and that one or more Fund will be invited to co-invest with such Fund. In such circumstances, the investment by such Funds will frequently not be proportional. Therefore, such participation by a Fund would be more or less advantageous to one Fund relative to another Fund. In addition, such side-by-side investing can give rise to conflicts of interest, including allocations of investment interests, governance rights and the sharing of fees and expenses. Funds are permitted to invest through different investment vehicles, have access to different credit and/or employ different hedging or investment strategies. This would tend to result in

differences in price, investment terms, leverage and associated costs between such Funds. There can be no assurance that any such Funds will exit the investment at the same time or on the same terms, and there can be no assurance that all Funds' return on such an investment will be the same. The Adviser and its affiliates reserve the right to incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of one or more Funds. The appropriate allocation among Funds of fees, costs and expenses generated in the course of evaluating and making side-by-side investments that are not consummated (including out-of-pocket fees associated with due diligence, attorney fees, and the fees of other professionals) will be determined by the General Partner of a Fund in its sole discretion; provided that, if a co-investment vehicle is formed and managed by such General Partner to invest in each portfolio investment of a Fund, such General Partner is permitted to allocate a portion of such fees, costs and expenses to such co-investment vehicle. Such General Partner reserves the right, in its sole discretion, allocate such fees, costs and expenses solely to a Fund and not to any co-investment vehicle or prospective investor in any transaction. There can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. Any such determinations involve inherent matters of discretion and conflicts of interest.

Notwithstanding the foregoing, a General Partner and its affiliates reserves the right in the future develop policies and procedures to address the allocation of expenses that differ from its current practice. In addition, a Fund is permitted to co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments involve risks not present in investments where a third-party is not involved, including the possibility that: (i) a Fund and such co-venturer reach an impasse on a major decision that requires the approval of both parties; (ii) a co-venturer or partner has economic or business interests or goals that are inconsistent with those of a Fund; (iii) the co-venturer or partner encounter liquidity or insolvency issues or become bankrupt; (iv) the co-venturer or partner is in a position to take action contrary to a Fund's investment objective; (v) the co-venturer or partner takes actions that subject the property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances a Fund becomes liable for actions of its co-venturers or partners. The co-venturer or partner could be a joint venture partner or interest holder in another joint venture or other vehicle in which the Adviser or its affiliates has an interest or otherwise controls. The co-venturer or partner in certain cases will also be entitled to receive payments from, or allocations or performance-based compensation (e.g., carried interest distributions) in respect of, a Fund and/or such investments, and in such circumstances, any such amounts will not, even if they have the effect of reducing any retainers or minimum amounts otherwise be payable by the Adviser or its affiliates, be deemed paid to or received by such persons or entities or reduce the management fee. In addition, Funds are permitted to co-invest with non-affiliated co-investors or partners whose ability to influence the affairs of the companies in which such Fund invests may be significant, and even greater than that of such Fund and as such, such Fund would be required to rely upon the abilities and management expertise of such co-venturer or partner. It could also be more difficult for a Fund to sell its interest in any joint venture, co-investment, partnership or entity with other owners than to sell its interest in other types of investments (and any such investment may be subject to a buy-sell right). Funds are permitted grant co-venturers or partners approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks or unanticipated exits from an investment. A deadlock could delay the execution of the business plan for the investment or require a Fund to engage in a buy-sell of the venture with the co-venturer or partner or conduct the forced sale of such investment or require alternative dispute resolution in order to resolve such deadlock. These risks could result in a Fund being unable to fully realize its expected return on any such investment. Further, to the extent that a Fund offers any co-investment opportunity to any Limited Partners or third parties, some or all of the risks described above would also apply to such co-investments.

In the event the Adviser determines to offer an investment opportunity to co-investors, there can be no assurance that the Adviser will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for the Fund, or that expenses incurred by the Fund with respect to the syndication of the co-investment will not be substantial. Further, it is possible that a potential co-investment party experiences financial, legal or regulatory difficulties and, from time to time, has economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of a Fund and as a result, could be expected to take a different view from the Adviser as to appropriate strategy for an investment or to be in a position to take a contrary action to a Fund's investment objective. In the event that the Adviser is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, the Fund would consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. There can be no assurance that a Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Organizational Documents, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, generally taking into account the following factors:

- The Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- The Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen, and/or cultivate relationships that could be expected provide indirectly longer-term benefits to current or future Funds and/or the Adviser and the expected amount of negotiations required in connection with a potential purchaser's investment;
- Whether the potential purchaser would subject the Adviser, the applicable Fund, or their affiliates to legal, regulatory, reporting, public relations, media, or other burdens;
- Requirements in such Fund's Organizational Documents; and
- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

The Adviser is permitted to consider a purchaser's potential investment into another Fund (including any commitment to a future fund), but such consideration will not be the sole determining factor considered by the Adviser in determining whether to grant or withhold its consent to a secondary transfer of interests in a Fund.

#### *Conflicts Related to Purchases and Sales*

Conflicts could arise if a Client makes investments in conjunction with an investment being made by other Clients or in a transaction where another Client has already made an investment. Investment opportunities are, from time to time, appropriate for Clients at the same, different or

overlapping levels of a portfolio investment's capital structure. Conflicts arise in determining the terms of investments, particularly where these Clients invest in different types of securities in a single portfolio investment. Questions arise as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raise conflicts of interest, particularly in Clients that have invested in different securities within the same portfolio investment. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Clients would not necessarily provide such additional capital, and if provided each Client will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict arises in allocating an investment opportunity if the potential investment target could be acquired by either a Client or a portfolio investment of another Client. Investments by more than one Client of the Adviser in a portfolio investment also raise the risk of using assets of a client of the Adviser to support positions taken by other clients of the Adviser, or that a Client remains passive in a situation in which it is entitled to vote. The Adviser also reserves the right to express inconsistent or contrary views of commonly held investments or of market conditions more generally. Employees and related persons of the Adviser and its affiliates have made (and are permitted to make) capital investments in or alongside certain Clients, and therefore often have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Funds are permitted to invest in opportunities that other Funds have declined, and likewise Funds are permitted to decline to invest in opportunities in which other Funds have invested.

From time to time, the Adviser is permitted, in its discretion, to enter into transactions with investors in one or more Clients to dispose of all or a portion of certain investments held by one or more Clients (subject to the Organizational Documents and applicable law). In exercising its discretion to select the purchaser(s) of such investments, the Adviser is permitted to consider a variety of factors it determines relevant in its sole discretion. The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Client(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Client(s). Any such transactions will comply with the Organizational Documents of the applicable Client(s).

The Adviser is permitted to cause Clients to sell down interests in portfolio investments to co-investors. Subject to the Organizational Documents, the Adviser is permitted to charge (or to decide not to charge) a co-investor (such as a Fund Investor or third party) interest costs for the time period between the closing of the applicable Client's investment in a portfolio investment to the date of the transfer of interests in such portfolio investment to the applicable co-investor.

### Cross Transactions

In certain cases, the Adviser has the right to cause a Fund to purchase investments from another Fund, or to cause a Fund to sell investments to another Fund, as set forth in the Organizational Documents. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund would not necessarily receive the best price otherwise possible. The Adviser also has an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Funds (e.g., the Organizational Documents of certain Funds could provide for the rebalancing of investments at certain times and at a cost set forth in those Organizational Documents so that these Funds' resulting ownership of investments is generally proportionate to the relative capital commitments of the Fund). Furthermore, any cross transaction may be reviewed and approved by the relevant Advisory Board.

To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser's Chief Compliance Officer and the Funds' respective Advisory Boards will be responsible for confirming that the Adviser (i) considers its respective duties to each Fund, (ii) determines whether the purchase or sale price and other terms are comparable to what could be obtained through an arm's length transaction with a third party on commercially reasonable terms, and (iii) obtains any required approvals of the transaction's terms and conditions.

### Borrowings

In determining whether to borrow on behalf of a Fund and the terms of such borrowing, the Adviser is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund. For instance, in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return (or fees accrue on such facility irrespective of whether amounts are outstanding), the Adviser is expected to have incentives to cause the Fund to borrow (or arrange for commitments for future borrowing) in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the Fund called capital and enhances the Fund's internal rate of return calculations, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner would likely pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit, including but not limited to commitment fees, arranger fees and other fees, will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors, as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

The Adviser will effect such borrowings in a manner it believes to be fair and equitable to the relevant Fund, and consistent with the Adviser's obligations to the Fund under the Organizational Documents.

### Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with the Adviser's management of the Clients, the Adviser and its affiliates are permitted (subject to applicable law and the Organizational Documents) to engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

### Management of the Clients

The Adviser manages a number of Clients that have investment objectives that are the same or similar to each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Clients. Allocation of available investment opportunities between the Clients and any such investment fund could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients*" above. The Adviser is permitted to give advice or take actions with respect to, the investments of one or more Client that are not be given or taken with respect to other Clients with similar investment programs, objectives or strategies. As a result, Clients with similar strategies would not hold the same securities or achieve the same performance. In addition, a Client should expect not to always be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Client. These differences would likely result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that employees of the Adviser responsible for managing a particular Client will have responsibilities with respect to other Clients managed by the Adviser, including funds raised in the future or to proprietary investments made by the Adviser and/or its principals of the type made by a Fund. Conflicts of interest arise in allocating time, services or functions of these officers and employees.

The Adviser reserves the right consider and reject an investment opportunity on behalf of one Fund, and the Adviser or an affiliate of the Adviser is permitted to subsequently determine to have another Fund make an investment in the same company. A conflict of interest arises because one fund will, in such circumstances, benefit from the initial evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the original Fund considering the investment. In such circumstances, the benefitting fund or funds will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

The Clients may enter into borrowing arrangements that require the Clients to be jointly and severally liable for the obligations. If one Client defaults on such arrangement, the other Clients

would likely be held responsible for the defaulted amount. The Clients will only enter into such joint and several borrowing arrangements when the Adviser determines it is in the best interests of the Clients.

#### *Follow-on Investments*

Investments to finance follow-on acquisitions can present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Client in a portfolio investment in which another Client has previously invested. In addition, a Client will in certain cases participate in releveraging and recapitalization transactions involving portfolio investments in which another Client has already invested or will invest. Conflicts of interest can be expected to arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

#### *Conflicts Relating to the General Partner and the Adviser*

The Adviser and the General Partner are permitted, in their discretion, to contract with any related person of the Adviser to perform services in connection with the provision of services to the Clients. For example, a related person has been appointed to provide operator services to Fund portfolio investments. When engaging a related person to provide such services, the Adviser has an incentive to recommend the related person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally is permitted, in its discretion, to recommend to a Client or to a portfolio investment thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) the Adviser or a related person of the Adviser, or (ii) an entity with which the Adviser or its affiliates, or a member of their personnel has a relationship or from which the Adviser or its affiliates, or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser, because of its financial or other business interest, has an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, and members, officers, principals, and employees of the Adviser and its affiliates are permitted to buy or sell securities or other instruments that the Adviser has recommended to Clients. Officers, principals, and employees of the Adviser are also permitted to buy securities in transactions offered to but rejected by Clients. A conflict of interest could arise because such investing Adviser personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the Client. In such circumstances, the investing Adviser personnel will not share or reimburse the relevant Client(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity. The transactions described above are subject to the policies and procedures set forth in the Adviser's Code of Ethics and investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments will vary from those of the Clients. If officers, principals and employees of the Adviser have made large capital investments in or alongside the Clients they will have conflicting interests with respect to these investments. While the significant interests of the officers and employees of the Adviser generally aligns the interest of such persons with the Clients, such persons will nonetheless in certain cases have different

interests from the Client with respect to such investments (for example, with respect to the availability and timing of liquidity).

Because certain expenses are paid for by a Client and/or its portfolio investments or, if incurred by the Adviser, are reimbursed by a Client and/or its portfolio investments, the Adviser is not fully incentivized to seek out the lowest cost options when incurring (or causing a Client or its portfolio investments to incur) such expenses.

#### Fee Structure

Because there is a fixed investment period after which capital from investors in the Funds will only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure creates an incentive to deploy capital when the Adviser would not otherwise have done so.

Additionally, as discussed above in Item 6, the Adviser and its affiliates are entitled to Performance Fees under the terms of the Organizational Documents of such Funds. Such General Partners are affiliates of the Adviser. The existence of the Adviser and its affiliates' Performance Fees creates an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

Pursuant to the Organizational Documents, the General Partner could be required to return excess amounts of Performance Fees as a "clawback". The existence of such a clawback obligation is creates an incentive for the General Partner to defer disposition of one or more investments or delay the liquidation of a Fund in the event that such disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for the Adviser and its affiliates.

Additionally, since the Adviser's personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

#### Diverse Membership

The investors in the Clients are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax, and other interests with respect to their investments in a Client. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Client, the structuring of the acquisition of investments, and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Client, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Client, not the investment, tax, or other objectives of any investor individually.

#### Service Providers

The Adviser and/or its affiliates engage certain service providers to provide services to the Adviser, the Clients, and/or the portfolio investments, including services during the due diligence and



acquisition process. Generally, it is not prohibited for such service providers to be investors in a Client or affiliates of such investor and to include, for example, investment or commercial bankers, outside legal counsel, pension consultants, and/or other investors who provide services (including mezzanine and/or lending arrangements). The engagement of any such service provider could be concurrent with an investor's admission to a Client or during the term of such investor's investment in the Client. This creates a conflict of interest, and an incentive for the Adviser to give such investor preferred economics or other terms with respect to its investment in a Client or to offer such investor co-investment opportunities that it would not otherwise offer to such investor.

Additionally, employees of the Adviser or its affiliates and/or their family members or relatives can in certain cases be expected to have ownership, employment, or other interests in such service providers. These relationships that an Adviser will in certain cases have with a service provider can influence the Adviser in determining whether to select or recommend such service provider to perform services for a Client or a portfolio investment. The Adviser will have a conflict of interest with the Clients in recommending the retention or continuation of a service provider to the Clients or a portfolio investment if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Clients or will provide the Adviser information about markets and industries in which the Adviser operates or is interested or will provide other services that are beneficial to the Adviser. Although the Adviser generally seeks appropriate rates for services and selects service providers that it believes will enhance portfolio investment performance (and, in turn, the performance of the relevant Client(s)), it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, because of financial, business interest, or other reasons, the Adviser could in certain cases have an incentive to favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. In certain circumstances where the Adviser commits or has committed to seek "market" or "arms-length" rates or terms, the Adviser will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. The Adviser undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking relates specifically to the assets or services to which such rates or terms relate. While the Adviser often does not have visibility or influence regarding advantageous service rates or arrangements, there will be situations in which the Adviser receives more favorable service rates or arrangements than the Clients or their portfolio investments.

The Adviser or its affiliates and service providers, often charge varying amounts or have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by the Adviser or its affiliates differ from those required by the Clients and/or its portfolio investments, the Adviser and its affiliates will pay different rates and fees than those paid by the Clients and/or its portfolio investments.

#### Side Letter Agreements; Advisory Board Rights

The Adviser often enters into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms. Except as otherwise agreed with an investor, the Adviser (or applicable General Partner) is not required to disclose the terms of side letter arrangements with other investors in the same Fund.

Generally, each Fund has established an Advisory Board, consisting of representatives of investors. A conflict of interest can be created when some, but not all limited partners are permitted to

designate a member to the Advisory Board. The Advisory Board has the ability to approve conflicts of interests with respect to the Adviser and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the Advisory Board. Representatives of the Advisory Board have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships could in certain cases influence the decisions made by such members of the Advisory Board.

In addition, members of one Client's Advisory Board are permitted also to be a member of another Client's advisory board. In such instances, a conflict of interest exists because the Clients on which such overlapping Advisory Board members have conflicting interests and such Advisory Board members may be requested to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

#### *Other Potential Conflicts*

The Organizational Documents of Clients establish complex arrangements among the Clients, the Adviser, investors, and other relevant parties. From time to time, questions will arise regarding certain parties' rights and obligations in certain situations, some of which were not contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Organizational Documents, if any, will be broad, unclear, general, conflicting, ambiguous, and vague and allow for multiple reasonable interpretations. In other instances, there will not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used will not be the most favorable to a Client or its investors.

In addition, investors should note that the Organizational Documents of the Clients contain provisions that, subject to applicable law, rule and regulation: (i) reduce, modify, waive or eliminate the duties, including fiduciary duties, that the General Partner otherwise would owe to a Client and its limited partners; (ii) consent to the conduct of the General Partner that might not otherwise be permitted pursuant to its duties owed to a Client and its limited partners; and (iii) limit the remedies of a limited partner with respect to breaches of duties that the General Partner owes to a Client and its limited partners. Further, the Organizational Documents of the Clients generally contain exculpation and indemnification provisions that, subject to the specific exceptions identified therein, provide that the relevant General Partner(s), the Adviser, their respective affiliates and their respective current and former shareholders, officers, directors, employees, partners, members, managers and agents of any of the General Partner, the Adviser and each of their respective affiliates will be held harmless and indemnified, respectively, for matters relating to the operation of Clients, including matters that involve one or more potential or actual conflicts of interest.

The Adviser and the Clients will generally engage common legal counsel and other advisers in a particular transaction, including transactions in which there are conflicts of interest. Members of the law firms engaged to represent the Clients have been, and may in the future be investors in a Client and or could represent one or more portfolio companies or investors in a Client. In the event of a significant dispute or divergence of interest between Clients, the Adviser, and/or its affiliates, the parties are permitted to engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser and the Clients and the portfolio investments of the Clients will, from time to time, engage other common service providers. In certain circumstances, the service provider could charge varying rates or engage in different arrangements for services provided to the Adviser, the Clients, and/or the portfolio investments. This in certain cases would result in the Adviser receiving a more favorable rate on services provided to it by such a common service provider than

those payable by the Clients and/or the portfolio investment, or the Adviser receiving a discount on services even though the Clients and/or the portfolio investments receive a lesser, or no, discount. This creates a conflict of interest between the Adviser, on the one hand, and the Clients and/or portfolio investments, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Clients and/or the portfolio investments.

The Adviser and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Client, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Client expenses result in “miles” or “points” or credit in loyalty/status programs to the Adviser and/or its personnel, and such rewards and/or amounts will exclusively benefit the Adviser and/or such personnel and will not be subject to the offset arrangements described above or otherwise shared with such Client, its investors, and/or the portfolio investments.

The Adviser has the discretion to cause the Clients and/or their portfolio investments to have, ongoing business dealings, arrangements, or agreements with persons who are former employees or executives of the Adviser. The Clients and/or their portfolio investments would in such cases bear, directly or indirectly, the costs of such dealings, arrangements, or agreements. In such circumstances, there would be a conflict of interest between the Adviser and the Clients (or their portfolio investments) in determining whether to engage in or to continue such dealings, arrangements, or agreements, including the possibility that the Adviser favors the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Adviser causes Clients to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Clients, the applicable general partner, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the Advisory Board and other indemnified parties, against liability in connection with the activities of the Clients. This generally includes a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more Clients and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the Advisory Board and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Clients, and/or the Adviser on a fair and reasonable basis, and is permitted to make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

Please see the discussion above under the sub-heading “Resolution of Conflicts” for a description of the means by which the Adviser and its related persons has the discretion to seek to alleviate conflicts of interest among the Funds or other persons.

## **Item 12 - Brokerage Practices**

The Adviser's investment strategy involves making investments for Clients to acquire United States oil and gas interests. As a result, the Adviser does not select or recommend broker-dealers for the purchase and sales of securities.

Furthermore, the Adviser does not maintain any trading accounts and does not use "soft" dollars received from broker-dealers from the purchase and sales of securities for its Clients.

## **Item 13 - Review of Accounts**

### *Oversight and Monitoring*

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Adviser maintains review procedures for the ongoing monitoring of the portfolio investments of its Clients. In terms of the investment process, the Adviser's investment professionals conduct an initial opportunity screening and detailed due diligence prior to pursuing an investment to ensure a reasonable basis for investment decisions. In the case of the Funds, pursuing an investment requires approval of the Adviser's investment committee. Following an investment, the Adviser's Principals and investment professionals are responsible for managing the asset and along with the Adviser's valuation committee, actively monitor the value of investments and potential risks. In connection therewith, the Adviser conducts periodic reviews of all portfolio investments held in each Client portfolio. Both investment and operational personnel typically participate in the ongoing monitoring of Client portfolios, although responsibilities vary by individual.

### *Reporting*

The Adviser provides written periodic reports to all Clients at a frequency determined by each Client, but at least annually. Reports typically disclose holdings, transactions, and other related information regarding Client portfolios. The specific contents and timing of such reporting is typically governed by the Client's Organizational Documents, as the same may be supplemented by one or more side letters. The Adviser and the applicable General Partner, if any, will from time to time, in their sole discretion, provide additional information relating to such Client to one or more investors in such Client as they deem appropriate.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

While not a client solicitation arrangement, with respect to the Funds, the Adviser has entered into, and may in the future enter into an agreement with a third-party placement agent. This agreement provides for compensation to be paid to the placement agent for referring limited partners to the Funds. Under this agreement, the placement agent receives a percentage of the capital commitments attributable to each prospective limited partner referred depending upon specific circumstances and restrictions. Any such agreement with a placement agent is disclosed to prospective limited partners in the Funds.

**Item 15 - Custody**

The Adviser maintains custody of assets held in the name of the Funds with qualified custodians.

**Item 16 - Investment Discretion**

The Adviser has full discretion with respect to investment decisions for its Clients. Investment advice is provided directly to the Clients, subject to the direction and control of the General Partner of each Client, and not individually to the investors in the Clients. The Adviser contractually assumes such discretionary authority with each Client pursuant to an investment management agreement or agreement of limited partnership with the Client. The Adviser's authority to manage Client accounts is in all cases subject to the objectives, guidelines, and limitations set forth in the applicable Client Organizational Documents. As a general practice, the Adviser does not allow other parties to place limitations on this authority. Pursuant to the terms of the Organizational Documents, however, the Adviser has entered into side letters with certain investors whereby the terms applicable to such investor's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons

**Item 17 - Voting Client Securities**

The Adviser's investment strategy involves private equity investments to acquire oil and gas interests. As a result, the Adviser does not generally hold Clients' investments in public equity securities and therefore does not generally receive proxies on behalf of its Clients.

**Item 18 - Financial Information**

The Adviser does not require the prepayment of Management Fees six months or more in advance, nor does it have any other events requiring disclosure under this item of the Brochure.

**Item 19 - Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.