

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

March 28, 2024

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Riverstone Investment Group LLC is an investment adviser that is registered with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply a certain level of skill or training.

**This brochure (“Brochure”) provides information about the qualifications and business practices of Riverstone Investment Group LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 993-0076. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.**

**Additional information about Riverstone Investment Group LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2           Material Changes**

We are filing this annual amendment dated March 28, 2024, to our last other-than-annual update of Part 2A of Form ADV, which was filed on November 28, 2023 to reflect a change to Riverstone's Chief Compliance Officer. Since our last other-than-annual update filed on November 28, 2023, the credit investment team spun out to establish Breakwall Capital LLC, an independent registered investment adviser ("Breakwall"). Breakwall was appointed sub-adviser to the Credit Funds (as defined below), effective January 1, 2024. There are no other material changes to the Brochure since the last annual update, filed on March 29, 2023.

We routinely make changes throughout the Brochure in an effort to improve and clarify the descriptions of our and our affiliates' business practices and compliance policies and procedures or in response to evolving industry and firm practices.

We recommend that you read this Part 2A of Form ADV in its entirety.

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## **Item 4            Advisory Business**

Founded in 2005, Riverstone Investment Group LLC (collectively with our affiliates, “we,” “our firm,” “the firm” or “Riverstone”) is an investment advisory services firm specializing in investment management for private equity funds. The sole owner of our firm is Riverstone Holdings LLC. Founders Pierre F. Lapeyre, Jr. and David M. Leuschen are the principal owners of and control Riverstone Holdings LLC indirectly through certain intermediate entities. Riverstone Investment Group LLC was formerly known as Riverstone Investment Services LLC.

Our firm offers investment advisory services to private equity and credit funds (generally referred to in this Brochure as our clients or our funds) sponsored by Riverstone Holdings LLC or its affiliates and, with respect to certain funds, jointly with our joint venture partner, The Carlyle Group.

We specialize in buyout, growth capital and other equity and debt investments in the energy and power sectors, and our advice encompasses most segments of the energy and power industry globally, including the following:

- exploration of oil and gas as well as other natural energy sources,
- midstream energy activities such as transportation and distribution of products and logistics associated with managing supply and demand across geographic regions and over time,
- electric generation (*i.e.*, the conversion of raw materials, primarily coal, natural gas and crude oil derivatives, into electricity),
- energy and power service,
- renewable and alternative energy, including wind, biofuels, biomass, geothermal, hydroelectric, solar photovoltaic and solar thermal energy; and
- decarbonization, with a particular focus on grid flexibility and resilience, electrification of transport, agriculture and natural resource plays, next generation fuels and next horizon resource use plays.

We oversee and manage certain of our existing sponsored investment funds, other investment vehicles and their investments through joint ventures with entities owned by The Carlyle Group. Specifically, these jointly sponsored investment funds are:

- Carlyle/Riverstone Global Energy and Power Fund III, L.P.;
- Riverstone/Carlyle Global Energy and Power Fund IV, L.P.;
- Riverstone/Carlyle Renewable Energy and Alternative Energy Fund II, L.P.; and
- Other investment vehicles associated with the foregoing funds.

Our percentage ownership of the joint ventures with The Carlyle Group varies from fund to fund. The investment management functions for our existing jointly sponsored funds (other than anti-money laundering review) are shared between our firm and Carlyle Investment Management L.L.C., an SEC-registered investment adviser. Each of our existing jointly sponsored investment funds has an investment committee composed of members of our firm and The Carlyle Group. The investment committee agrees on investment strategies and portfolio investments. Our firm's and The Carlyle Group's representation on the respective investment committees of our existing jointly sponsored investment funds varies from fund to fund.

We also independently oversee and manage the following funds:

- Riverstone Global Energy and Power Fund V, L.P.;
- Riverstone Global Energy and Power Fund VI, L.P.;
- Riverstone Non-ECI Partners, L.P., a fund that invests alongside Riverstone Global Energy and Power Fund VI, L.P. and Riverstone Energy Limited in non-ECI generating investments;
- Riverstone Energy Limited, a registered close-ended collective investment scheme incorporated in Guernsey that is publicly traded on the London Stock Exchange;
- A Riverstone advised registered Mexican trust (identified as F/179432 with the ticker: RIVERCK15) that is publicly traded on the Mexican Stock Exchange (hereinafter referred to as "Riverstone Energy and Power CKD Trust");
- A Riverstone advised registered Mexican trust (identified as F/18037-6 with the ticker: RSRENCK17) that is publicly traded on the Mexican Stock Exchange (hereinafter referred to as "Riverstone Renew CKD Trust");
- Riverstone Pattern Energy II, L.P.;
- Riverstone Pattern Energy III, L.P.;
- Riverstone Echo Continuation Fund, L.P.;
- Riverstone Echo Rollover Fund, L.P.;
- Riverstone Bison Rollover Fund, L.P.;
- Riverstone Bison Continuation Fund, L.P.;
- Riverstone Grizzly Continuation Fund, L.P.;
- Riverstone Nolan Continuation Fund, L.P.;
- Riverstone Amber Continuation Fund, L.P. (expected to launch in 2024); and

- Other investment vehicles associated with the foregoing funds.

With respect to Riverstone Credit Partners, L.P., Riverstone Credit Partners II, L.P., Riverstone Credit Opportunities Income Plc and a series of other affiliated feeder vehicles, separately managed accounts and co-investment vehicles (collectively, the “Credit Funds”), we have engaged Breakwall Investment Advisor, LLC, an independent registered investment adviser (the “Breakwall” or “Sub-Adviser”) as sub-adviser to the Credit Funds. The Sub-Adviser performs advisory and related services for the Credit Funds under our supervision and oversight, in accordance with a sub-advisory agreement between Riverstone and the Sub-Adviser. The sub-advisory agreement contains tailored provisions and trading restrictions specific to the Sub-Adviser, subject at all times to our supervision.

Our firm manages each fund in accordance with such fund’s investment strategy and restrictions as set forth in its offering documents. We and our funds focus on buyout, growth capital and other equity and debt investments in the energy and power sectors. In addition, certain of our professionals participate on investment committees in order to formulate investment strategies and render specialized investment advice.

The amount of client assets that we manage on a discretionary basis, as of December 31, 2023, is \$13,179,690,403. We do not manage any client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

The following provides a general description of the fees, compensation and expenses that our funds pay. Each fund’s limited partnership agreement or other governing documents describe such fees, compensation and expenses in much greater detail. Investors in the funds should refer to the relevant fund’s limited partnership agreement or other governing documents for an accurate description of the fund’s fees, compensation and expenses.

Our firm or our affiliates typically receive compensation from our clients based on a percentage of assets we manage and performance-based compensation in the form of “carried interest” or a performance allocation.

We assess a management fee on total and funded commitments (or in the case of Riverstone Energy Limited on net asset value) to our clients except certain co-investment vehicles and rollover funds. Currently, the fee ranges between 0.5% to 1.5% of the capital commitments (or net asset value) (or, depending on the current stage in the term of the applicable fund, total funded commitments) with respect to each of our clients.

Our firm, or one of our affiliates, receives a carried interest or performance allocation as performance-based compensation from each of our clients except certain co-investment vehicles and rollover funds. Our carried interest currently ranges from 15% to 20%. The particular fees and compensation relevant to a private investment fund or other investment vehicle are disclosed to investors in the offering materials for the relevant fund or other investment vehicle.

We or our affiliates have entered, and expect to enter, into side letters or other written understandings with individual investors that have the effect of establishing rights under,

or altering or supplementing, the terms of a particular fund's partnership agreement or other relevant governing documents. The altered terms sometimes include but are not limited to fees, incurrence of expenses, information rights, liquidity or transfer rights, specialized reporting, co-investment rights, excuse rights (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments), notice requirements, as well as economic, procedural and other terms. Our firm and our affiliates do not impose a uniform schedule of management fees or performance-based compensation for all funds.

Our compensation is subject to waiver and reduction in our sole discretion. Our firm, our affiliates and certain of our professionals have invested, and expect to invest in the future, in investment vehicles advised by us. Our principals and personnel are not subject to management fees or carried interest on their direct or indirect investment in our funds. If our firm, our affiliates or our professionals are investing in an investment vehicle sponsored by us, any actual or potential fee waiver is disclosed to potential investors in the offering materials for the particular investment vehicle.

### **Asset-Based Fees**

Our funds pay management fees as described below. Investors in our funds indirectly pay the management fees by way of capital contributions to the funds according to their capital commitments and/or their invested capital as described below. The following percentages represent an annual rate.

- **Carlyle/Riverstone Global Energy and Power Fund III, L.P.**
  - investors are no longer required to pay management fees with respect to this fund.
- **Riverstone/Carlyle Global Energy and Power Fund IV, L.P.**
  - investors are no longer required to pay management fees with respect to this fund.
- **Riverstone Global Energy and Power Fund V, L.P.**
  - during the commitment period, 1.5% of the investor's capital commitment;
  - after the commitment period, 1.0% of the investor's funded commitment, reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net write-downs associated with the portfolio of investments.
- **Riverstone Global Energy and Power Fund VI, L.P.**
  - during the commitment period, 1.5% of the investor's capital commitment;
  - after the commitment period, 1.0% of the investor's funded commitment, reduced proportionately by the acquisition cost of investments that the client no longer holds

and the amount of any permanent net write-downs associated with the portfolio of investments.

- **Riverstone Non-ECI Partners, L.P.**

- during the commitment period, 1.5% of the investor's capital commitment;
- after the commitment period, 1.0% of the investor's funded commitment for investments, reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net write-downs associated with the portfolio of investments.

- **Riverstone Energy and Power CKD Trust**

- during the investment period, 1.5% of the maximum issuance amount as set forth in the prospectus;
- after the investment period, 1.0% of the investor's funded contributions for investments (including reinvestments), reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net write-downs associated with the portfolio of investments.

- **Riverstone Renew CKD Trust**

- during the investment period, 1.5% of the maximum issuance amount as set forth in the prospectus;
- after the investment period, 1.0% of the investor's funded contributions for investments (including reinvestments), reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net write-downs associated with the portfolio of investments.

- **Riverstone Credit Partners, L.P.**

- during the commitment period, 1.5% of "Capital Under Management"; "Capital Under Management" means the aggregate amount invested by the fund (without duplication, together with the outstanding principal amount of any borrowings to finance the purchase of investments in lieu of, in advance of or contemporaneous with receiving capital contributions) (other than with respect to amounts contributed by Riverstone and certain of its affiliates and associates (as further discussed in the partnership agreement)) in unrealized investments (and any entities formed to hold any co-investment, as permitted under the partnership agreement) to the extent then held by the fund at the determination date less aggregate net losses from permanent net write-downs as of such date.
- after the commitment period, 1.0% of Capital Under Management.



- **Riverstone Credit Partners II, L.P.**
  - during the commitment period, 1.5% of Capital Under Management (which does not take into account aggregate net losses from permanent net write-downs);
  - after the commitment period and until an event of dissolution, 1.0% of Capital Under Management;
  - after an event of dissolution, 0.5% of Capital Under Management.
- **Riverstone/Carlyle Renewable Energy and Alternative Energy Fund II, L.P.**
  - investors are no longer required to pay management fees with respect to this fund.
- **Riverstone Energy Limited**
  - a management fee of 1.5% of the net asset value of the fund payable quarterly in arrears (but management fees will only be charged to the extent that cash proceeds from the sale of the fund's shares have been invested or are committed to an investment).
- **Riverstone Pattern Energy II, L.P.**
  - single fee of 1.00% of investor's aggregate capital commitment.
- **Riverstone Pattern Energy III, L.P.**
  - during the commitment period, 1.00% per annum on aggregate capital commitments;
  - after the commitment period, 0.50% per annum on Capital Under Management for investments less the acquisition cost of realized investments.
- **Riverstone Echo Continuation Fund, L.P.**
  - 0.5% of the investor's funded contributions for investments, reduced proportionately by the acquisition cost of investments no longer held by the fund and the amount of any permanent write downs of any investments held by the fund.
- **Riverstone Bison Continuation Fund, L.P.**
  - 1.0% per annum of Capital Under Management for investors that are \$75 million or more;
  - 1.25% per annum of Capital Under Management for investors that are under \$75 million.
- **Riverstone Echo Rollover Fund, L.P.**

- investors are not required to pay management fees with respect to this fund.
- **Riverstone Bison Rollover Fund, L.P.**
  - investors are not required to pay management fees with respect to this fund.
- **Riverstone Credit Opportunities Income Plc**
  - investors are not required to pay management fees with respect to this fund.
- **Riverstone Grizzly Continuation Fund, L.P.**
  - during the initial term, 1.0% per annum of Capital Under Management;
  - after the initial term, 0.50% per annum on Capital Under Management for investments less the acquisition cost of realized investments.
- **Riverstone Nolan Continuation Fund, L.P.**
  - greater of (x) 1% per annum of Capital Under Management for investments less the aggregate amount of investment proceeds distributed or deemed distributed to such Limited Partner and (y) \$1.5 million per annum.
- **Riverstone Amber Continuation Fund, L.P.**
  - during the initial term, 1.25% per annum of Capital Under Management for investments less the acquisition cost of realized investments;
  - after the initial term, 1.00% per annum on Capital Under Management for investments less the acquisition cost of realized investments.

Under the funds' governing documents, the management fee will be calculated and charged on a basis that generally is not tied to the fund's then-current net asset value. As further specified in the relevant governing documents, management fees will initially generally be charged based on a formula tied to the amount of the relevant fund's aggregate commitments. However, after a certain date specified in the relevant governing documents, a fund's management fee generally will be charged and calculated based on a formula tied to the amount of contributed capital (including, where applicable, a fund borrowing component) or the cost basis of investments made by the relevant fund relating to the fund's aggregate investments in its portfolio companies that have not been realized or permanently written down or written off (such investments, "Impaired Value Investments"). As a result, except where the governing documents expressly provide to the contrary, the amount of management fees generally will not correspond with fluctuations in the net asset value of individual investments or of a fund, including following the relevant investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), except in the case of Impaired Value Investments. Where the fair market value of an investment exceeds or falls below the total amount of contributed capital or the cost basis relating to such investment, after a certain date specified in the relevant governing

document, management fees will not be calculated based on such appreciated value, and will instead continue to be calculated based on the amount of such contributed capital or the cost basis relating to such investment. Therefore, the management fee generally will not be reduced (in whole or in part) in connection with any partial distributions (e.g., those resulting from a dividend recapitalization), partial realizations, write downs, or reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, in each case in circumstances that do not result in the complete disposition of the relevant fund's interest therein, and even in cases where the value of the fund's investment or the fund's ownership percentage in such investment has been reduced (including substantially reduced) as a result of such transaction, except as required by the relevant governing documents.

The funds' governing documents set forth the full list of terms under which a fund's management fee will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified management fee in the relevant governing documents until they are reduced in the circumstances and on the date(s) specified therein. With respect to the Credit Funds, Riverstone pays the Sub-Adviser a quarterly sub-advisory fee for the provision of sub-advisory services. Certain members of the Sub-Adviser are also entitled to receive performance-based compensation (i.e., carried interest) in relation to the Credit Funds.

As permitted by the governing documents, we expect to provide (or agree to provide) investment or co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain current or prospective investors in our funds or other persons, including other sponsors, market participants, finders, consultants, service providers, portfolio company management or personnel, Riverstone personnel, certain other persons associated with Riverstone or its affiliates and/or third parties whose participation might add value to the investment in terms of consummating, operating or exiting the investment. Such investment vehicles typically are required to invest and dispose of their investment in the applicable portfolio companies at the same time and on the same terms as the applicable fund making the investment. However, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing fund) purchases a portion of an investment from one or more funds after such funds have consummated their investment in the portfolio company (also known as post-closing sell-down or transfer), which generally will have been funded through co-investor capital contributions and/or use of a fund credit facility. 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, but in certain instances could be well after the fund's initial purchase. Where appropriate, and in our sole discretion, we reserve the right 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 any such amounts are not so charged or reimbursed (including charges or reimbursements required pursuant to applicable law), they generally will be borne by the relevant fund. Investors in such investment vehicles are generally not subject to any management fees or performance-based compensation, but in certain cases have been subject and may in the future be subject to such fees or other fees as set forth in the relevant governing documents.

## **Performance-Based Compensation**

After returning all capital contributions to investors and subject to any write-downs associated with our clients' investment portfolios, our funds generally (but not certain co-investment vehicles) will distribute to our firm or our affiliates a certain percentage of the profits of each realized investment, which is commonly referred to as "carried interest." Please see below for the applicable carried interest with respect to each client.

- **Carlyle/Riverstone Global Energy and Power Fund III, L.P.**
  - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone/Carlyle Global Energy and Power Fund IV, L.P.**
  - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Global Energy and Power Fund V, L.P.**
  - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Global Energy and Power Fund VI, L.P.**
  - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Non-ECI Partners, L.P.**
  - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Energy and Power CKD Trust**
  - the investors in the trust bear a carried interest that equals 20% of realized gains to an affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.

- **Riverstone Renew CKD Trust**
  - the investors in the trust bear a carried interest that equals 20% of realized gains to an affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Credit Partners, L.P.**
  - distributes 15% of realized gains to our affiliate only after investors receive a 6% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Credit Partners II, L.P.**
  - distributes 15% of realized gains to our affiliate only after investors receive a 6% compound, cumulative annual preferred return on capital contributions.
- **Riverstone/Carlyle Renewable Energy and Alternative Energy Fund II, L.P.**
  - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Energy Limited**
  - generally, a performance allocation, calculated and payable at the underlying holding subsidiary level, equal to 20% of the realized gains (if any) on the sale of any underlying asset of the fund. In some cases, Riverstone may elect to get paid a performance allocation on unrealized gains to the extent an underlying asset of the fund has been held for seven years or longer (subject to certain conditions).
- **Riverstone Pattern Energy II, L.P.**
  - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Pattern Energy III, L.P.**
  - distributes 10% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Echo Continuation Fund, L.P.**
  - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions, in addition to other hurdles.

- **Riverstone Echo Rollover Fund, L.P.**
  - investors are not required to pay carried interest with respect to this fund.
- **Riverstone Bison Continuation Fund, L.P.**
  - first, distributes 10% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions; second, distributes 15% of realized gains to our affiliate only after investors receive a 16% compound, cumulative annual preferred return on capital contributions; third, distributes 20% of realized gains to our affiliate only after investors receive a 20% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Bison Rollover Fund, L.P.**
  - investors are not required to pay carried interest with respect to this fund.
- **Riverstone Credit Opportunities Income Plc**
  - distributes to our affiliate (i) 20% of cash distributions in excess of a 4% yield on the aggregate proceeds of all issues of ordinary shares of the company, and (ii) 10% of cash distributions in excess of 8% (each subject to a cap).
- **Riverstone Grizzly Continuation Fund, L.P.**
  - first, distributes 10% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions; second, distributes 10% of realized gains to our affiliate only after investors receive the greater of 15% compound, cumulative annual preferred return on capital contributions and 1.5x multiple on capital and costs; third, distributes 100% of realized gains to our affiliate only to the extent that such distributions equal 15% of the cumulative distributions to investors; fourth, distributes 15% of realized gains to our affiliate only after investors receive the greater of a (i) 20% compound, cumulative annual preferred return on capital contributions and (ii) 1.8x multiple of capital and cost; fifth, distributes 100% of realized gains to our affiliate only to the extent that such distributions equal 20% of the cumulative distributions to investors; and sixth, 20% of remaining realized gains to our affiliate.
- **Riverstone Nolan Continuation Fund, L.P.**
  - first, distributes 100% of realized gains to our affiliate only after investors receive an 10% compound, cumulative annual preferred return on capital contributions; second, distributes 15% of realized gains to our affiliate only after investors receive the greater of 15% compound, cumulative annual preferred return on capital contributions and 1.5x multiple on capital and costs; third, distributes 100% of realized gains to our affiliate only to the extent that such distributions equal 15% of the cumulative distributions to investors; fourth, distributes 15% of realized gains to our affiliate only after investors receive the greater of 20% compound,

cumulative annual preferred return on capital contributions and 1.8x multiple on capital and costs; fifth, distributes 100% of realized gains to our affiliate only to the extent that such distributions equal 20% of the cumulative distributions to investors; sixth, distributes 20% of realized gains to our affiliate only after investors receive the greater of 25% compound, cumulative annual preferred return on capital contributions and 2.0x multiple on capital and costs; and seventh, 25% of remaining realized gains to our affiliate.

- **Riverstone Amber Continuation Fund, L.P.**

- first, distributes 10% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions; second, distributes 15% of realized gains to our affiliate only after investors receive the greater of 15% compound, cumulative annual preferred return on capital contributions and 1.5x multiple on capital and costs; third, distributes 20% of realized gains to our affiliate only after investors receive the greater of a (i) 20% compound, cumulative annual preferred return on capital contributions and (ii) 1.8x multiple of capital and cost.

Each year, we charge management fees quarterly in advance of each quarter, except Riverstone Energy Limited, which pays fees in arrears. Investors in our funds pay these fees to our clients pursuant to capital calls made by our clients (or based on net asset value in the case of Riverstone Energy Limited).

We also receive performance-based compensation or carried interest from our clients, except certain co-investment vehicles. We generally receive a carried interest from our clients when distributions occur to investors in such clients under the circumstances described above. As a result, we do not receive carried interest on a regularly scheduled basis.

In connection with our advisory services, clients bear all of their own expenses (ordinary and extraordinary). The enumerated lists below are detailed but do not include every possible expense a client may incur. The expense arrangements summarized below are set out in the offering materials and governing documents for each sponsored investment fund.

We offset some of the investment-related expenses listed below against the management fees as set forth in the governing documents.

### **Organizational Expenses**

Our clients pay for expenses related to their organization, including:

- legal expenses,
- accounting expenses,
- filing expenses and fees incurred in connection with organizing and establishing the fund client and its affiliates, and

- expenses incurred in connection with marketing and offering of interests in the fund and its affiliates (including travel expenses (which in some cases includes reimbursement of private air charters (e.g., NetJets) and privately-owned aircraft expenses, as well as business and first-class travel) (“Travel Expenses”), and printing costs or other similar amounts, incurred in connection with the offering of interests in our fund client and its affiliates).

Our clients generally have a cap on the expenses listed above, and our affiliates, typically the general partner of a fund, bear expenses in excess of these caps either directly or through a management fee offset (to the extent there are management fees available to offset such expenses).

## **Operational Expenses**

Our clients also pay for expenses related to their operation, such as:

- fees, costs and expenses directly related to the purchase, holding and sale of the fund’s investments,
- expenses of any administrators, custodians (including fees, costs and expenses of any depository), counsel, accountants and other professionals or service providers (including the audit and certification fees and costs of printing and distributing reports to the fund’s investors) and any other out-of-pocket expenses incurred in connection with the administration of a fund or otherwise with fund accounting, tax and legal advice (including with respect to actual or potential litigation, if any) and information technology, in each case whether performed by staff of the firm and its affiliates or by third parties (including Petra),
- all out-of-pocket fees, costs and expenses, if any, incurred in developing, negotiating, structuring, acquiring, trading, settling, monitoring, holding and disposing of actual investments, directly or through one or more intermediate vehicles, including without limitation any financing, legal, accounting, advisory and consulting expenses in connection therewith (including Travel Expenses, meal, communication, certain entertainment and selected research subscription expenses) (to the extent not subject to any reimbursement of such costs and expenses by entities in which a fund invests or other third parties),
- fees, costs and expenses relating to or arising from establishing, implementing, monitoring or measuring the impact of environmental, social and governance policies and programs and cybersecurity with respect to the Riverstone funds or their portfolio companies (including fees, costs and expenses of any related consultant (including Petra)); provided that certain fees, costs and expenses may be allocated between Riverstone, the funds and their portfolio companies as determined by Riverstone to be appropriate in its sole discretion,
- any insurance, indemnity or litigation or extraordinary expense or liability,



- brokerage commissions, custodial expenses, other bank service fees and other investment costs, fees and expenses actually incurred in connection with actual investments,
- principal and interest on and fees and expenses arising out of all borrowings made by a fund, including, but not limited to, the arranging thereof,
- certain structuring expenses, such as blocker expenses,
- out-of-pocket expenses of the fund's investor advisory committee,
- out-of-pocket implementation, licensing, consulting and maintenance costs relating to technology systems (such as CRM, portfolio monitoring, valuation and reporting systems),
- expenses of any offices established for tax or other regulatory purposes for the fund's investments,
- certain taxes,
- any fees or other governmental charges levied against the fund, and
- expenses for transactions not completed, including amounts payable to third parties and all fees and expenses of lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated, and any deposits or draw-down payments that are forfeited in connection with unconsummated transactions.

We seek to allocate the expenses among the applicable clients and the applicable investments of each client in a fair and equitable, and reasonable manner, in our sole discretion. In certain cases, potential co-investors will not bear the broken-deal expenses that a Riverstone main fund incurs in pursuit of an investment, or subscription credit facility fees and expenses, which are generally allocated entirely to the applicable Riverstone fund that is the borrower under such facility. With respect to broken-deal expenses, these cases are typically syndicated co-investments where a Riverstone main fund is actively seeking to make an investment and the investment is later abandoned prior to the time that co-investors have committed to make an investment along-side the fund. In these cases, the entire broken-deal expenses will be borne by the applicable main fund and no broken-deal expenses will be allocated to any potential co-investors. To the extent that such co-investors were to execute definitive documentation to invest in such transaction, such co-investors are expected to bear their *pro rata* share of such broken-deal expenses. In certain cases, friends and family co-investment vehicles that invest alongside the main Riverstone funds in all portfolio companies do not share in broken-deal expenses of the main funds. This occurs in cases where Riverstone initially pays broken-deal expenses but does not seek reimbursement of such expenses from the applicable main fund. In such cases, the next drawdown for management fees is subject to offset for other fees received by Riverstone, but the offset amount is itself decreased by broken-deal expenses for which no drawdown

notice was issued. As the internal friends/family co-investment vehicles are not subject to management fees, by terms of the main fund's partnership agreements the internal co-investment vehicles are not apportioned broken-deal expenses in such cases. In addition, in certain instances, a Riverstone fund will bear expenses in respect of an existing or prospective portfolio company that will not be borne by other owners or investors in such portfolio company (including co-investors or co-investment vehicles), where Riverstone has determined such arrangement to be in the best interest of such Riverstone fund (e.g., a Riverstone fund engages or pays for a consultant for services in respect of a portfolio company without reimbursement by other owners of the portfolio company). Furthermore, to the extent a fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for the costs of establishing, negotiating or maintaining the facility as a whole.

Certain of our funds have and, in the future, may recruit a management team to pursue a new "platform" opportunity expected to lead to the formation of a future portfolio company. In other cases, the funds have and, in the future, may form a new portfolio company and recruit a management team to build the portfolio company through acquisitions and organic growth. In both cases, the fund will bear the expenses of the management team or portfolio company, as the case may be, including any overhead expenses, diligence expenses or other related expenses in connection backing the management team or the build out of the platform company. Such expenses may be borne directly by the applicable fund as partnership expenses or indirectly as the fund will bear the start-up and ongoing expenses of the newly formed platform portfolio company. None of these expenses will offset any fund management fees.

### **Investment-Related Expenses**

In addition, to the extent specified in a fund's governing documents, Riverstone or another Riverstone affiliate will be permitted to receive certain supplemental fees and our clients have incurred, and may incur in the future, expenses in connection with an investment, such as:

- break-up fees,
- organizational fees,
- set-up fees,
- monitoring fees,
- directors' fees,
- investment banking fees,
- underwriting fees, and
- syndication fees.

Certain of such fees received by Riverstone and attributable to a fund's investment in a portfolio company will offset management fees as set forth in the relevant governing documents. As a matter of practice, Riverstone is typically paid such fees on behalf or with respect to participating funds as well as co-investors in an investment. The receipt of such fees on behalf or with respect to participating co-investors will 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 the relevant allocable portion on a fully diluted basis of any such fee and not the portion of any fee related to: general partner or affiliated partner commitments; (ii) co-investors or potential co-investors (which could include co-investment vehicles managed by Riverstone, service providers, third parties, current or former portfolio company management or personnel, sellers that have rolled their interest or reinvested proceeds in the portfolio company and/or others, which have the potential to be significant). Unless otherwise agreed with investors, such investment-related fees generally will be payable without further offset during term extensions, even if management fees are reduced or eliminated during the extended term, thus reducing the amounts of management fees actually offset. To the extent a former Riverstone employee becomes a consultant to, or employed by, a portfolio company, no compensation earned by such former employee will offset the management fee, whether or not such former employee has a remaining interest in the relevant fund's general partner or affiliated entity. Conversely, in the event that Riverstone employs a person that previously received compensation from a portfolio company, limited partners will receive the benefit of any applicable offset only beginning as of the relevant start date of the person's employment with Riverstone, and not with respect to any compensation paid prior to such date, including equity grants made prior to the date of employment that vest thereafter. Additionally, as further described below and in the governing documents, it is Riverstone's practice to use or retain certain consultants to provide services to (or with respect to) certain portfolio companies in which one or more funds invest. Such consultants generally receive compensation and other amounts described herein from the relevant portfolio companies or funds to which they provide services, but no such amounts will offset or reduce the management fee. For the avoidance of doubt, Riverstone also will not offset compensation received from outside sources, such as residual employee board seats of entities that are no longer fund portfolio companies. Each of the foregoing conditions is expected to reduce the amount of such fees otherwise available to be offset against management fees, resulting in a potential material benefit to Riverstone over the life of the relevant fund, and the existence of such potential benefit creates an incentive for Riverstone to seek to increase such amounts.

Waived or reduced management fees are not subject to the management fee offsets described above. Due to waived or reduced management fees by Riverstone and/or timing of receipt of compensation subject to offsets (as described above), it is possible that management fee offsets will be delayed.

We allocate the expenses among the applicable clients and the applicable investments of each client in a fair and equitable, and reasonable manner, in our sole discretion. We reserve the right to consider each relevant fund's strategy as a component of its allocation of investment expenses.

Because we render advice to private equity and credit funds, and investments are made on a negotiated basis, opportunities for trade executions are rare. In these circumstances, our clients will pay brokerage fees. Please see Item 12 for further details.

Our funds pay their asset-based management fees in advance, except Riverstone Energy Limited, which pays fees in arrears. Should our management services be terminated prior to the complete rendering of services for the period, we would refund to the relevant clients an amount of their management fees pro-rated from the date of our termination to the end of the period to which the advance fee covered. The relevant clients would then refund such amount to their investors based on the amount of management fees paid by them.

Our affiliates have caused, and may in the future cause, our funds to make distributions to them in amounts sufficient to permit the payment of the tax obligations of our affiliates and their direct and indirect owners in respect of allocations of income related to their carried interest. These advances will reduce any amounts of carried interest that we and our affiliates later receive until these advances are restored to the fund. In the event that aggregate carried interest distributions (including any such prior advances) are greater than the actual amount of carried interest to which our affiliates are entitled upon a final distribution by a fund client (determined on an after-tax basis in accordance with the applicable fund agreement), we and our affiliates must repay any outstanding balances to the fund through a “clawback” mechanism, except in the case of Riverstone Energy Limited and any other vehicle which does not have a “clawback” provision.

Neither our firm nor any of our principals, affiliates or personnel receives any transaction-based compensation for the sale of securities of our funds to investors in those funds.

We reserve the right to receive certain fees in connection with the portfolio investments of our funds. Please see Item 11 for a discussion of those arrangements.

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

Our firm or our affiliates generally receive performance-based compensation in the form of carried interest or performance allocations from each of our clients, except with respect to certain co-investment vehicles. The firm does not believe that this arrangement creates a conflict of interest since the co-investment vehicles are generally intended to invest alongside a fund on substantially the same terms and in accordance with the terms of the applicable fund governing documents. Please see Item 5 for a detailed explanation of our performance-based compensation. The existence of the carried interest or performance allocation has the potential to create an incentive for our firm or our affiliates to operate the relevant fund in a riskier, more speculative or other manner that is less favorable to investors than would be the case in the absence of these arrangements, although our commitment of capital to our funds should reduce this incentive. To the extent that we have clients with varying carried interest terms (including amount, timing waterfall considerations or other terms) and/or Riverstone personnel are assigned varying percentages of carried interest from the clients, Riverstone and such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment

opportunities as appropriate for clients from which they are entitled to receive a higher carried interest percentage. Furthermore, when allocating investments, the firm or our affiliates have incentives to favor clients with higher potential for carried interest over clients with lower potential for carried interest. In addition, as mentioned in Item 5 above, certain members of the Sub-Adviser to the Credit Funds are entitled to receive performance-based compensation (i.e., carried interest) in relation to the Credit Funds. As described in more detail below, we have adopted allocation policies designed to treat all clients fairly and equitably in accordance with the applicable governing documents.

## **Item 7           Types of Clients**

All of our clients are private equity and credit funds. Our clients rely on certain exceptions from the definition of “investment company” in the Investment Company Act of 1940, as amended (the “1940 Act”); accordingly, none of our funds is registered as an investment company under the 1940 Act. Investors participating in our private equity and credit funds generally include individuals, certain banks or thrifts institutions, sovereign wealth funds, pension and profit-sharing plans, trusts, estates, endowments, charitable organizations or other corporate or business entities (which have included, and may in the future include entities that are owned, directly or indirectly, by principals or other personnel of Riverstone or its affiliates). In some cases, private equity professionals from other firms or other services professionals are also investors in our funds.

Our firm determines in its sole discretion any requirements for entering into an investment advisory contract with a fund or otherwise opening or maintaining an account, including whether a private fund is large enough to implement its desired investment program.

Typically, the funds require minimum investment amounts ranging from \$5 million to \$10 million, but such amounts have been and, in the future, will be reduced with the prior agreement of Riverstone, subject to applicable legal requirements.

Fund interests are offered and sold generally to investors that are (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended and (ii) “qualified clients” as defined under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) or “qualified purchasers” or other “knowledgeable employees” of Riverstone, as defined under the 1940 Act.

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

In managing our funds, we employ methods of analysis and investment strategies suitable for each fund’s investment objective as summarized below. More detailed descriptions of each fund’s investment methods of analysis and investment strategies are included in the fund’s offering documents and governing documents. There can be no assurance that Riverstone will achieve the investment objectives of a fund and loss of investment capital is possible.

### **Investment Strategies**

We employ various investment strategies, including investing in energy and power companies as well as renewable energy companies.

Our firm, on behalf of our clients, invests in companies with a broad range of enterprise values, as either controlling or strategic minority positions. In minority investments, we seek on behalf of our clients to negotiate varying degrees of control over certain key areas of corporate governance, including capital spending, external financing and major corporate transactions, as well as controls over exits.

With respect to our buyout and growth capital funds, our clients' investments may include buyouts of non-core assets or operating subsidiaries of large corporations, build-up and consolidation plays, growth capital investments, and strategic industry partnerships. With respect to the Credit Funds, the investments will primarily be in primary and secondary investments in the debt securities of small to mid-sized companies. We source investments worldwide.

We vary the investment programs within the energy and power sectors according to our clients' needs. Among all of our buyout and growth capital fund clients we are permitted to engage in any combination of the following:

- investing in the energy and power sectors, such as:
  - investing in restructuring of energy and power companies,
  - investing in renewable energy companies,
  - investing in utility companies,
  - investing in agriculture and natural solutions companies, and
  - investing in oil and natural gas companies,
- investing in equity and equity-related securities,
- investing in debt securities, including, among others:
  - debt instruments made in connection with an investment in equity or equity-related securities,
  - debt investments with a view to a restructuring in which we anticipate that our client will receive an equity interest,
  - debt investments intended to facilitate consummation of an equity investment, and
  - debt investments that are equity-related investments,

- investing in special purpose acquisition vehicles (each, a “SPAC”) or SPAC sponsors, including SPACs or SPAC sponsors for which Riverstone personnel serve as board members or collectively control;
- investing in non-U.S. securities,
- investing in emerging markets,
- investing in small capitalization companies,
- royalty interests or mineral production payments,
- borrowing/leveraging, including short-term bridge loans (on an unsecured basis),
- hedging equity, credit, currency, commodity price and/or interest rate exposure, and investing in or with other partnerships and entities.

Most of the above strategies involve medium to long-term investment in equity or debt securities with some investment in swaps, commodities and property interests.

We have made, and expect to make, short-term investments on behalf of clients for cash management purposes that may include investments in bank depository products, commercial paper and government securities. Other investments may take the form of privately negotiated investment instruments including unregistered equity and debt from both foreign and domestic issuers.

The above strategies are generally applicable to the firm’s Credit Funds as well, except its investment activities will be focused on debt securities of North American companies, as described further below, and will generally not include investments in equity securities. In particular, the Credit Funds’ investments have included, and may in the future include, investing in individual debt securities of companies trading at distressed levels but that we believe are fundamentally sound, providing senior secured financing alternatives to small and mid-sized energy companies and acquiring existing loans from banks on an opportunistic basis.

We describe material risks relevant to our investment strategies below.

### **Methods of Analysis**

With respect to each of our clients, we use our extensive industry expertise and relationships with key players in the industry to thoroughly evaluate and investigate the fundamentals of our investment prospects. We also have significant experience in conducting due diligence, valuation and all other aspects of deal execution, including financial and legal structuring, accounting and compensation design. We draw upon our extensive network of relationships with industry-focused professional advisory firms to assist with due diligence in other areas such as regulatory risk, contractual liabilities, accounting, tax, employee benefits, environmental, engineering and insurance.

Our firm, on behalf of a client, will generally only make an investment in a company after a comprehensive review of:

- a target company's management team,
- industry dynamics,
- competitors and competing technologies,
- the quality of a company's assets, products and services,
- the company's competitive position and strategy,
- financial statements,
- off-balance sheet and contingent liabilities,
- debt capacity and financing needs,
- equity and debt market perspectives,
- environmental, political and regulatory risks, and
- economic risk, exit alternatives and return potential.

We analyze and evaluate investment opportunities using conventional financial measures, regardless of the sector or the development stage of the portfolio company. We work with the management teams of target companies to analyze past and present results, create a thorough operating plan and assess the organizational and capital resources necessary to improve the target company's performance as well as exit alternatives.

Our approach to portfolio monitoring and development requires a close working relationship with senior management of our clients' portfolio companies, a clear blueprint for portfolio companies' growth and an incentive plan to ensure the organization's commitment to success. Working together with management, we expect to create value through:

- carefully reviewing capital investments,
- redirecting capital spending and operating priorities as necessary,
- optimizing asset portfolios through acquisitions and divestitures,
- adopting cost management efforts,
- adding appropriate personnel, or
- completing value-creating acquisitions.



Despite our thorough research and analysis, investing in any security involves a risk of loss that any clients and investors in our clients must be prepared to bear. While the following is a detailed explanation of some of the significant risks associated with the investment strategies we employ, it does not describe all of the risks that may potentially be faced by any fund. Prior to making any investment in a fund, investors should review the applicable fund's private placement memorandum or other offering document for additional information regarding risks and conflicts of interest specific to such fund.

Certain general risks associated with an investment in any fund we advise include:

- *Investment Judgment and Market Risk.* The success of our investment programs depends, in large part, on correctly evaluating the future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.
- *Highly Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. Our clients compete for investments with other private equity investors, as well as companies, public equity markets, individuals, financial institutions and other investors. Furthermore, over the past several years, an ever-increasing number of private equity funds have been formed, including in the energy and power sector (and many such existing funds have grown in size), resulting in an unprecedented amount of capital available for private equity investment. Additional funds with similar objectives may be formed in the future by other unrelated parties. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to our clients and adversely affecting the terms upon which investments can be made. There is no assurance that we will be able to locate, consummate and exit investments that satisfy our clients' rate of return objectives or realize upon their values, or that our clients will be able to invest fully their committed capital.
- *Financial Markets and Regulatory Change.* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of investment funds, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to investment funds and other alternative investment vehicles have led to increased scrutiny and regulation over the investment fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our clients' interests.

Additionally, the SEC has proposed and enacted significant rules that will impact the business of Riverstone and the funds. In particular, the SEC has adopted a number of

new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose and/or adopt additional rules in the future. The SEC has also proposed new cybersecurity risk management rules intended to enhance cybersecurity preparedness and resilience, which would impose further requirements on our firm if the new rules were to come into effect. Such current and future rulemaking is expected to materially impact Riverstone and its affiliates, the funds and/or their investments. In addition, the funds are expected to bear significant increased costs as a result of such rules, including costs relating to investor reporting and disclosures. Significant time and resources are expected to be required to comply with the new regulations, which potentially will detract from the time and resources dedicated to the funds. Certain rules are or may become subject to legal challenge from private fund industry groups and others, and to the extent such legal challenges are successful, investors will not be afforded some or all of the protections provided by these rules.

- *Financial Institution Risk; Distress Events.* An investment in a fund is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a “Financial Institution”) of some or all of the fund’s (or any portfolio company’s) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a “Distress Event”). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals (e.g., a bank run in which depositors collectively withdraw their balances within a short period of time), fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, Riverstone, any general partner, the funds and/or any of the portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that any intervention will occur, be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Riverstone to manage the funds and their investments, and on the ability of Riverstone, any fund or any portfolio company to maintain operations, which in each case could result in operational burdens, significant losses and unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event a fund is unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of the fund to access capital contributions or otherwise); the

inability of the fund to acquire or dispose of investments, including at prices that the relevant general partner believes reflect the fair value of such investments; and/or the inability of Riverstone or portfolio companies to make payroll, fulfill obligations and/or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that Riverstone will experience operational burdens and expenses, and a fund or a portfolio company will incur additional expenses and/or delays in putting in place alternative arrangements and/or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital or otherwise). There can be no assurance that Riverstone will be able to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, or that such remedies will be successful or avoid losses, delays or other negative impacts. The funds and their portfolio companies are subject to additional risks in the event a Financial Institution utilized by investors of a fund or suppliers, vendors, service providers or other counterparties of a portfolio company become subject to Distress Events, which could have a material adverse effect on a fund, its investors or such portfolio companies, including the risk of investor defaults.

Many Financial Institutions require, as a condition to using their services (including lending services), that Riverstone and/or the relevant fund maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although Riverstone seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the funds, Riverstone is under no obligation to use a minimum number of Financial Institutions with respect to any fund, or to maintain account balances at or below the relevant insured amounts. Furthermore, such balances maintained by Riverstone and the funds are generally expected to fluctuate, including with respect to the funds in connection with capital calls to limited partners and dispositions of investments, and certain balances from time to time will substantially exceed applicable deposit insurance.

- *Risk of Limited Number of Investments.* We anticipate that our clients may participate in a limited number of investments. As a consequence, the aggregate return of our clients may be substantially adversely affected by the unfavorable performance of even a single investment.
- *Investments Longer than Term.* We, on behalf of a fund, may make investments that may not be advantageously disposed of prior to the date the fund will be dissolved, either by expiration of our client's term or otherwise.
- *Secondaries and other General Partner-Led Transactions.* There continues to be a significant market for secondary sales, general partner-led transactions, general partner-led transactions, continuation funds, successor fund investments and other transactions, and Riverstone reserves the right to dispose of (or seek additional capital for) fund investments through such means. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase all or a

portion of one or more investments that will continue to be managed by Riverstone following the transaction. Such transactions are permitted to be undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where Riverstone believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple funds sponsored by Riverstone and its affiliates), often on different terms than their original investment in the fund. However, certain of such transactions are expected to involve: a limited partner investing (or being required to invest) additional capital in the existing fund and/or other investment vehicles; a greater exposure to one or more particular portfolio companies; and/or a delay in the full liquidation of the fund's investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant general partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a fund or limited partner and those of Riverstone or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where Riverstone or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance-based compensation earned by the relevant general partner on the sale of an asset from an existing fund in such transaction), their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling fund, Riverstone, the relevant general partner and any buyer group relating to the valuation and consideration offered for the subject investment(s). To the extent Riverstone requires existing limited partners and/or new buyers to commit capital to a continuation fund or another fund managed by Riverstone in addition to the purchase amount paid in a transaction (including commitments to the relevant fund in specified ratios to the purchase price), such requirement is expected to have a dilutive effect on the purchase price for the selling fund and its limited partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the investment(s) being sold. Further, the relevant general partner is expected to be incentivized, including through the possibility of receiving additional compensation, to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant fund, and in such circumstances, Riverstone reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities,

tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory committee prior to the closing of the transaction, there can be no assurance that Riverstone will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of fund or any individual limited partner or group of limited partners. However, Riverstone reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant governing documents. Riverstone is permitted to seek the consent of the relevant fund advisory committee(s) to approve conflicts associated with such transactions and accordingly not all limited partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of fund investments, to the extent such transactions are not consummated, the relevant fund is expected to bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.

- *Warehoused Investments.* Riverstone has in the past and could in the future warehouse one or more investments (a “Warehoused Investment”) (subject to applicable laws and regulations) for the funds. The purchase price for any Warehoused Investment will generally be (i) an amount equal to the cost to Riverstone of such Warehoused Investment, including any expenses, costs of borrowing, or an interest charge, or (ii) an amount to be determined between parties at the relevant time; provided that other funds can contribute Warehoused Investments in exchange for a distribution of corresponding interests in such fund. Our firm will determine, in its discretion, when to transfer such Warehoused Investments to an applicable fund, which will affect the amount of interest that will accrue to and be paid to Riverstone or its applicable affiliates upon such transfer or redemption. Because the value of Warehoused Investments could decline prior to their transfer to another fund, there can be no assurance that their value at the time of the transfer will not be less than their cost to such fund. Although the value of any Warehoused Investments could decline, in some cases significantly, prior to the admission of investors, such fund will be required to repay the firm or its affiliates (including other funds) any such amounts, plus any expenses, costs of borrowing, or an interest charge. Moreover, in some cases, the value of any Warehoused Investment could increase, which, if subsequently purchased at cost, could benefit the purchaser to the detriment of the seller.
- *Uncertainty of Financial Projections.* Our firm or our affiliates will generally establish the capital structure of portfolio companies on the basis of financial projections for these portfolio companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.
- *The AIFMD and the UK AIFMR.* The Directive on Alternative Investment Fund Managers, together with any supplementary regulation implemented in the UK following Brexit (as defined below) (“UK AIFMR”), or subordinate legislation or

guidance thereto implemented in any relevant jurisdiction (the “AIFMD”), imposes requirements on AIFMs (as defined in the AIFMD) that market AIFs (as defined in the AIFMD) to professional investors who are domiciled or have a registered office within the European Economic Area (the “EEA”) or the UK, as applicable. The UK AIFMR currently imposes compliance obligations that are broadly similar to those described below in connection with a non-EEA AIFM marketing a non-EEA AIF.

For these purposes certain of the funds are non-EEA and non-UK AIFs and the firm is a non-EEA and non-UK AIFM. As a non-EEA entity, the firm, is required to comply with the national private placement regimes in those EEA member states that allow private placement and in which interests in a fund are marketed and sold. Compliance with these requirements may result in significant additional costs over the life of the funds and may reduce returns to investors. Riverstone and its affiliates and agents have endeavored to comply with these rules as interpreted but there is not absolute certainty as to their successful compliance. In the event that Riverstone or any of its affiliates or agents is found to have breached the provisions of the AIFMD (inadvertently or otherwise), such parties (and/or a fund indirectly) may face regulatory sanctions and/or EEA investors may seek to rescind their interests, which would result in significant costs and ultimately materially and adversely affect such fund.

- *Brexit.* The UK formally left the EU on January 31, 2020 (“Brexit”). After a transition period that ended on December 31, 2020, EU rules ceased to apply in the UK. Although the terms of the UK’s future relationship with the EU were agreed in a trade and cooperation agreement, the agreement does not include an agreement on financial services and, as a result, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to many of the same rules and regulations as prior to Brexit. However, the UK Government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third-country access to EU markets. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on any fund and its investments, including the ability of a fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions). 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 and disruption generally resulting from Brexit may adversely affect both EU- and UK-based businesses, including fund portfolio companies. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

- *Privacy and Data Protection Law Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, “Privacy Laws”) could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of Riverstone, the general partners, the funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties or litigation, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for Riverstone, the general partners, the funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Certain jurisdictions, including other U.S. states, have proposed, adopted or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include Riverstone, the general partners, the funds and/or their portfolio companies.

- *Environmental, Social & Governance (“ESG”) Matters.* Riverstone maintains an ESG policy and seeks to integrate certain ESG factors into its investment process in accordance with its policy and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. Applying ESG factors to investment decisions is subjective by nature, and Riverstone expects to be subject to competing demands from different investors and stakeholder groups with divergent views on ESG (including the role of ESG factors in the investment process). There is no guarantee that the criteria utilized by Riverstone, or any judgment exercised by Riverstone, will reflect the beliefs, values, internal policies or preferred practices of any particular investor or other asset manager or reflect market trends. In addition, Riverstone’s ESG policy and associated ESG practices are expected to evolve over time. Although

Riverstone views the integration of ESG factors to be an opportunity to potentially enhance or protect the performance of its investments over the long-term, Riverstone cannot guarantee that its ESG program will positively impact the performance of any individual investment or fund.

The materiality of ESG factors depends on many factors, including the relevant industry, location, asset class, and investment strategy. ESG factors, issues, and considerations do not apply in every instance and will vary by fund and investment. In addition, in evaluating an investment, Riverstone expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause Riverstone to incorrectly assess a company's ESG practices and/or related risks and opportunities. Riverstone does not intend independently to verify all ESG information reported by investments or third parties.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by asset managers. Riverstone's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding how asset managers identify and manage financially material ESG risks, as well as how they define and measure ESG performance. At the same time, anti-ESG sentiment has also gained momentum across the U.S., with several states and Congress having proposed or enacted "anti-ESG" policies, legislation, or initiatives or issued related legal opinions. Riverstone and its ESG policy and associated ESG practices could become subject to additional regulation, regulatory scrutiny, penalties or enforcement in the future, and Riverstone cannot guarantee that its current approach including the ESG policy and associated ESG practices will meet future regulatory requirements, reporting frameworks or best practices, increasing the risk of related enforcement. Compliance with new requirements is expected to lead to increased management burdens and costs.

- *Investments in Oil and Natural Gas.* Our firm, on behalf of our clients have in the past, and may in the future, invest in oil and natural gas companies. The following is a description of some of the risks associated with this type of investment.
  - *Volatility of Oil and Natural Gas Prices; Recent Energy Price Trends.* The performance of certain investments of our clients is substantially dependent upon prevailing prices of oil and natural gas. Historically, the markets for oil and natural gas have been volatile, and these markets are likely to continue to be volatile in the future. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, speculation and a variety of additional factors that are beyond our control. These factors include:
    - the level of consumer product demand,



- the refining capacity of oil purchasers,
  - weather conditions,
  - domestic and foreign governmental regulations,
  - the price and availability of alternative fuels,
  - political conditions in the Middle East and other oil producing regions,
  - actions of the Organization of Petroleum Exporting Countries,
  - the foreign supply of oil and natural gas,
  - the price of foreign imports, and
  - overall economic conditions.
- *Drilling, Exploration and Development Risks.* The oil and gas exploration and development business is speculative and involves a high degree of risk. Oil and gas drilling may involve unprofitable efforts, not only from dry holes, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include:

- encountering unexpected or irregular formations or pressures,
- premature declines of reservoirs,
- blow-outs,
- equipment failures and other accidents in completing wells and otherwise,
- cratering,
- sour gas releases,
- uncontrollable flows of oil,
- natural gas or well fluids,
- adverse weather conditions,
- issues related to compliance with environmental regulations,
- title problems, and

- pollution, fires, spills and other environmental risks.

In addition, in making these investments, we must rely on estimates of oil and gas reserves. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, these estimates are inherently imprecise.

- *Midstream Capacity Constraints and Interruptions.* Certain portfolio companies rely on various midstream facilities and systems, including facilities and systems operated by third parties. Regardless of who operates the midstream systems, a portfolio company's business may be interrupted or shut-in due to loss of access to plants, pipelines or gathering systems. Such access could be lost due to a number of factors, including, but not limited to, weather conditions, accidents, field labor issues or strikes. Such interruptions or constraints could negatively impact a portfolio company's profitability, and thus investment returns to a client fund.
- *Regulatory Risks and Approvals.* The power generation industry is subject to comprehensive United States and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect the portfolio companies and the prospects of the funds. Other power assets may be taxed or need to purchase offsets under existing or proposed environmental legislation and regulations in the United States and existing or proposed environmental legislation and regulations in other parts of the world, which could affect economic viability.

The funds may invest in portfolio companies believed to have obtained all material governmental approvals and permits required as of the date thereof to acquire and operate their facilities. In addition, a fund may be required to obtain the consent or approval of applicable regulatory authorities in order to acquire or hold certain ownership positions in portfolio companies. A portfolio company could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Moreover, additional regulatory approvals and permits, including without limitation, 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 companies' customers or affiliates or for other reasons. There can be no assurance that a portfolio company will be able to: (i) obtain all required regulatory approvals and permits that it does not currently have or that it may be required to have in the future; (ii) obtain any necessary modifications to existing regulatory approvals and permits; (iii) renew and otherwise maintain required regulatory approvals and permits; or (iv) comply with all terms of all regulatory approvals and permits. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals or permits, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other

applicable requirements could prevent operation of a facility or sales to or from third parties or could result in additional costs to a portfolio company. In connection with the regulatory approval, licensing or review processes for any portfolio company, disclosures and other undertakings may be required from or in respect of the existing or prospective owners of such portfolio company, potentially including a fund and, in turn, the investors.

Legislative and regulatory changes in a jurisdiction where a portfolio investment is located may make the continued operation of the portfolio investment infeasible or economically disadvantageous and any expenditures made to date by such portfolio investment may be wholly or partially written off. The locations of the portfolio investments may also be subject to government exercise of eminent domain power or similar events. Any of these changes could significantly increase regulatory compliance costs and other expenses incurred by the portfolio investments and could significantly reduce or entirely eliminate any potential revenues generated by one or more of the portfolio investments, which could materially and adversely affect returns to a fund.

- *Risks Relating to Hydraulic Fracturing Activities.* Several of our portfolio companies engage in hydraulic fracturing, which is a practice in the oil and natural gas industry that involves the injection of water, sand and chemicals under pressure into rock formations to fracture the surrounding rock and stimulate the production of hydrocarbons, particularly natural gas, from tight formations. The hydraulic fracturing process is typically regulated by state oil and gas commissions, but there has been increasing scrutiny and regulatory initiatives and proposed initiatives at the federal, state and local level to ban or regulate hydraulic fracturing and to study the environmental impacts of hydraulic fracturing and the need for further regulation of the practice. For example, debate exists over whether certain of the chemical constituents in hydraulic fracturing fluids may contaminate drinking water supplies, with some members of the United States Congress and others proposing to revisit the exemption of hydraulic fracturing from the permitting requirements of the United States Safe Drinking Water Act (the “SDWA”). Eliminating this exemption could establish an additional level of regulation and permitting at the federal level that could lead to operational delays or increased operating costs for those portfolio companies and could result in additional regulatory burdens that could make it more difficult to perform hydraulic fracturing and increase a portfolio company’s costs of compliance and doing business. Even in the absence of new legislation, the United States Environment and Protection Agency (the “EPA”) asserted its authority to regulate hydraulic fracturing involving the use of diesel additives under the SDWA’s Underground Injection Control Program.

Scrutiny of hydraulic fracturing activities continues in other ways, with the EPA releasing a final report in 2016 on the potential impacts of hydraulic fracturing on drinking water resources, concluding that “water cycle” activities associated with hydraulic fracturing may impact drinking water resources under certain limited circumstances. To date, the EPA has taken no further action in response to the 2016

report. Hydraulic fracturing operations require the use of water and the disposal or recycling of water that has been used in operations. The United States Clean Water Act (the “CWA”) restricts the discharge of produced waters and other pollutants into waters of the United States and requires permits before any pollutants may be discharged. The CWA and comparable state laws and regulations in the United States provide for penalties for unauthorized discharges of pollutants including produced water, oil, and other hazardous substances. Compliance with and future revisions to requirements and permits governing the use, discharge, and recycling of water used for hydraulic fracturing may increase a portfolio company’s costs and cause delays, interruptions or terminations of its operations which cannot be predicted.

Further, at the state level, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances or otherwise require the public disclosure of chemicals used in the hydraulic fracturing process.

If these or any other new laws or regulations that significantly restrict hydraulic fracturing are adopted, such laws or regulations could make it more difficult or costly for, or even prohibit, our portfolio companies to perform fracturing to stimulate production from tight formations as well as make it easier for third parties opposed to the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. Such developments could materially adversely affect our portfolio companies’ revenues and results of operations and result in the potential for adverse judgments against our portfolio companies. In addition, if hydraulic fracturing is increasingly regulated at the state and federal levels, our portfolio companies’ fracturing activities could become subject to additional permitting and financial assurance requirements, more stringent construction specifications, increased monitoring, reporting and recordkeeping obligations, plugging and abandonment requirements, and attendant permitting delays and potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of, or prevent our portfolio companies from accessing, oil and natural gas that our portfolio companies are ultimately able to produce from their reserves.

- *Oil Shale Exploration and Extraction.* Certain of our clients invest in portfolio companies that engage in oil shale exploration and extraction. Exploration and development operations in oil shale extraction are subject to environmental regulations (further discussed below, see *Environmental Matters*), which could result in additional costs and operational delays. Separately, the Biden Administration may also pursue further restriction of hydraulic fracturing and other oil and gas development on federal lands. For example, on January 27, 2021, President Biden issued an executive order that, among other things, called for the elimination of fossil fuel subsidies from federal budget requests beginning in 2022 and suspended the issuance of new leases for oil and gas development on federal lands to the extent permitted by law and called for a review of existing leasing and permitting practices for such activities on federal lands. In addition, in November

2022, the BLM issued a proposed rule to reduce the waste of natural gas from venting, flaring and leaks during oil and gas production activities on federal and American Indian leases. Future changes in environmental regulation, if any, could negatively affect the operations of portfolio companies involved in oil shale exploration and extraction. In addition, portfolio companies involved in oil shale exploration and extraction incur substantial expenditures to acquire oil shale properties, establish reserves through drilling and analysis, develop processes to extract oil, and develop the processing facilities and infrastructure at a site chosen for oil shale production. Portfolio companies cannot be sure they will acquire or discover sufficient quantities or adequate quality of oil from oil shale or that they will be able to obtain enough funds required for development on a timely basis.

Significantly, oil shale exploration, development and operating activities are inherently hazardous. Any liabilities that a portfolio company engaged in oil shale exploration and extraction might incur may exceed any insurance policy limits, and it is possible that certain of their liabilities and hazards may be uninsurable.

Finally, if a portfolio company's exploration and extraction properties experience any title defects, the portfolio company may be required to compensate other parties or reduce its interest in the affected property. Also, the investigation and resolution of title issues would divert the company's focus away from ongoing exploration and development programs.

- *Offshore Operations.* Certain companies in which our clients invest conduct offshore operations. Their operations and financial results could be significantly impacted by conditions in some of these areas, such as the Gulf of Mexico. As a result of this activity, they are vulnerable to the risks associated with operating offshore, such as:
  - repatriation,
  - transparency issues,
  - hurricanes and other adverse weather conditions,
  - oil field service costs,
  - availability of oil fields,
  - terrorist attacks,
  - remediation and other costs resulting from oil spills,
  - lack of infrastructure, and
  - failure of equipment or facilities.

- *ESG Focus.* Increasing attention is being given to corporate activities related to ESG in public discourse and the investment community. A number of advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities and other members of the investing community. These activities include increasing attention and demands for action related to climate change and energy rebalancing matters, such as promoting the use of substitutes to oil and natural gas and their derivative products and encouraging the divestment of investments in oil and natural gas upstream, midstream and downstream companies, as well as pressuring lenders and other financial services companies to limit or curtail activities with companies operating in the traditional energy industry. The increased focus and activism related to ESG and similar matters could hinder access to capital for an oil or natural gas portfolio company, as lenders or investors could decide to reallocate capital or to not commit capital as a result of their assessment of ESG practices. These limitations in both the debt and equity capital markets could affect such portfolio company's ability to execute its business or financial strategies to the extent such strategies involve accessing the equity or debt capital markets, which could have a material adverse effect on its financial condition and could impair the portfolio company's ability to service its indebtedness.
- *Investments in the Utility Industry.* Our firm, on behalf of our clients, has made, and may make in the future, certain investments in electric utility industries both in the United States and abroad.
  - *Effects of Ongoing Changes in the Utility Industry.* In many regions, including the United States, the electric utility industry is experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demand, technological advances, greater availability of natural gas and other factors. In response, for example, the Federal Energy Regulatory Commission (the "FERC") has implemented regulatory changes to increase access to the nationwide transmission grid by utility and non-utility purchasers and sellers of electricity; similar actions are being taken or contemplated by regulators in other countries. A number of countries or regions, including many states within the United States, are considering or have implemented methods to introduce and promote retail competition. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation projects into which a client may invest may come under increasing pressure. Changes in regulation may result in consolidation among domestic utilities and the disaggregation of many vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry. In addition, independent power producers may find it increasingly difficult to negotiate long-term power sales agreements with solvent utilities, which may affect the profitability and financial stability of independent power projects.

We cannot give any assurance that:

- the existing regulations applicable to electric utility portfolio companies will not be revised or reinterpreted;
- new laws and regulations will not be adopted or become applicable to electric utility companies;
- the technology and equipment selected by the companies to comply with current and future regulatory requirements will meet these requirements;
- the companies' business and financial conditions will not be materially and adversely affected by future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with current and future laws and regulations; or
- regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

Pursuant to certain federal statutes, the FERC has jurisdiction over the transmission and wholesale sale of electricity in interstate commerce and over the transportation, storage and certain sales of natural gas in interstate commerce, including the rates, charges and other terms and conditions for such services, respectively. Failure to comply with applicable FERC regulations could result in the prevention of operation of a FERC-jurisdictional facility or prevent the sale of such a facility to a third party, as well as the loss of certain rate authority, refund liability, penalties and other unnamed remedies, all of which could result in additional costs to a portfolio company and could adversely affect a fund's investment results.

- *Changes in Environmental Laws and Regulations.* Certain companies in which our clients invest are subject to a number of environmental laws and regulations that are currently in effect, including those related to the handling, disposal, and treatment of hazardous materials. Changes in compliance requirements or the interpretation by governmental authorities of existing requirements may impose additional costs, all of which could have an adverse impact on these companies.
- *Climate Change Laws.* In response to findings that emissions of carbon dioxide, methane and other greenhouse gases ("GHGs") present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the federal Clean Air Act that, among other things, establish Prevention of Significant Deterioration ("PSD") construction and Title V operating permit reviews for certain large stationary sources that are potential major sources of GHG emissions. Facilities required to obtain PSD permits for their GHG emissions also are required to meet "best available control technology" standards that may be established by the states or, in some cases, by the EPA on a case-by-case basis. These EPA rulemakings could adversely affect a portfolio company's

operations and restrict or delay its ability to obtain air permits for new or modified sources. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified onshore and offshore oil and gas production sources in the United States on an annual basis.

While U.S. Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level. The EPA already imposes limitations on methane emissions from new sources in the oil and gas sector through the New Source Performance Standards (“NSPS”) program and EPA’s November 2022 proposed rule seeks to further reduce emissions of methane and other air pollutants from both new and existing oil and gas operations. In the absence of federal climate legislation, a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emissions by means of cap and trade programs that typically require major sources of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting those GHGs. In 2022, the SEC proposed significant rulemaking intended to enhance and standardize climate-related disclosures by public companies as well as by registered and exempt investment advisers and registered investment companies, including disclosure of GHG emissions. In addition, the Inflation Reduction Act of 2022, signed into law by President Biden in August 2022, also provides significant funding and incentives for research and development of low-carbon energy production methods, carbon capture, and other programs directed at addressing climate change, for instance through the imposition of a first-ever methane emissions fee applicable to certain categories of facilities. Although it is not possible at this time to predict how legislation or new regulations that address GHG emissions would impact a Riverstone fund’s investment program, any such future laws and regulations imposing reporting obligations on, or limiting emissions of GHGs from, a portfolio company’s equipment and operations could require it to incur costs to reduce emissions of GHGs associated with its operations. Substantial limitations on GHG emissions could also adversely affect demand for the oil and natural gas. Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events; if any such effects were to occur, they could have an adverse effect on a portfolio company’s E&P operations.

- *Operational Risk.* The utility industry is subject to various operational risks, including:
  - incidents relating to property damages,
  - equipment failures, and
  - personal injuries.



These incidents may expose utility companies to potential claims beyond the scope of their insurance coverage.

- *Weather Conditions.* Weather conditions directly influence the demand for electricity. Significant fluctuations in temperatures could have a material impact on energy sales for any given period. Milder temperatures reduce demand for electricity and have a corresponding effect on utility companies' revenues. In addition, severe storms, such as hurricanes and ice storms, could cause damage to a utility company's facilities that may require additional costs to repair and have a material adverse impact on the company's results of operations, cash flows or financial position.
- *Disruption of Supplies.* Disruption in the delivery of fuel could limit utility companies' ability to operate their facilities. In addition, the supply markets for coal, natural gas and uranium are subject to price fluctuations, availability restrictions and counterparty default. It is not possible to predict the ultimate cost or availability of these commodities. Any of these costs could have a material adverse effect on the companies' financial results.
- *Start-Up, Venture Capital and Technology-Related Investments.* Our firm, on behalf of our clients, has invested and may in the future make investments in portfolio companies that:
  - are at a conceptual or early stage of development or that may have little or no operating history;
  - may offer services or products that are not yet developed or ready to be marketed or that have no established market;
  - may be operating at a loss or have significant fluctuations in operating results;
  - may be engaged in a rapidly changing business; and
  - may need substantial additional capital to set up infrastructure, hire management and personnel, develop product prototypes, support expansion or achieve or maintain a competitive position.

Such companies face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

Our firm, on behalf of our clients, can invest a significant portion of its assets in the securities of smaller, less-established companies. Investments in these companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by our client, these securities may be subject to more abrupt and erratic market price movements than those of larger, more-established companies. Less established companies tend to have

lower capitalizations and fewer resources, and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and will have negative cash flow. We cannot give any assurance that any losses will be offset by gains (if any) realized on a client's other assets.

Our firm, on behalf of our clients, is expected to also make significant investments in companies in rapidly changing high-technology fields. The technology industry is characterized by rapid change, evidenced by rapidly changing market conditions and participants, new competing products and improvements in existing products. Accordingly, energy technology companies may face special risks of product obsolescence. There can be no assurance that products sold by portfolio companies will not be rendered obsolete or adversely affected by competing products or that portfolio companies will not be adversely affected by other challenges inherent in the sector.

- *Investments in Renewable Energy.*
  - *Uncertainty of Renewable Energy Market.* The market for renewable energy products is emerging and rapidly evolving. If renewable energy technology proves unsuitable for widespread commercial deployment, if a certain renewable energy technology is ultimately surpassed by other technologies or if the demand for renewable energy products fails to develop sufficiently, our clients' investments in renewable energy may be adversely affected. In particular, certain of our clients' renewable energy projects may be structured to seek or incorporate renewable energy tax credits, the terms of which may change or which may be discontinued altogether. While certain renewable energy projects currently enjoy support from certain governments and regulatory agencies, there is no assurance that such support will continue in the future and any reduction or elimination of governmental support may have an adverse effect on the development and construction of such projects. Conversely, because policies favoring renewable energy initiatives may involve economic disincentives on more carbon-intensive forms of traditional energy generation, such policies may adversely affect other investments that do not involve renewable energy projects.
  - *Competition from Fossil Fuels and Other Non-Renewable Energy Resources.* The performance of certain investments of a client will be substantially dependent upon prevailing prices of oil and natural gas. If energy derived from fossil fuels becomes more expensive, the value of renewable energy and renewable energy technology increases as well. Conversely, if new methods of extraction or new sources of non-renewable energy are found, or if the cost of producing energy from these non-renewable sources decreases significantly for other reasons, the attractiveness of renewable energy sources would likely decrease.

The market for oil and other non-renewable energy sources remains volatile, and is likely to continue to be volatile in the future. Oil prices are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for

oil, market uncertainty and a variety of additional factors that are beyond our control. These factors include:

- the level of consumer product demand,
- production levels,
- investment in exploration,
- the refining capacity of oil purchasers,
- weather conditions,
- energy efficiency of the consumer market,
- domestic and foreign governmental regulations,
- the price and availability of alternative fuels,
- political conditions in the Middle East, Africa, South America, Russia and other oil producing regions,
- actions of the Organization of Petroleum Exporting Countries,
- the foreign supply of oil and natural gas,
- the price of foreign imports, and
- overall economic conditions.

Continuing technological progress in pollution control equipment for non-renewable energy generation projects may make it feasible for utilities to continue to operate those plants under newly mandated clean air regulations. Non-renewable energy sources, such as fossil fuels, remain relatively abundant in the United States and elsewhere, and continued use of such energy sources in electric generation facilities will also apply pressure to the value of wind and solar power.

- *Weather and Climatological Risks.* Certain renewable energy companies may be particularly sensitive to weather and climate conditions. For example, portfolio companies specializing in hydroelectric power may be subject to variations in precipitation and the flow of the watersheds upon which their power plants are situated. An extended drought in a region where a portfolio company operates could reduce the operating effectiveness of the portfolio company and its assets. Likewise, companies focused on wind and solar energy also are subject to variations in weather patterns.
- *High Capital Costs for Certain Renewable Energy Investments.* Renewable energy projects typically involve relatively high levels of capital investment. These up-front expenditures involve a certain degree of risk. For example, geothermal power

projects are characterized by high capital investment for exploration, drilling wells (including exploration wells which may not result in useful production) and installation of plants. Accordingly, geothermal exploration runs the risk of not finding a useable heat resource after expending effort on early reconnaissance and surface exploration equipment. A client may not achieve a return on investment in other renewable energy companies with similar high capital costs also as quickly as with cheaper fossil fuel power plants.

- *Challenges from Natural Resource Activists.* Renewable energy projects will be subject to siting requirements that are similar in many respects to those applicable to fossil fuels plants. Although a renewable energy project is not likely to face the level of environmental or security issues that conventional fossil fuels and nuclear plants face, natural resource activists may challenge proposals to site a renewable energy project in many favorable locations based on alleged disturbances to natural habitats for wildlife and adverse aesthetic impacts.
- *Investments in Decarbonization Growth Companies.* Investment in decarbonization growth companies, including those engaged in a demonstrated business model involving products or services with the aim of promoting environmental characteristics principally in the areas of: (1) electrification of transport; (2) next generation liquid fuels; (3) power grid flexibility and resilience; (4) next generation resource use; (5) carbon-reducing agriculture and natural resource endeavors; and (6) other businesses or assets determined by the general partner in its discretion to be related or complementary to any of the foregoing, can offer the opportunity for significant gains, but such investments also involve a high degree of business and financial risk and can result in substantial losses. Portfolio companies may be engaged in rapidly changing businesses with products subject to substantial risks, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or may otherwise have a weak financial or business position.

In addition to the above risks that relate to the energy and power sectors, there are some important risks associated with the Credit Funds and the primary and secondary debt investments that the Credit Funds have made and intend to continue to make.

- *Different Strategy.* The size and type of investments to be made by the Credit Funds differ from prior Riverstone equity investments or funds, which have substantially different investment strategies and objectives than that of the Credit Funds and were managed by different investment professionals than those involved with the Credit Funds. Certain investment professionals who participate in providing investment advice to the Credit Funds have limited experience of working together at Riverstone or elsewhere individually or as a group in the context of managing a debt investment fund. The transactional advisory experience of the Credit Funds' professionals prior to joining Riverstone is not fully relevant to the principal transactions they will pursue for the Credit Funds. Accordingly, investors should draw no conclusions from the prior experience of the investment professionals or the performance of any other Riverstone investments or fund and should not expect to achieve similar returns.

- *Nature of investment in Senior Loans.* The assets of the Credit Funds will likely include first lien senior secured debt but may also include selected second lien senior secured debt, which involves a higher degree of risk of a loss of capital. The factors affecting an issuer's first and second lien leveraged loans, and its overall capital structure, are complex. Some first lien loans may not necessarily have priority over all other unsecured debt of an issuer. For example, some first lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company) or involve first liens only on specified assets of an issuer (e.g., excluding real estate). Issuers of first lien loans may have two tranches of first lien debt outstanding each with first liens on separate collateral or may have first lien tranches that have pari passu liens but with one tranche having payment priority over the other (such as revolvers having payment priority over term debt). The imposition of prior liens on the Credit Funds' collateral would adversely affect the priority of the liens and claims held by the Credit Funds and could adversely affect the Credit Funds' recovery on their leveraged loans. Any secured debt is generally secured only to the extent of its valid and perfected lien and only to the extent of the value of the underlying assets on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of the underlying assets selected as collateral may allow the Credit Funds to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to the applicable Credit Fund in respect to its investment.

The borrowers on loans constituting the Credit Funds' assets may seek the protections afforded by bankruptcy, insolvency and other debtor relief laws. One of the protections offered in certain jurisdictions in such proceedings is a stay on required payments on such securities or loans. When a company seeks relief under the U.S. Federal Bankruptcy Code (or has a petition filed against it), an automatic stay, subject to certain exceptions, prevents entities, including creditors, from foreclosing or taking other actions to enforce claims, perfect liens or reach collateral securing such claims. Creditors who have claims against the company prior to the date of the bankruptcy filing must petition the court to permit them to take any action to protect or enforce their claims or their rights in any collateral. Such creditors may be prohibited from doing so if the court concludes that the value of the property in which the creditor has an interest will be "adequately protected" during the proceedings. If the bankruptcy court's assessment of adequate protection is inaccurate, a creditor's collateral may be depleted without the creditor being afforded the opportunity to preserve it. Thus, even if a Credit Fund holds a secured claim, it may be prevented from collecting the value of the collateral securing its debt, unless relief from the automatic stay is granted by the court. If relief from stay is not granted, such Credit Fund may not realize a distribution on account of its secured claim until a plan of reorganization or liquidation for the debtor is confirmed. Bankruptcy proceedings are inherently litigious, time consuming, highly complex and driven extensively by facts and circumstances, which can result in challenges in predicting outcomes. The equitable power of bankruptcy judges also can result in uncertainty as to the ultimate resolution of claims leading to significant delays on or elimination of any recovery on account of such claims.

A stay on payments to be made on the assets of a Credit Fund could adversely affect the value of those assets and such Credit Fund itself. Other protections in such proceedings may include forgiveness of debt, the ability to create super-priority liens in favor of certain creditors of the debtor and certain claims procedures. Additionally, the numerous risks inherent in the insolvency process create a potential risk of loss by such Credit Fund of its entire investment in any particular Investment. Insolvency laws may, in certain jurisdictions, result in a restructuring of the debt without such Credit Fund's consent under the "cramdown" provisions of applicable insolvency laws and may also result in the subordination, recharacterization or a discharge of all or part of the debt without payment to such Credit Fund. In addition, such Credit Fund may not receive current cash pay interest, or even be entitled to accrue interest on loans or other fees or premiums, where the underlying borrower has filed for bankruptcy.

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

Senior secured loans are also subject to other risks, including among other things, (i) the possible invalidation of a debt or lien as a "fraudulent conveyance", (ii) the recovery as a "preference" of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing (or up to one year before a bankruptcy filing, in the case of payments made to statutory "insiders"), (iii) equitable subordination claims by other creditors, (iv) so-called "lender liability" claims by the issuer of the obligations and (v) environmental liabilities that may arise with respect to collateral securing the obligations. Loans may become non-performing for a variety of reasons. Adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership, or distressed exchange, can significantly diminish the value of the applicable Credit Fund's investment in any such company. Recent decisions in bankruptcy cases have held that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination. The Credit Funds' investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the applicable Credit Fund earlier than expected. In addition, in connection with any restructuring, any loans held by a Credit Fund may be converted into equity and/or warrants and/or any other forms of securities, which may be in partial satisfaction of the principal and interest owing on the Loans. In the case of any equity or warrants received in connection with a restructuring, depending on fluctuations of the equity markets, warrants and other equity securities

may become worthless. Accordingly, there can be no assurance that such Credit Fund's rate of return objectives will be realized. To the extent a Credit Fund holds subordinated debt securities, such debt may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Such debt investments may not be protected by financial covenants or limitations upon additional indebtedness. Certain of the Credit Funds' senior loans may be unsecured or be senior subordinated notes. As a consequence, the Credit Funds' ability to achieve their investment objectives may be affected. Such subordinated debt securities may not receive any recovery on account of their principal and interest owing in the case of a restructuring or litigation.

- *Term Loans, Delayed Draw Loans, or Revolvers.* The Credit Funds have in the past and may in the future, invest in term loans, delayed draw term loans, bridge loans, and revolving loans, together with, without limitation, other instruments described herein. A term loan is a loan that has a specified repayment schedule. A delayed draw loan is a loan that typically permits the borrower to withdraw predetermined portions of the total amount borrowed at certain times. A revolving credit facility differs from a delayed draw loan in that as the borrower repays the loan, an amount equal to the repayment may be borrowed again during the term of the revolving credit facility. Delayed draw loans and revolving credit facilities usually provide for floating or variable rates of interest. If any Credit Fund enters into or acquires a commitment with a borrower regarding a delayed draw loan or a revolver, such Credit Fund will be obligated on one or more dates in the future to lend the borrower monies (up to an aggregate stated amount) if called upon to do so by the borrower. These commitments may have the effect of requiring such Credit Fund to increase its investment in a borrower at a time when it might not otherwise decide to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid). Delayed draw loans and revolvers may be subject to restrictions on transfer, and only limited opportunities may exist to resell such instruments. As a result, the Credit Funds may be unable to sell such investments at an opportune time or may have to resell them at less than fair market value. In the event that a contractual obligation extends beyond a Credit Fund's commitment period, such Credit Fund would be required to meet such contractual requirements and, if it were unable to do so, would be subject to contractual penalties under such loans. Such Credit Fund's obligation to meet such contractual requirements, which may be met through drawdowns of commitments, may extend beyond such Credit Fund's commitment period.
- *Credit Risk.* One of the fundamental risks associated with the Credit Funds' investments is credit risk, which is the risk that an issuer will be unable to make principal and interest payments on its outstanding debt obligations when due. A Credit Fund's returns would be adversely impacted if an issuer of debt in which the Credit Fund invests becomes unable to make such payments when due.

Although a Credit Fund may make investments that the general partner believes are secured by specific collateral the value of which may initially exceed the principal amount of such investments or the Credit Fund's fair value of such investments, there can be no assurance that the liquidation of any such collateral would satisfy the

borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. The Credit Funds have and may in the future also invest in leveraged loans, high yield securities and other unsecured investments, each of which involves a higher degree of risk than senior secured loans. Furthermore, a Credit Fund's right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of the senior lender. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In addition, certain instruments may provide for payments-in-kind, which have a similar effect of deferring current cash payments. In such cases, a portfolio company's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the portfolio company, the occurrence of which is uncertain.

With respect to a Credit Fund's investments in any number of credit products, if the borrower or issuer breaches any of the covenants or restrictions under the indenture governing notes or the credit agreement that governs loans of such issuer or borrower, it could result in a default under the applicable indebtedness as well as the indebtedness held by the Credit Fund. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. This could result in an impairment or loss of the applicable Credit Fund's investment or result in a pre-payment (in whole or in part) of the Credit Fund's investment. As it relates to all of the foregoing risks and related considerations discussed above, it should also be noted that the Credit Funds are expected to also invest in high yield bonds and other unsecured investments, each of which involves a higher degree of risk than senior secured loans.

There can be no assurance that the Credit Funds will always be able to accomplish their risk-return objectives; certain investments in the Credit Funds' portfolio, especially when combined with portfolio leverage, can be viewed as having risk-return characteristics similar to equity investments.

A Credit Fund's portfolio may include investments whose underlying collateral are "non-performing" and that are typically highly leveraged, with significant burdens on cash flow and, therefore, involve a high degree of financial risk. During an economic downturn or recession, securities of financially troubled or operationally troubled issuers are more likely to go into default than securities of other issuers. Securities of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing financial difficulties. Investment, directly or indirectly in the financially and/or operationally troubled issuers involves a high degree of credit and market risk. These difficulties may never be overcome and may cause borrowers to become subject to bankruptcy or other similar administrative proceedings. There is a possibility that the Credit Funds may incur losses on their investments and in certain circumstances, subject the Credit Funds to certain additional potential liabilities that may exceed the value of the Credit Funds' original investment therein.



- *Restructuring and Foreclosure.* Debt investments (such as loans, notes and other structured investments) or participations therein and other investments originated or otherwise acquired by the Credit Funds could be, at the time of their origination or acquisition, or could become after origination or acquisition, non-performing for a wide variety of reasons. Such non-performing debt investment could require a substantial amount of workout negotiations and/or restructuring, including in bankruptcy proceedings, which could entail, among other things, an extension of the term, a substantial reduction in the interest rate and a substantial write-down of the principal of such debt investment, conversion of such debt investment, in whole or in part, to equity or other debt instruments or other consideration, or additional funding, including in the form of equity, or loss or impairment of any collateral securing such debt investments. However, even if a debt investment restructuring were successfully accomplished, a risk exists that upon maturity of such restructured debt investment, replacement “takeout” financing will not be available, resulting in an inability by the borrower to repay the debt investment and the possible need for other concessions which could adversely affect the returns realized by the Credit Funds.

The Credit Funds’ ability to foreclose on any collateral securing its debt investments may be subject to priority issues and practical problems associated with the realization of a security interest in such collateral. Additionally, a transfer of some assets comprising a part of collateral may require the consent of certain third parties and government authorities. The collateral may include permits and governmental approvals that are not transferable. In addition, the transfer of an interest in interconnection agreement, power purchase agreements and other agreements that are part of the collateral may require approval of state regulatory commissions as well as other governmental authorities, such as the U.S. Federal Energy Regulatory Commission as part of a foreclosure. These consents and approvals may not be given when requested or required to facilitate a foreclosure of such assets. As a result, there can be no assurance that the Credit Funds will realize sufficient value upon foreclosure on any collateral or that any delay in obtaining or transferring collateral could reduce the proceeds available to the relevant Credit Fund.

The ability to foreclose on any collateral securing debt investment may be subject to priority issues and practical problems associated with the realization of a security interest in such collateral. Additionally, a transfer of some assets comprising the collateral may require the consent of certain third parties and government authorities. The collateral may include permits and governmental approvals that are not transferable. In addition, the transfer of an interest in certain agreements that constitute collateral may require approval of state regulatory commissions as well as other governmental authorities as part of a foreclosure. These consents and approvals may not be given when requested or required to facilitate a foreclosure of such assets. As a result, there can be no assurance about the value of the collateral upon foreclosure on any collateral or that any delay in obtaining or transferring collateral could reduce the proceeds available to us.

In the event of a foreclosure, a Credit Fund could directly or indirectly assume ownership of the collateral and any associated rights and liabilities. There can be no

assurance that such collateral could be readily liquidated or that the liquidation proceeds upon sale of any such property would satisfy the entire outstanding balance of principal, interest and fees on the debt investments. The value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. By its nature, some collateral might be illiquid and might have no readily ascertainable market value, and some collateral might have no significant independent value apart from the other pledged assets or could be impaired in the future as a result of changing economic and market conditions. Some of the collateral may not be readily saleable or, if saleable, there may be substantial delays in their liquidation. Any costs or delays involved in the effectuation of a foreclosure of a debt investment or a liquidation of collateral will further reduce proceeds realized from the debt investment and increase losses. In addition, the foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the agent of, or holder(s) of, a debt investment including, without limitation, lender liability claims and defenses, even when such assertions have no basis in fact, in an effort to prolong and complicate the foreclosure action, which often is already a difficult and time consuming process. In some jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower could have the ability to file for bankruptcy, staying the foreclosure action and further delaying the foreclosure process or other efforts to realize upon the collateral.

The value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. By its nature, some collateral might be illiquid and might have no readily ascertainable market value, and some collateral might have no significant independent value apart from the other pledged assets or could be impaired in the future as a result of changing economic and market conditions. Some of the collateral may not be readily saleable or, if saleable, there may be substantial delays in their liquidation.

There can be no assurance that the value assigned by the general partner to collateralize an underlying debt investment can be realized upon liquidation, nor can there be any assurance that any such collateral will retain its value. Furthermore, circumstances could arise (such as in the bankruptcy of a borrower) that could cause a Credit Fund's security interest in the debt investment's collateral to be invalidated. Also, much of the collateral will be subject to restrictions on transfer intended to satisfy securities regulations, which will limit the number of potential purchasers if a Credit Fund intends to liquidate such collateral. The amount realizable with respect to a debt investment may be detrimentally affected if a guarantor, if any, fails to meet its obligations under a guarantee. Finally, there will be a monetary, as well as a time cost involved in collecting on defaulted debt investments and, if applicable, taking possession of various types of collateral.

- *Sub-investment Grade and Unrated Debt Obligations.* The Credit Funds' investment strategy is focused on investing in instruments that may include first lien loans and notes, second lien loans and notes, senior unsecured and senior subordinated notes and

capital leases, each of which may be sub-investment grade debt obligations. Investments in the sub-investment grade categories are subject to greater risk of loss of principal and interest than higher-rated instruments and may be considered to be predominantly speculative with respect to the obligor's capacity to pay interest and repay principal. Such investments may also be considered to be subject to greater risk than those with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with non-investment grade instruments, the yields and prices of such instruments may fluctuate more than those that are higher-rated. The market for non-investment grade instruments may be smaller and less active than those that are higher-rated, which may adversely affect the prices at which these investments can be sold and result in losses to the Credit Funds, which, in turn, could have a material adverse effect on the performance of the Credit Funds. In addition, the Credit Funds have and may in the future invest in debt investments which may be unrated by a recognized credit rating agency, which may be subject to greater risk of loss of principal and interest than higher-rated debt obligations or debt obligations which rank behind other outstanding investments of the obligor, all or a significant portion of which, may be secured on substantially all of that obligor's assets. The Credit Funds have and may in the future also invest in debt investments which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt investments involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Any of these factors could have a material adverse effect on the performance of the Credit Funds.

To the extent that a Credit Fund invests in sub-investment grade investments that are also stressed or distressed, the risks discussed above are heightened.

- *High Yield Debt.* The Credit Funds have and may in the future invest in debt securities that may be classified as "higher-yielding" (and, therefore, higher-risk) debt securities. In most cases, such debt will be rated below "investment grade" or will be unrated and will face both ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market for high yield securities has experienced periods of volatility and reduced liquidity. High yield securities may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these debt securities may reflect individual corporate developments. General economic recession or a major decline in the demand for products and services in the industry in which the borrower operates would likely have a materially adverse impact on the value of such securities or could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these high yield debt securities.

- *Capital Structure Arbitrage.* In certain circumstances the execution of a distressed investing strategy involves the ability of the general partner to identify and exploit the relationships between movements in different instruments within an issuer's or borrower's capital structure (e.g., senior bank debt, second liens, debt instruments and other obligations, convertible and non-convertible senior and subordinated debt, preferred equity and common stock). Identification and exploitation of these opportunities involve uncertainty. In the event that the perceived pricing inefficiencies underlying the investments of an issuer held by a Credit Fund were to fail to materialize as expected by the general partner, the Credit Fund could incur a loss.
- *Nature of Junior, Subordinated and/or Unsecured investments.* Each Credit Fund's strategy includes acquiring investments that are junior, subordinated and/or unsecured instruments. If the portfolio company in question does not successfully reorganize, the applicable Credit Fund will have no assurance (as do those distressed investors that acquire only fully collateralized positions) that it will recover any of the principal that it has invested. While such junior, subordinated or unsecured investments, all or a significant portion of which may be secured and/or subject the Credit Funds to a "first loss" subordinate holder position relative to other lenders, may benefit from the same or similar financial and other covenants as those enjoyed by the indebtedness ranking ahead of the investments and may benefit from cross-default provisions and security over the portfolio company's assets, some or all of such terms may not be part of particular investments. Moreover, the ability of the Credit Funds to influence a portfolio company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors will typically be able to block the acceleration of the mezzanine debt or other exercises by the Credit Funds of their rights as creditors. Accordingly, the applicable Credit Fund may not be able to take the steps necessary to protect its investments in a timely manner or at all and there can be no assurance that the rate of return objectives of the Credit Fund or any particular investment will be achieved. In addition, the debt investments in which the Credit Funds may invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and may not be rated by a credit rating agency.

Certain of the Credit Funds' investments are in the form of subordinated debt instruments, which will rank behind the borrower's more senior indebtedness. As a result, upon any distribution to a borrower's creditors in a bankruptcy, liquidation or reorganization or similar proceeding, the holders of such borrower's more senior and/or secured indebtedness (to the extent of the collateral securing such obligation) will be entitled to be paid in full before any payment may be made on the applicable Credit Fund's investment. In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to a borrower, the Credit Fund will participate with all other holders of such borrower's indebtedness in the assets remaining after the borrower has paid all of its more senior and/or secured indebtedness (to the extent of the collateral securing such obligation). A borrower may not have sufficient funds to pay all of its creditors and the Credit Fund may receive nothing, or less, ratably, than the holders of more

senior and/or secured indebtedness of such borrower or the holders of indebtedness that is not subordinated.

Further, the ability of a borrower to make payments on the loan underlying these securities is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit and any classes of securities junior to those in which the Credit Funds invest, the applicable Credit Fund will not be able to recover all of its investment in the securities purchased. Investments in subordinate securities have a higher risk of loss and credit default than investments in more senior securities and subordinated tranches absorb losses from default before other more senior tranches are put at risk. Mezzanine debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) environmental liabilities that may arise with respect to collateral securing the obligations.

The Credit Funds’ investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the applicable Credit Fund earlier than expected, resulting in a lower return to the applicable Credit Fund than projected. This may happen when there is a decline in interest rates. Early repayments of a Credit Fund’s investments may have a material adverse effect on the Credit Fund’s investment objectives and the internal rate of return on invested capital. In addition, depending on fluctuations of the equity markets and other factors, warrants and other equity investments may become worthless. There can be no assurance that attempts to provide downside protection through contractual or structural terms with respect to a Credit Fund’s investments will achieve their desired effect. Certain investments of a Credit Fund may not have all of the characteristics targeted by the Credit Fund. Furthermore, the Credit Funds have limited flexibility to negotiate terms when purchasing newly issued investments in connection with a syndication of mezzanine or certain other junior or subordinated investments or in the secondary market.

- *Bank Loans and Participations.* A portion of a Credit Fund’s assets are invested in bank loans and participations in bank loans. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws; (ii) so-called lender liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; (iv) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; and (v) limitations on the ability of a Credit Fund to directly enforce its rights with respect to participations. The loans invested in by the Credit Funds may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated.

Successful claims by third parties arising from these and other risks may be borne by the Credit Funds. Bank loans are frequently traded on the basis of standardized documentation, which is used in order to facilitate trading and market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that the current level of liquidity will continue or that the same documentation will be used in the future. The settlement of trading in bank loans often requires the involvement of third parties, such as administrative or syndication agents, and there presently is no central clearinghouse or authority that monitors or facilitates the trading or settlement of all bank loan trades. Often, settlement may be delayed based on the actions of any third party or counterparty, and adverse price movements may occur in the time between trade and settlement, which could result in adverse consequences for the applicable Credit Fund.

The Credit Funds may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. In addition, if a Credit Fund acquires loans pursuant to an assignment it is possible that the Credit Fund's claims may be subject to attack (i.e., equitable subordination or disallowance) on account of the conduct of the transferee. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest and not with the borrower. In purchasing participations, a Credit Fund may have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Credit Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, a Credit Fund may assume the credit risk of both the borrower and the institution selling the participation to the Credit Fund. In certain circumstances, investing in the form of a participation may be the most advantageous or only route for a Credit Fund to make or hold any investment, including in light of limitations relating to local laws or the willingness of administrative agents or borrowers to allow the Credit Fund to become a direct lender. Some of the bank loans acquired by the Credit Funds may be below investment grade. In terms of liquidity with respect to such investments, there can be no assurance that levels of supply and demand in bank loan trading will provide an adequate degree of liquidity for the Credit Funds' investments therein. In addition, the Credit Funds may make investments in stressed or distressed bank loans, which are often less liquid than performing bank loans.

- *Convertible Securities.* Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (a) have higher yields than common stocks, but lower yields than comparable

non-convertible securities, (b) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (c) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Credit Fund is called for redemption, the Credit Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the applicable Credit Fund’s ability to achieve its investment objective.

- *Covenant Lite Loans.* Although the firm generally expects the loan documentation of most of the Credit Funds’ investments to include both incurrence and maintenance-based covenants, there may be instances, such as those investments purchased by a Credit Fund on the secondary market, in which the Credit Fund invests in covenant-lite loans. An investment by a Credit Fund in a covenant-lite loan may potentially hinder the ability to reprice credit risk associated with the portfolio company and reduce the ability to restructure a problematic loan and mitigate potential loss. As a result, the applicable Credit Fund’s exposure to losses may be increased, which could result in an adverse impact on the Credit Fund’s return to its investors.
- *Collateralized Loan Obligations.* The Credit Funds’ investments may in the future include collateralized loan obligations (“CLO”) products and other securitizations (including “equity” or residual tranches; and in such cases a double layer of fees and expenses would be borne by investors in the applicable Credit Fund), which are generally limited recourse obligations of a portfolio company (“Securitization Vehicles”) payable solely from the underlying assets (“Securitization Assets”) of the portfolio company or proceeds thereof. Consequently, holders of equity or other instruments or obligations issued by Securitization Vehicles must rely solely on

distributions on the Securitization Assets or proceeds thereof for payment in respect thereof. The Securitization Assets may include, without limitation, broadly syndicated leverage loans, middle-market bank loans, CLO debt tranches, trust preferred securities or instruments, insurance surplus notes, asset-backed securities or instruments, mortgages, REITs, high-yield bonds, mezzanine debt, second lien leverage loans, credit default swaps and emerging market debt and corporate bonds, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. Securitization Vehicles are typically actively managed by an investment adviser, and as a result the Securitization Assets will be traded, subject to rating agency and other constraints, by such investment adviser. The aggregate return on the CLO equity instruments will depend in part upon the ability of each investment adviser to actively manage the related portfolio of Securitization Assets.

- *Market Risk.* Issuers in which a Credit Fund invests could deteriorate as a result of, among other factors, an adverse development in their business (including due to adverse commodity price movements), a change in the competitive environment or the continuation or worsening of the current (or any future) economic and financial market downturns and dislocations. As a result, issuers that the applicable Credit Fund expected to be stable or improve may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress. In addition, exogenous factors such as fluctuations of the credit markets and capital markets also could result in investments owned by a Credit Fund becoming worthless. Similarly, while the Credit Funds will generally target investing in companies that the general partner believes are of high quality, these companies could still present a high degree of business and credit risk. There is a possibility that a Credit Fund may incur substantial or total losses on its investments. During an economic downturn or recession, investments of financially troubled or operationally troubled issuers are more likely to go into default than those of other issuers. Investments of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than those of companies not experiencing financial difficulties. The market prices of such investments are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many of the Credit Funds' investments may not be widely traded and that the applicable Credit Fund's investment in any such investment may be substantial relative to the market for such investments. The level of analytical sophistication, both financial and legal, necessary for successful investment in investments of issuers experiencing significant business and financial difficulties is unusually high. There is no assurance that the general partner will correctly evaluate the current or prospective future value of the assets underlying the Credit Funds' investments at any point in time or the prospects for a successful reorganization or similar action. As a result, the applicable Credit Fund may experience delays and incur losses and other costs in connection with the sale of its investments.
- *Credit Ratings are Not a Guarantee of Quality.* Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. A credit rating is not a recommendation to buy, sell or hold assets and may be



subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating assigned to any corporate debt obligation is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such corporate debt obligation. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of any corporate debt obligation are only a preliminary indicator of investment quality, and not a completely reliable indicator of investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time, with material adverse effects upon the corporate debt obligation. It is possible that many credit ratings of assets included in or similar to the corporate debt obligation will be subject to significant or severe adjustments downward.

- *Prepayment Risk.* The value of a Credit Fund's assets may be affected by prepayment rates on loans. Prepayment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Credit Funds' control. Therefore, the frequency at which prepayments (including voluntary prepayments by borrowers and liquidations due to defaults and insolvency) occur on a Credit Fund's investments can adversely impact the Credit Fund and prepayment rates cannot be predicted with certainty making it impossible to insulate the Credit Fund from prepayment or other such risks. Early prepayments give rise to increased re-investment risk, including, for example, when the prevailing level of interest rates falls, the applicable Credit Fund may be unable to re-invest cash in a new investment with an expected rate of return at least equal to that of the investment prepaid.
- *Spread Widening Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the debt instruments and other securities in which the Credit Funds invest may decline substantially. In particular, purchasing debt instruments or other assets at what may appear to be "undervalued" or "discounted" levels (due to perceived market dislocations or otherwise) is no guarantee that these assets will not be trading at even lower levels at a future time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk. Additionally, the perceived discount in pricing from previous environments described herein may still not reflect the true value of the assets underlying debt instruments in which the Credit Funds invest.
- *General Economic Conditions; The "Wedge."* The success of each Credit Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Credit Fund's investments), trade barriers, currency exchange controls, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency, emerging market volatility and national and international political, environmental and socioeconomic circumstances (including

wars, terrorist acts or security operations). The volatility of the global credit markets could make it more difficult to obtain favorable financing for investments. During periods of volatility, which often occur during economic downturns, generally credit spreads widen, interest rates rise, and investor demand for high yield debt declines. These trends result in reduced willingness by investment banks and other lenders to finance new investments and deterioration of available terms. A Credit Fund's ability to generate attractive investment returns for its limited partners will be adversely affected to the extent the Credit Fund is unable to obtain favorable financing. Moreover, to the extent that such marketplace events are not temporary, they could have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the economy, which could restrict the ability of a Credit Fund to sell or liquidate investments at favorable times or for favorable prices or otherwise may have an adverse impact on the business and operations of the Credit Fund. A future economic downturn could adversely affect the financial resources of the Credit Funds' portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Credit Funds could lose both invested capital in and anticipated profits from the affected portfolio companies. Such marketplace events have also impacted the availability and terms of financing for leveraged transactions. Private equity investors have recently been required to finance transactions with a greater proportion of equity relative to prior periods and the terms of debt financing are significantly less flexible for borrowers compared to prior periods. These developments may impair a Credit Fund's ability to consummate transactions and may cause the Credit Fund to enter into transactions on less attractive terms than those enjoyed by prior energy debt financing funds. No assurance can be given that current or anticipated market conditions, trends or opportunities will arise or continue, as applicable, or that the "Wedge," or the growing gap between supply and demand for energy credit, will remain stable or grow during the life of each Credit Fund, since this will depend upon events and factors outside Riverstone's control. There can be no assurance that default and recovery rates experienced by companies in the energy sector relative to companies outside the energy sector will continue to compare favorably. There can be no assurance that conditions in the global financial markets will not worsen and/or adversely affect one or more of the Credit Funds' investments, its access to capital for leverage or a Credit Fund's overall performance. The Credit Fund's investment strategy and the availability of opportunities satisfying the Credit Fund's risk-adjusted return parameters relies in part on the continuation of certain trends and conditions observed in the market for investments (e.g., the inability of certain companies to obtain financing solutions from traditional lending sources or otherwise access the capital markets) and the broader financial markets as a whole, and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made or the beliefs and expectations currently held by Riverstone will prove correct and actual events and circumstances may vary significantly.

- *Changes to Benchmark Rates.* To the extent that a fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based

on benchmark or reference rates, including the London Interbank Offered Rate (“LIBOR”), Secured Overnight Financing Rate (SOFR) or other rates (each, a “Benchmark Rate”), the fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants have transitioned historical instruments and contracts away from LIBOR to new Benchmark Rates. This transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the funds and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

- *Borrowing and Leverage.* The general partner is permitted to utilize permanent investment leverage in connection with the Credit Fund’s investments (subject to a fund level cap (the “Portfolio Leverage Limit”). Such investment leverage increases the exposure of an investment to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment. Borrowings by a Credit Fund have the potential to enhance the Credit Fund’s returns; however, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Credit Fund’s cost of funds. As a general matter, the presence of leverage can accelerate losses. In addition, a Credit Fund may exceed the Portfolio Leverage Limit with respect to individual investments. Accordingly, the failure of any highly leveraged investment could have a disproportionate impact on the returns of the applicable Credit Fund.

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

The identity of the lender or group of lenders that will provide the leverage facility and investment leverage, and the terms upon which such leverage will be made available, have not yet been determined. The general partner may in its sole discretion at any time throughout the life of a Credit Fund, in light of then-prevailing business and markets conditions and portfolio considerations, amend, modify, restructure or refinance any leverage facility or investment leverage with such parties and on such terms as the general partner determines appropriate for the Credit Fund. In addition, a Credit Fund

may need to refinance its outstanding debt as it matures. There is a risk that a Credit Fund may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of the existing loan agreements. In such circumstances, certain terms of any new or amended leverage facility may be less favorable than its predecessor facility. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. These risks could adversely affect a Credit Fund's financial condition, cash flows and the return on its investments. No assurance can be given that the leverage facility will be available throughout the life of the applicable Credit Fund. If a Credit Fund is unable to maintain the leverage facility or replace such facility upon its termination, the Credit Fund would not necessarily be able to make investments on a leveraged basis and in such circumstances, the general partner may, in its discretion, terminate the Commitment Period, dissolve the Credit Fund or take other appropriate actions. The leverage facility may also be secured by assignment of the obligations of the partners to make capital contributions to the applicable Credit Fund and a security interest in the investments made by the Credit Fund.

Each Credit Fund expects that it may operate at or near the Portfolio Leverage Limit or such higher amount as may be approved by the Credit Fund's limited partner advisory committee or a majority in interest of the limited partners. Each Credit Fund's debt generally will take the form of secured lines of credit. There can be no assurance that such financing will continue to be available or be available on acceptable terms. It is also possible that a Credit Fund may decide to repay any leverage with funds drawn from the commitments of the limited partners or to make future investments with little or no corresponding leverage. If a Credit Fund decides to pay down its leverage or to make its investments with little or no leverage, the returns of the limited partners may be adversely affected. Such returns may also be adversely affected if a Credit Fund is required to renew its leverage facility at times when the costs of borrowing in the leveraged market are not as favorable as when the Credit Fund made its underlying loans.

Because the Credit Funds may engage in portfolio financings where investments are cross-collateralized or cross-defaulted, multiple investments may be subject to the risk of loss. As a result, a Credit Fund could lose its interests in performing investments in the event such investments are cross-collateralized or cross-defaulted with poorly performing or nonperforming investments.

Recourse debt, which each Credit Fund reserves the right to obtain, may subject other assets of the Credit Fund to the risk of loss and an investor's commitment to be called or Credit Fund assets to be sold to satisfy such debt. Full or partial recourse debt may also limit the ability of the applicable Credit Fund to effect a debt restructuring at or prior to maturity of the debt.

The general partner has the ability to cause the applicable Credit Fund to incur debt, such as debt resulting from bridge financing, subscription and/or asset-backed facilities. Such debt exposes the Credit Fund to refinancing, recourse and other risks.

With respect to any asset-backed facility entered into by a Credit Fund (or an affiliate thereof), a decrease in the market value of the Credit Fund's investments would increase the effective amount of leverage and could result in the possibility of a "margin call" or violation of certain financial covenants pursuant to which the Credit Fund must either repay the borrowed funds to the lender, which could, subject to any limitations set forth in the Partnership Agreement require investors to make additional capital contributions in respect of such borrowings, or suffer foreclosure or forced liquidation of the pledged assets. Liquidation of a Credit Fund's investments at an inopportune time in order to satisfy such financial covenants could adversely impact the performance of the Credit Fund and could, if the value of its investments had declined significantly, cause the Credit Fund to lose all or a substantial amount of its capital. Moreover, if additional capital contributions were required to satisfy such financial covenants this would effectively reduce the amount of capital available for other investments and could adversely affect the diversification of the applicable Credit Fund's portfolio. In the event of a sudden, precipitous drop in the value of a Credit Fund's assets, the Credit Fund might not be able to dispose of assets quickly enough to pay off its debt resulting in a foreclosure or other total loss of some or all of the pledged assets. Fund-level debt facilities may include other covenants such as, but not limited to, covenants against a Credit Fund making distributions to investors if there is a default under the fund-level debt facility and covenants against the Credit Fund incurring or being in default under other recourse debt, including certain Credit Fund guarantees of asset level debt. Any breach of those covenants could cause adverse consequences to the applicable Credit Fund if it is unable to cure or otherwise mitigate such breach.

The general partner may obtain its leverage through the use of a total return swap or other derivative contract, instrument or similar arrangement designed to substantially replicate the benefits and risks of holding its investments, but on a leveraged basis. Total return swap agreements generally are contracts in which one party (e.g., a bank or other financial institution) agrees to make periodic payments to another party (e.g., a Credit Fund) based on the change in market value of the assets underlying the contract and also in respect of interest generated by such underlying assets (e.g., the leveraged loans in which a Credit Fund will seek to indirectly invest) during a specified period, in return for periodic payments based on a fixed or floating yield on the total notional value of such underlying assets. Such total return swap agreements would allow a Credit Fund to obtain exposure to a portfolio of leveraged loan investments without owning or taking physical custody of such loans or investing directly therein. It is anticipated that such total return swap agreements would be structured to effectively add investment leverage to a Credit Fund's portfolio because, in addition to its total net assets, the Credit Fund would be subject to investment exposure on the notional amount of the swap. The leverage provided by such instruments will magnify the gains and losses experienced by a Credit Fund and cause the value of the Credit Fund's assets to be subject to wider fluctuations than would be the case if the Credit Fund did not use the leverage feature in such instruments. Total return swap agreements entered into by a Credit Fund would be subject to the risk that one or more counterparties thereto would default on their payment obligations to the Credit Fund, due to such counterparty's insolvency, bankruptcy or other factors that are outside of the control of the general partner and the Credit Fund. Swap agreements also bear the risk that a Credit Fund will

not be able to meet its obligation to such counterparty and therefore be subject to various remedies, including cross-defaults to other transactions with the same counterparty. Defaults by either a Credit Fund or a counterparty with respect to any such total return swap could cause the applicable Credit Fund to lose all or a portion of its assets. In addition, if a Credit Fund fails to maintain sufficient collateral to support its obligations under any total return swap or if certain specified credit event occurs with respect to the Credit Fund, then the swap contract will be terminated early and the Credit Fund will lose access to the leverage provided by such swap and, to the extent the Credit Fund owes payment obligations to its swap counterparty upon such early settlement of the swap, the Credit Fund will be required to make such payment at a time earlier than the scheduled settlement of the swap. Any total return swap providing investment leverage will not be traded on an exchange and, therefore, the risk to a Credit Fund of nonperformance by the counterparty to such an instrument may be greater, and the ease with which the Credit Fund can dispose of or enter into closing transactions with respect to such an instrument may be less, than in the case of an exchange traded instrument. Total return swaps are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. Also, any bankruptcy, insolvency or default by a counterparty to a Credit Fund could result in a loss of the Credit Fund's investments, including, for example, where investments are re-hypothecated or otherwise held by such counterparties and become subject to general claims of their creditors. Tax-exempt investors should note that the use of leverage by a Credit Fund may create "unrelated business taxable income."

- *Investments in Highly Leveraged Companies; Use of Leverage.* Each Credit Fund's investments are expected to include investments in companies whose capital structures may have significant leverage (which may include substantial leverage senior to the Credit Fund's investments), a considerable portion of which may be at floating interest rates. The leveraged capital structure of such companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or further deteriorations in the financial condition of the company or its industry. This leverage may result in more serious adverse consequences to such companies (including their overall profitability or solvency) in the event these factors or events occur than would be the case for less leveraged companies. In using leverage, these companies may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair their ability to finance or otherwise pursue their future operations or otherwise satisfy additional capital needs. Moreover, rising interest rates may significantly increase the portfolio company's interest expense, or a significant industry downturn may affect a company's ability to generate positive cash flow, in either case causing an inability to service outstanding debt. Such leverage, when combined with the fund-level leverage described under "Borrowing and Leverage" above, will serve to magnify both a Credit Fund's opportunities for gain and its risk of loss from a particular investment.
- *Risks Associated with Short Sales.* The Credit Funds may sell investments short. Selling investments short runs the risk of losing an amount greater than the amount invested.

Short selling is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of an investment may appreciate before the short position is closed out. In addition, the supply of investments which can be borrowed fluctuates. A Credit Fund may be subject to losses if a counterparty or other lender demands return of the lent investments and an alternative lending source cannot be found or if the Credit Fund, as the case may be, is otherwise unable to borrow investments which are necessary to hedge its positions.

In addition to the above risks that relate to specific segments of the energy and power sectors, there are some important risks associated with investments related to the energy and power sectors generally.

- *Environmental Matters.* Environmental laws, regulations and regulatory initiatives play a significant role in the energy and power industry and can have a substantial impact on investments in this industry. 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 power industry will continue to face considerable oversight from environmental regulatory authorities. Our firm seeks to evaluate carefully the expected impact of environmental compliance on all potential investments. Our firm, on behalf of our clients, may invest in portfolio companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements.

There can be no guarantee that we will be able to identify all costs and risks regarding compliance with environmental laws and regulations. New and more stringent environmental and health and safety laws, regulations and reporting and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on portfolio companies or potential investments. Compliance with current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not incur additional unforeseen environmental expenditures. Moreover, failure to comply with any these requirements could have a material adverse effect on a portfolio company. There can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims.

- *Development and Construction Related to Power Businesses.* A portfolio company may also face construction risks typical for power generation and related infrastructure businesses, including, without limitation, (i) labor disputes, work stoppages or shortages of skilled labor, (ii) shortages of fuels or materials, (iii) slower than projected construction progress and the unavailability or late delivery of necessary equipment, (iv) delays caused by or in obtaining the necessary regulatory approvals or permits, (v) adverse weather conditions and unexpected construction conditions, (vi) accidents or

the breakdown or failure of construction equipment or processes, (vii) difficulties in obtaining suitable or sufficient financing and (viii) force majeure or catastrophic events such as explosions, fires and terrorist activities and other similar events beyond a fund's control. Such developments could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction activities once undertaken, any of which could have an adverse effect on the funds and on the amount of funds available for distribution to fund investors. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations and unanticipated problems with project start-up. Such unexpected increases may result in increased debt service costs and funds being insufficient to complete construction. Such increases may result in the inability of project owners to meet the higher interest and principal repayments arising from the additional debt required. Delays in project completion can result in an increase in total project construction costs through higher capitalized interest charges and additional labor and material expenses and, consequently, an increase in debt service costs. It may also affect the scheduled flow of project revenues necessary to cover the scheduled operations phase debt service costs, operations and maintenance expenses and damage payments for late delivery. In addition, there are risks inherent in the construction work that may give rise to claims or demands against a portfolio investment. Delays in the completion of any project may result in lost opportunities or revenues or increased expenses, including higher operation and maintenance costs related to a portfolio investment. Portfolio investments under development or portfolio investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced.

Any events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, the construction. In addition, there are risks inherent in the construction work which may give rise to claims or demands against a portfolio company. Delays in the completion of any power project may result in lost revenues or increased expenses, including higher operation and maintenance costs related to a portfolio company.

A portfolio company may also need to restructure and effect improvements in its operations. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that such improvements will be successfully identified and/or implemented.

- *Regulatory Risks and Approvals.* The power generation industry is subject to comprehensive United States and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect the portfolio companies and the prospects of the funds. Other power assets may be taxed or need to purchase offsets under existing or proposed environmental legislation in the United



States and existing or proposed environmental legislation and regulations in other parts of the world, which could affect economic viability.

Our clients may invest in portfolio companies believed to have obtained all material governmental approvals and permits required as of the date thereof to acquire and operating their facilities. In addition, our clients may be required to obtain the consent or approval of applicable regulatory authorities in order to acquire or hold certain ownership positions in portfolio companies. A portfolio company could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on the company. Moreover, additional regulatory approvals and permits, including without limitation, 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 companies' customers or affiliates or for other reasons. There can be no assurance a portfolio company will be able to:

- obtain all required regulatory approvals and permits that it does not currently have or that it may be required to have in the future;
- obtain any necessary modifications to existing regulatory approvals and permits; or
- renew and otherwise maintain required regulatory approvals; or
- comply with all terms of all regulatory approvals and permits.

Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals or permits, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility or sales to or from third parties or could result in additional costs to a portfolio company. In connection with the regulatory approval, licensing or review processes for any portfolio company, disclosures and other undertakings may be required from or in respect of the existing or prospective owners of the portfolio company, potentially including our clients and in turn, the investors.

Legislative and regulatory changes in a jurisdiction where a portfolio investment is located may make the continued operation of the portfolio investment infeasible or economically disadvantageous and any expenditures made to date by such portfolio investment may be wholly or partially written off. The locations of the portfolio investments may also be subject to government exercise of eminent domain power or similar events. Any of these changes could significantly increase the regulatory compliance costs and other expenses incurred by the portfolio investments and could significantly reduce or entirely eliminate any potential revenues generated by one or more of the portfolio investments, which could materially and adversely affect returns to our clients.

- *Operating Pursuant to Complex Government Licenses, Leases, Concessions or Contracts.* A portfolio company's operations may rely on government licenses, concessions, leases or contracts that are generally very complex and may result in a dispute over interpretation or enforceability. If a portfolio company fails to comply with these regulations or contractual obligations, it could be subject to disgorgement of profits or monetary penalties, may lose its right to operate, and/or face other remedies. Where a fund's ability to operate a portfolio company is subject to a permit, license, concession or lease from the government, such requirements may restrict the portfolio company's ability to operate the business in a way that maximizes cash flows and profitability. The permit, license, lease or concession may also contain clauses or be subject to rules more favorable to the government counterparty or issuer of the relevant license than might apply in a typical commercial contract. For instance, the government may be able to terminate or amend a permit, license, lease or concession in certain circumstances unilaterally, or without requiring payment of adequate compensation. In addition, governments (as counterparties or license or permit issuers) also may have the discretion to change or increase regulation of a portfolio company's operations, or implement laws or regulations affecting the portfolio company's operations, separate from any contractual rights they may have. Governments have considerable discretion in implementing regulations that could impact a portfolio company's business, and because its business may provide basic, everyday services, and face limited competition, governments may be influenced by political considerations and may make decisions that adversely affect a portfolio company's business. In addition, a portfolio company may be subject to rate regulation that will determine the prices it may charge. It may be subject to unfavorable price determinations that may be final with no right of appeal or which, despite a right of appeal, could result in its profits being negatively affected.
- *Non-U.S. Investments.* Our firm, on behalf of our clients, is permitted to invest in portfolio companies located or operating principally outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to:
  - currency exchange matters, such as fluctuations in the rate of exchange between the U.S. dollar and non-U.S. currencies, and costs associated with conversion of investment principal and income from one currency into another;
  - differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets;
  - the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation;
  - certain economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, nationalization of business enterprises, the risks of political, economic or social

instability, the possibility of substantial rates of inflation and the possibility of expropriation or confiscatory taxation;

- the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities; and
  - less developed laws regarding corporate governance, fiduciary duties and the protection of investors, and other differences in applicable legal systems, including the possibility that our clients may experience difficulty in asserting legal claims or obtaining legal remedies in non-U.S. jurisdictions.
- *Sanctioned Investors.* If after subscribing to a fund a limited partner is included on a list of prohibited persons maintained by a relevant regulatory or governmental authority (including United States Department of the Treasury's Office of Foreign Assets Control or equivalent non-U.S. authorities) (a "Sanctions List"), the relevant general partner will have the sole discretion to determine the resolution, remedy and manner of compliance of the fund with applicable laws, including without limitation a "freeze" on distributions and/or capital calls from the relevant limited partner and reporting to the relevant authorities. Adverse actions by any such authorities, including temporary or permanent stays or holds on the fund's activities, could materially and adversely affect the funds.
  - *Reliance on Portfolio Company Management.* Each portfolio company's management team is responsible for the day-to-day operations. Although our firm or our affiliates are responsible for monitoring the performance of each investment and generally intend to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with our clients' plans and/or objectives.
  - *Risks in Effecting Operating Improvements.* In some cases, the success of our clients' investment strategy will depend, in part, on the ability of our firm to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. We cannot give any assurance that we will be able to successfully identify and implement these restructuring programs and improvements.
  - *Investment in Restructurings.* Our firm or our affiliates may make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may cause portfolio companies to become subject to bankruptcy proceedings. These types of investments could, in certain circumstances, subject our clients to certain additional potential liabilities that may exceed the value of our clients' original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of its actions. In addition, under certain circumstances, payments

to our clients and distributions by our clients to the investors may be reclaimed if any payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

- *Currency and Exchange Rate Risks.* A portion of our clients' investments, and the income received by our clients with respect to these investments, may be denominated primarily in foreign currencies. However, the books of our clients will be maintained, and contributions to and distributions from our clients generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments and the amounts of distributions, if any, to be made by our clients. In addition, our clients will incur costs in converting investment proceeds from one currency to another.
- *Hedging Policies and Commodities Price Risks.* In connection with certain investments, our firm, on behalf of a client, or a client's portfolio companies may employ hedging techniques designed to reduce the risks of adverse movements in commodities prices, interest rates, securities prices and currency exchange. If our client or a portfolio company engages in any hedging activities, it may be exposed to credit-related losses in the event of a non-performance by counterparties to the physical or financial instruments. Additionally, if commodity prices, interest rates or exchange rates increase above or decrease below those levels specified in any future hedging agreements, such hedging arrangements may prevent a client or a portfolio company from realizing the full benefit of such increases or decreases. In addition, any future commodity hedging arrangements could cause our client or a portfolio company to suffer financial loss if it is unable to produce sufficient quantities of the commodity to fulfill its obligations, if it is required to pay a margin call on a hedge contract or if it is required to pay royalties based on a market or reference price that is higher than a client's or the portfolio company's fixed ceiling price. To the extent that risk management activities and hedging strategies are employed to address commodity prices, exchange rates, interest rates or other risks, risks associated with such activities and strategies, including counterparty risk, settlement risk, basis risk, liquidity risk and market risk, could impact or negate such activities and strategies, which would have a negative impact on our clients' overall performance.
- *Use of Derivatives and Other Specialized Techniques.* Companies in the energy and power industry engage in derivatives transactions to insulate against changes in commodities prices. Our firm, on behalf of a client, or a client's portfolio companies may engage in other derivative or similar transactions as described above. These transactions may involve the purchase and sale of commodities or commodity futures, the use of forward contracts, swap agreements, put and call options, floors, collars or other arrangements. Those instruments may be difficult to value, may be illiquid and may be subject to wide swings in valuation caused by changes in the price of

commodities or other underlying assets. Derivative instruments may trade principally on markets organized outside the United States. Markets for these instruments may be illiquid, highly volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable cost.

The investment techniques related to derivative instruments are highly specialized and may be considered speculative. These techniques often involve forecasts and complex judgments regarding relative price movements and other economic developments. The success or failure of these investment techniques may turn on small changes in exogenous factors not within the control of portfolio companies, our firm or our clients. For all the foregoing reasons, the use of derivatives and related techniques can expose a client and its portfolio companies to significant risk of loss.

- *Regulatory Changes Relating to the Swaps and Foreign Exchange Markets.* Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) established a general framework for federal regulation of the over-the-counter (“OTC”) derivatives market and entities that participate in that market, and required the Commodity Futures Trading Commission (the “CFTC”), the SEC and certain prudential regulators to promulgate certain rules and regulations implementing the derivatives-related provisions of the Dodd-Frank Act, including by giving the CFTC the authority to expand existing federal position limits to certain swaps. The rules and regulations regarding swaps required under Dodd-Frank include, among other things, those relating to the regulation of certain swaps entities, such as swap dealers, the mandatory clearing of certain swaps, the mandatory trading of certain swaps on a regulated platform, margin requirements for uncleared swaps, and the reporting and recordkeeping of swaps. While most of these regulations are already in effect, regulators continue to review and refine their initial rulemakings through additional interpretive guidance, staff no-action relief and supplemental rulemakings. As a result, any new regulations, or modifications to or interpretations of existing regulations, could significantly increase the cost of derivatives transactions, materially alter the terms of our clients’ and their portfolio companies’ derivatives contracts, reduce the availability of derivatives to protect against risks they encounter, reduce their ability to close out or restructure their existing derivatives contracts and increase their exposure to less creditworthy counterparties.

Due to the requirements imposed by the Dodd-Frank Act, certain instruments must be centrally cleared and executed on a regulated exchange or other approved trading platform, and our clients may experience increased transaction costs as a result of mandatory clearing and mandatory execution requirements associated with certain swaps. In addition, Title VII of the Dodd-Frank Act and the rules of the CFTC, the SEC and federal banking regulators thereunder require our clients to comply with variation margin (and, depending on the client and its affiliates’ aggregate volume of derivatives trading activity, potentially initial margin) requirements for their uncleared OTC derivatives contracts (other than physically settled foreign exchange (“FX”) forwards and FX swaps) with CFTC-regulated swap dealers and SEC-regulated security-based swap dealers, which mandatory margin requirements may limit our clients’ ability to engage in leveraged transactions. The CFTC has also recently

finalized revisions to existing federal position limit requirements which set position limits for certain futures and option contracts in certain energy markets and for swaps that are economically equivalent to such contracts, subject to certain exemptions (including for bona fide hedging transactions where necessary conditions are satisfied). In addition, the CFTC has previously finalized related aggregation rules that require market participants to aggregate their positions with certain other persons under common ownership or control, unless an exemption applies, for purposes of determining whether the position limits have been exceeded. As the revised CFTC federal position limits regime is phasing in, starting January 1, 2022 through January 1, 2023, compliance with the revised position limits rule and the final aggregation requirements may affect the ability of our clients and their portfolio companies to enter into derivatives transactions. In addition to the CFTC federal position limits regime, CFTC-regulated designated contract markets (“DCMs”) also established position limit and accountability regimes. Any such position limit regime, whether imposed at the federal level or at the DCM level, may require added operating costs to monitor compliance with position limit levels, address accountability level concerns and maintain appropriate exemptions, if applicable.

- *Lending and Credit Risk.* Our firm, on behalf of our clients, is permitted to make either long-term or short-term (bridge financing) loans to certain portfolio companies on both secured and unsecured bases. These types of loans are subject to credit and interest rate risks. “Credit risk” relates to an issuer defaulting in the payment of principal and/or interest on an instrument. It is often difficult to fully assess credit risk, which may change over the life of an instrument. “Interest rate risk” refers to the risks associated with market changes in interest rates. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Finally, in the case of bridge financings, for reasons not always in our control, a long-term securities issuance or other refinancing may not occur, and the bridge loans may remain outstanding. In this event, the interest rate on these loans or the terms of these interim investments may not adequately reflect the risk associated with our client’s unsecured position.
- *Certain Risks and Costs of Leverage Below a Fund.* Even though it presents many of the same risks as fund-level borrowing, indebtedness of entities other than a fund will not be treated as fund-level borrowing for purposes of the governing documents, even if the special purpose vehicles or other entities incurring such leverage engage in borrowings that are cross-collateralized with or among multiple investments such that multiple investments and a substantial portion of a fund’s value are at risk. As a result, these borrowings will not be subject to any limitations on fund-level borrowing in the governing documents. Since we have more flexibility to engage in these structures, we have an incentive to incur significant leverage at the level of holding companies beneath a fund. The negative performance of one asset may materially and adversely impact the performance of other investments or a fund as a whole.
- *Use of a Sub-Advisor.* The Credit Funds are in part dependent upon the expertise and ability of the Sub-Advisor, who is responsible for the day-to-day investment advisory functions and makes investment recommendations with respect to the Credit Funds and

their respective assets. Therefore, the death, incapacity or retirement of the Sub-Advisor or its principals, could potentially adversely affect investment results of the Credit Funds. While we perform due diligence and conduct risk analysis on the Sub-Advisor, and while we closely monitor the activities of the Sub-Advisor with respect to the Credit Funds, it should not be assumed that we will necessarily be able to prevent substantial losses from being incurred by such Sub-Advisor. Furthermore, it could be difficult for us to uncover fraudulent activity, violations of laws, rules or regulations, breaches of sub-advisory agreements or other forms of misconduct perpetrated by the Sub-Advisor or its personnel, including due to the fact that the Sub-Advisor's personnel are not generally subject to Riverstone's compliance policies and procedures to the same extent as Riverstone's personnel.

- *Use of Subscription Lines.* The funds are generally permitted to fund the making of investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which can be, for example, the undrawn capital commitments of investors, i.e., subscription lines) prior to calling capital commitments. The interest expense and other costs of any such borrowings will be borne by the applicable fund and, accordingly, may decrease net returns of such fund. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the applicable fund. In light of the foregoing, we have an incentive to cause such vehicle to borrow in this manner in lieu of drawing down capital commitments, subject to the operating and offering documents of each fund. In addition, because amounts borrowed under a subscription line typically are secured by pledges of the relevant general partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if a fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder.

The use of fund-level borrowing can increase the base of a fund's management fee calculation, such as during periods where management fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a fund's investment period, and cause or defer a related change in the basis of the relevant fund's management fee calculation under the governing documents.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant general partner's ability to consent to the transfer of a limited partner's interest in a fund or impose concentration or other limits on the fund's investments, and/or financial or other covenants, that could affect the implementation of the fund's investment strategy. In addition, in order to secure a subscription line, the relevant general partner may request certain financial information and other documentation from limited partners to share with lenders. The general partner will have significant

discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the fund, resulting in a potential net benefit to the fund, or additional potential liquidity constraints or other burdens on the relevant portfolio company or fund subsidiary.

- *Investment- and Intermediate Entity-Level Borrowing.* Under the governing documents, each fund is authorized to incur indebtedness that is secured by any assets of the fund (e.g., asset-based borrowing, as well as “back leverage” and net asset value (NAV) facilities), and is permitted directly or indirectly through one or more intermediate entities (e.g., special purpose vehicles) to incur indebtedness, including to borrow money from any person, to make guarantees or provide other credit support to any person or to incur any other obligation (including other extensions of credit). Indebtedness is permitted to be incurred for any purpose relating to the activities of the fund, including without limitation to: finance any investment-related activities of the fund; increase the buying power of the fund; provide interim financing to the extent necessary to consummate the purchase of investments prior to the receipt of permanent financing or capital contributions or distributions (as applicable); pay for fund expenses or fund the payment of management fees; make, hold or dispose of investments; provide financing or refinancing; fund the payment of amounts to withdrawing limited partners; fund distributions to the partners; and/or provide collateral to secure outstanding letters of credit or to create reserves, in each case in accordance with the governing documents. Additionally, a fund is expected to enter into letters of credit in support of one or more of its investments, including for the purpose of such fund agreeing to fund additional equity financing or capital expenditures into a portfolio company (regardless of who the beneficiary to such letter of credit may be) at a certain time or upon the occurrence of a certain event. Although in many cases the governing documents impose limits on borrowings at the fund level, portfolio investments and intermediate entities generally do not have such limits on their ability to engage in borrowings or incur leverage with respect to all or a portion of the relevant investments.
- *Public Company Holdings.* Certain of our clients’ investment portfolio contain securities issued by publicly held companies or their affiliates. These investments may subject a client to risks that differ in type and degree from those involved with investments in privately held companies. These risks include, without limitation:
  - greater volatility in the valuation of these companies,
  - increased obligations to disclose information regarding these companies,
  - limitations on the ability of a client to dispose of these securities at certain times,
  - delays in our clients’ sale of securities to complete the SEC’s registration process,



- increased likelihood of shareholder litigation against these companies' board members or significant shareholders, and
- increased costs associated with each of the above-listed risks.
- *Disease and Epidemics.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have resulted in historic market disruptions, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the funds.

The ultimate impact of any such health emergency—and any resulting decline in economic and commercial activity—on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the funds. The extent of the impact on the funds' and their portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the funds intend to pursue, all of which could adversely affect the funds' ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the funds, their portfolio companies, the general partners and Riverstone may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

- *Business Continuity Plans.* In the event of unforeseen catastrophic events such as natural disasters, terrorist attacks and epidemics, Riverstone will initiate its business continuity plan to safeguard that its personnel have the resources and technology necessary to continue their responsibilities and meet portfolio company and investor needs. The business continuity plan is tested to ensure that appropriate measures are put in place to manage any such catastrophic events. However, Riverstone is not able to predict the level of disruption that such catastrophic events may have on its operation

or the ability of the plan to succeed in a time of crisis. Thus, its business continuity plan may be insufficient to continue operating Riverstone's business as usual. The failure of the business continuity plan for any reason could cause significant interruptions in Riverstone's, the funds' and/or a portfolio company's operations. Similar types of operational risks are also present for the portfolio companies in which the funds invest, which could have material adverse consequences for such companies and may cause the funds' investments to lose value. While Riverstone has limited ability to control these risks at the portfolio-company level, Riverstone will work with portfolio companies to implement their own business continuity plans.

- *Cyber Security Breaches and Identity Theft.* Riverstone, each fund, certain of the fund's portfolio companies and service providers to Riverstone, the funds, the Sub-Adviser, and the portfolio companies generally rely on information technology systems for current and planned operations. Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Information and technology systems of Riverstone, each fund's portfolio companies and any service provider may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, security breaches, usage errors by their respective professionals. There can be no guarantee that Riverstone or the funds will be able to prevent or mitigate such incidents. The failure of these systems for any reason could cause significant interruptions in the operations of Riverstone, the funds and portfolio companies and could 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). A cybersecurity incident could have numerous material adverse effects, including on the operations, liquidity and financial condition of the funds. Cyber threats and/or incidents could cause financial costs from the theft of fund assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: litigation costs, preventative and protective costs, remediation costs and costs associated with reputational damage, any of which could be materially adverse to the funds.

The funds, their affiliates, service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect a fund and its investors, despite the efforts of such fund's service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of a fund's service providers, counterparties or data within these systems.

Third parties may also attempt to fraudulently induce personnel, customers, third-party service providers or other users of systems to disclose sensitive information in order to

gain access to data or that of a fund's investors. A successful penetration or circumvention of the security of systems could result in the loss, theft or corruption of an investor's data, a loss of fund data, a loss of funds, the inability to access electronic systems, overall disruption in operations systems, loss, theft or corruption of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. These threats may also indirectly affect a fund through cyber incidents with third party service providers or counterparties. Data taken in such breaches may be used by criminals in identity theft, obtaining loans or payments under false identities, and other crimes that could affect a fund's investors directly as well as affect the value of assets in which a fund invests. These risks can disrupt the ability to engage in transactional business, cause direct financial loss and reputational damage, lead to violations of applicable laws related to data and privacy protection and consumer protection or incur regulatory penalties, all or part of which may not be covered by insurance. Cybersecurity risks also result in ongoing prevention and compliance costs. In addition, funds may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information and adverse reputational reaction or litigation.

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

- *U.S. Taxation of Carried Interest.* U.S. federal income tax law 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 that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a fund, its general partner, or Riverstone who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant general partner and its affiliates to incentivize, attract and retain individuals to perform services for a fund. The proposed legislation also creates potential incentives for Riverstone to cause a fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.
- *Non-Controlling Investments.* We, on behalf of a client, have made, and may in the future make, make a non-controlling investment in certain portfolio companies. Therefore, we may have a limited ability to protect our client's position in these portfolio companies. However, we will seek appropriate shareholder rights to protect our clients' interests.

We, on behalf of our clients, are permitted to co-invest with third parties through joint ventures or other entities. These investments may involve risks in connection with third-party involvement, including the possibility that a third-party co-venturer may have financial, legal or regulatory difficulties resulting in a negative impact on an investment, may have economic or business interests or goals that are inconsistent with those of our clients or may be in a position to take (or block) action in a manner contrary to our clients' investment objectives. In addition, our clients could in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, these third parties may receive compensation arrangements relating to these investments, including incentive compensation arrangements. Although we do not primarily recommend any single type of security, we focus on equity and debt securities of energy and power companies. Accordingly, we encourage our clients as well as their investors to consider all of the risk factors we have described above. Please refer to Item 8 regarding risk factors related to our investment strategies. Any investment can be risky, and our clients and investors in our clients must be prepared to assume any potential loss.

## **Item 9           Disciplinary Information**

Neither our firm nor any management person has been involved in any material legal and disciplinary events required to be disclosed under this Item 9.

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

Certain affiliates of Riverstone Investment Group serve as general partners or management companies of the various Riverstone sponsored funds. All Riverstone investment advisory affiliated entities are registered investment advisers in accordance with SEC guidance under the Advisers Act, pursuant to Riverstone Investment Group's registration with the SEC. These affiliated entities operate as a single advisory business together with Riverstone Investment Group and share common owners, officers, members and personnel. All of these affiliated entities are under common control and subject to Riverstone Investment Group's Code of Ethics and Advisers Act compliance program pursuant to the requirements of the Advisers Act.

### Relationships with Pooled Investment Vehicles

Our firm or our affiliates, along with our joint venture partners, sponsor, manage and serve as general partners of the following funds, as well as certain investment vehicles formed to invest alongside these funds:

- Carlyle/Riverstone Global Energy and Power Fund III, L.P.;
- Riverstone/Carlyle Global Energy and Power Fund IV, L.P.;
- Riverstone Global Energy and Power Fund V, L.P.;
- Riverstone Global Energy and Power Fund VI, L.P.;
- Riverstone Non-ECI Partners, L.P.;

- Riverstone Energy and Power CKD Trust;
- Riverstone Renew CKD Trust;
- Riverstone Credit Partners, L.P.;
- Riverstone Credit Partners II, L.P.;
- Riverstone Credit Opportunities Income Plc;
- Riverstone/Carlyle Renewable Energy and Alternative Energy Fund II, L.P.;
- Riverstone Energy Limited;
- Riverstone Pattern Energy II, L.P.;
- Riverstone Pattern Energy III, L.P.;
- Riverstone Echo Continuation Fund, L.P.;
- Riverstone Echo Rollover Fund, L.P.;
- Riverstone Bison Continuation Fund, L.P.;
- Riverstone Bison Rollover Fund, L.P.;
- Riverstone Amber Continuation Fund, L.P.;
- Riverstone Grizzly Continuation Fund, L.P.; and
- Riverstone Nolan Continuation Fund, L.P.

Please see Items 4, 8 and 11 for a description of the conflicts of interest that may arise in these relationships and how we manage them.

#### Relationships with Investment Advisers

We are affiliated with the following investment advisers, which are relying advisers:

- RIGL Holdings, LP (an exempted limited partnership incorporated in the Cayman Islands); and
- RSHM S. de R.L. de C.V.

With respect to the Credit Funds, we have engaged Breakwall Investment Advisor, LLC, an independent registered investment adviser, as sub-adviser to the Credit Funds effective January 1, 2024. In Q4 2023, the Riverstone credit investment team spun out to establish Breakwall. Our firm continues to manage the Credit Funds and has entered into a sub-

advisory agreement with Breakwall whereby Breakwall makes recommendations, gives other advice and performs certain delegated responsibilities regarding the Credit Funds and its investments under our supervision and oversight until the Credit Funds' liquidation. Certain employees of Breakwall continue to own interests in the Credit Funds and receive carried interest with respect to the Credit Funds. Riverstone and Breakwall have also entered into a revenue sharing arrangement between the two firms on all new credit vehicles raised by Breakwall, whereby certain Riverstone principals will have a passive minority interest in certain economics related to certain fees and carried interest generated by Breakwall-advised vehicles. None of such Riverstone principals will have voting or governance rights in respect of the day-to-day operations of the Breakwall business.

Our firm and our joint venture partner, The Carlyle Group, form partnerships or limited liability companies that serve as the general partners to certain of our funds. Our firm and our joint venture partner also provide investment management services to those jointly sponsored funds pursuant to investment management agreements. Our firm forms partnerships or limited liability companies that serve as the general partners to our other funds that are not jointly sponsored with The Carlyle Group and provides investment management services to those other funds pursuant to investment management agreements.

These relationships and related management or other fees are further disclosed in the private offering materials of each fund client. See Items 4, 5, 8 and 11 for a discussion of the conflicts of interests that arise as a result of these relationships (including, the performance-based compensation that our firm or our affiliates may receive and certain trade allocation issues).

#### Relationships with Minority Investors

Furthermore, certain investment funds hold passive minority interests (the "Minority Investors") indirectly in Riverstone Holdings LLC and certain of its affiliates that entitle the Minority Investors to portions of the management fees, carried interest and other compensation earned by the firm. The Minority Investors are sponsored by a financial services firm that provides, directly and indirectly through various affiliates, investment banking, brokerage, financing, advisory and other services on an arm's length basis to the firm, its funds and the portfolio companies. None of the Minority Investors, the financial services firm or their affiliates has authority over or is involved in the firm's day-to-day business operations or investment decisions, although the Minority Investors have certain minority protection consent rights. Accordingly, the firm does not expect any material conflicts of interest to arise as a result of any business arrangements between the firm, its funds and/or the portfolio companies, on the one hand, and the financial services firm and its affiliates, on the other hand.

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

Our firm has established a code of ethics ("Code of Ethics") that sets forth standards of ethical conduct for our professionals. This code addresses standards of treating clients

ethically, potential conflicts of interest and personal trading by our firm and our affiliates and professionals. In addition, we have established policies and procedures that address, among other things, potential conflicts of interest that might arise in the management of the funds that we sponsor.

Our policies prohibit our employees from purchasing or selling, directly or indirectly, any security while in possession of material, non-public information regarding the security, whether or not this information was obtained in the course of employment. Our employees also may not discuss material, non-public information with anyone outside of our firm and our affiliates. Our firm generally prohibits our employees from trading in equity or debt securities in companies in the energy, power or other sectors related to investments of the Riverstone funds, except that (1) employees may trade in energy- or power-related mutual funds and (2) employees may trade in energy exchange-traded funds (“ETFs”), commodity interests, royalty trusts and publicly-traded securities also owned by Riverstone, only after receiving pre-clearance from our chief compliance officer or his/her designee. In addition, prior to investing in shares of initial public offerings or private placements, an employee must first pre-clear the trade with our chief compliance officer or her designee.

Our employees are not permitted to take for their own advantage an opportunity that rightfully belongs to our firm, our affiliates or our funds, are prohibited from using corporate property, information or position for personal gain, and may not compete directly or indirectly with our firm, our affiliates or our funds.

Our employees and control persons must certify annually that they have read and agree to comply in all respects with our Code of Ethics and that they have disclosed or reported all personal securities transactions, holdings and accounts required to be disclosed or reported by our Code of Ethics.

Additionally, our Code of Ethics provides for a range of sanctions, as deemed appropriate by our senior management, should anyone violate the Code of Ethics. These sanctions include, but are not limited to, a warning, fines, disgorgement, suspension, or termination of employment.

The paragraphs above only represent a summary of key provisions in our Code of Ethics. We will provide a copy of our entire Code of Ethics to any prospective client, any client or any investor in our funds upon request.

Under certain circumstances, we may recommend to clients, or buy or sell for client accounts, securities in which we or our affiliates have a material financial interest. Because our affiliates or our joint-venture partners are the general partners of our funds, we have a material interest that could create conflicts that must be managed.

The governing documents provide Riverstone with wide-ranging authority to make determinations, including those related to investment purchases and dispositions (and their timing), valuation and other matters that in each case have the potential to affect the Riverstone’s compensation. In making such determinations, Riverstone is subject to potential conflicts of interest. For example, the potential to earn additional compensation

creates an incentive for Riverstone or its affiliates to make investments and to hold investments longer than otherwise would be the case in the absence of the relevant fund's management fee and carried interest compensation arrangements. Riverstone expects to be incentivized to cause a fund to make, hold, value and/or dispose of investments (and to delay or forego a determination that the investments are Impaired Value Investments) in order to receive greater ongoing management fees and, potentially, earlier and/or larger carried interest distributions than would otherwise be the case.

Where the management fee is calculated taking into account the valuation of an investment, Riverstone will have incentives to make determinations that result in the continued payment of, or a higher, management fee. Where the governing documents do not require management fees to be reduced in connection with investment reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, Riverstone is incentivized to pursue such transactions. Additionally, the amount of carried interest owed to the relevant general partner is dependent in part on the amount and timing of investment dispositions, as well as in certain instances determinations that investments are Impaired Value Investments, and the relevant general partner expects to be subject to related potential conflicts of interest in determining whether and when to dispose of investments, make distributions, and/or determine that an investment is an Impaired Value Investment, within the requirements of the relevant governing documents.

Riverstone's wide-ranging authority on the determination of Impaired Value Investments, and the criteria used by the relevant general partner or its affiliates in valuing an investment, or determining whether an investment is an Impaired Value Investment, have the potential to be subjective, to be influenced by market information and other factors and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of the relevant general partner's determination that an investment is an Impaired Value Investment, and except as set forth in the governing documents, neither the general partner nor its affiliates is obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during the fund's holding period. The general partner is entitled to make its own determination taking into account all facts and circumstances it deems relevant, subject to the provisions of the governing documents. As a general matter, the standards for determining Impaired Value Investments are intended to be high, and are not intended to apply to investments experiencing partial or temporary declines in value. Because the amount of Riverstone's compensation is dependent in part on an investment's status as an Impaired Value Investment, the relevant general partner faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although Riverstone intend to operate in accordance with the governing documents, as well as its valuation policy, in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policy will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

Since our funds may be subject to different management fee and performance allocation structures and we can receive a carried interest from one fund sooner than from another fund, there may be a conflict of interest on how we allocate portfolio investments between



various funds. We have instituted a number of allocation policies in order to mitigate those conflicts. Generally, when a core private investment fund which we advise has invested or committed 75% of its committed capital, we may establish a new core private investment fund with a similar investment strategy. In general, the new core private investment fund may co-invest with the existing fund going forward until the existing fund has invested or committed 90% of its committed capital (for investments, management fees and expenses), after which point the new fund may make investments without being required to share them with the existing fund. To the extent that an investment opportunity is appropriate for both the existing fund and the new fund, we expect that both funds should invest on the same terms and conditions, with allocations made between the funds on a basis that the investment committee of each of the funds determines in good faith to be fair and reasonable. In certain cases, the organizational and charter documents of a fund may require the investor advisory committee to approve fund allocations between various funds. In the absence of this requirement, we will seek to allocate investments and investment opportunities in a manner that it believes is on a fair and reasonable basis under the circumstances over time consistent with our obligations and reserves the right, in our sole discretion, to further seek the approval of a fund's investor advisory committee.

Additionally, for other investment vehicles sponsored by us to invest alongside our funds in specific portfolio companies, the allocation of the investment opportunity to such vehicles is sometimes dictated by the investment limitations of the corresponding fund.

Following such determination of allocation among funds, Riverstone reserves the right to offer co-investment opportunities to one or more potential co-investors, as determined by the relevant fund governing documents, side letters and Riverstone's allocation policies. We are permitted to take into consideration a variety of factors in making such determinations, including, but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the geographic location, market or industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations; confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Riverstone's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair Riverstone's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; existence of a formal or informal strategic relationship with the prospective co-investor; the size and/or timing of a commitment to a fund; and whether Riverstone believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the funds or Riverstone. Although Riverstone reserves the right to consider a prospective co-investor's willingness to invest in future funds, such willingness generally will not be the sole determining factor

considered by Riverstone in identifying co-investors. Riverstone reserves the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, Riverstone or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. In order to facilitate the acquisition of a portfolio company, a fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant 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, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the general partner's interest in limiting the fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. In circumstances where an entire investment could be made by the applicable fund, we have in certain cases still allocated, and may in the future still allocate, a portion of such investment to one or more other investment vehicles if we believe in our good faith judgment that the full investment would unreasonably limit or otherwise affect the diversification of the applicable fund or that a particular strategic co-investor would add value to the investment in terms of consummating, operating or exiting the investment. In some cases, a fund invests alongside one or more other funds or entities not controlled by Riverstone, as members of a consortium.

In addition, the firm has structured, and may in the future structure, an investment to permit another fund focused on credit investments to participate in one or more debt tranches of the capital structure of a portfolio company of an equity fund (either together with, or separate from, participation alongside the portfolio investment made by the equity fund). The firm faces potential conflicts of interests arising from the different interests held by different firm clients in the underlying portfolio company (e.g., with respect to the terms of high yield securities or other debt or other instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). It is possible that in a bankruptcy proceeding one fund's interests may be adversely affected by virtue of the involvement and actions of another fund relating to its investment.

Certain current and former principals, personnel and affiliates of Riverstone have served, and in the future may serve, as board members of or organize SPACs, and own interests in or collectively control the sponsor of the SPAC (each such SPAC, a “Sponsored SPAC”), which gives rise to certain conflicts of interest. A SPAC is a company formed for the purposes of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination with one or more businesses. In connection with such SPACs, Riverstone personnel and affiliates have held, and in the future are expected to hold, warrants, founder shares or other interests in the SPACs and the SPAC sponsors and Riverstone personnel will, in their sole discretion, permit other third parties to participate in such Sponsored SPACs and their sponsors. SPAC board membership and SPAC sponsor participation have in the past included, and in the future are expected to include, investors in funds (including funds that will later invest in the Sponsored SPAC or its sponsor or participate in a PIPE or other securities issued in connection with a Sponsored SPAC’s proposed business combination), their affiliates and other third parties. Such persons can receive warrants, founder shares or other interests in the SPACs and the SPAC sponsors as compensation for serving as board members or officers of a Sponsored SPAC or its sponsor. Riverstone personnel face potential conflicts of interest in selecting directors and other persons to manage the SPACs and the SPAC sponsors since the value of the sponsor equity held by Riverstone personnel, any investor, third party or their affiliates is directly tied to the completion of a successful business combination of a Sponsored SPAC. Additionally, not all investors in the funds will be given an opportunity to participate in any Sponsored SPAC or its sponsor.

Sponsored SPACs are expected to acquire businesses operating in similar or the same sectors as fund portfolio companies. Accordingly, Riverstone may become aware of investment opportunities which may be appropriate for clients and for Sponsored SPACs, and Riverstone may be subject to a conflict of interest in determining to which entity a particular business or investment opportunity should be allocated. In addition, in connection with the completion of a Sponsored SPAC’s business combination, funds may acquire securities issued by the subsequently publicly traded company, to the extent Riverstone allocates a portion of such investment opportunity to its clients in accordance with its allocation policies. A Sponsored SPAC may also seek to acquire an issuer in which its clients already hold an interest or a Riverstone investment that was previously evaluated as a potential target company for a SPAC, or a Riverstone investment that was previously evaluated as a potential target company for a SPAC. Such investments raise potential conflicts of interest. In connection with the establishment of a SPAC sponsor, Riverstone personnel may be incentivized to use their own capital (rather than a client’s capital) to invest in a SPAC sponsor, due to, among other things, the prospect of greater economic entitlements associated with Riverstone personnel investing in the SPAC sponsor, rather than causing a client to invest in a SPAC sponsor.

Riverstone has caused and may in the future cause a fund to make an investment in, or invest alongside, a Sponsored SPAC or its sponsor. If a fund invests in a Sponsored SPAC or its sponsor, such fund would bear the associated expenses of such investment. Clients, Riverstone, its personnel and affiliates have made, and can in the future make, investments in companies that were previously a target company of a Sponsored SPAC. In allocating

investments among clients and to Sponsored SPACs, Riverstone will seek to mitigate any potential conflicts of interest by allocating investments as it believes in good faith to be appropriate in accordance with each client's investment objectives and its investment allocation policies and procedures. Riverstone is also expected to face conflicts of interest in allocating expenses (e.g., due diligence expenses) that were incurred by a Sponsored SPAC in connection with a target company between a Sponsored SPAC which bore the expenses and any client, Riverstone personnel or affiliate that ultimately invests in the portfolio company. Riverstone will seek to mitigate such conflicts by allocating expenses among the Sponsored SPAC, relevant funds, Riverstone personnel or their affiliates receiving the benefit of such expenses and eligible to reimburse such expenses. Such expense allocation decisions generally will be made by Riverstone or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion to be fair and equitable across these parties.

The issuance of sponsor shares to Riverstone personnel, investors, third parties or their affiliates have an indirect dilutive effect on the interests of the participants in the underlying SPAC (including any funds). In connection with Sponsored SPACs, funds have participated, and may in the future participate, in a PIPE or in a forward purchase agreement with an issuer to participate in a private placement transaction, which would close concurrently with the initial business combination of such SPAC. The terms of such forward purchase agreement would be negotiated by Riverstone, on behalf of the funds, in its discretion. In addition, a fund has entered, and may in the future enter, into a transaction that is structured as a backstop to fund redemptions from public stockholders that choose not to participate in the proposed business combination, which could obligate such fund to provide additional capital to such SPAC in order to consummate the business transaction. Since the value of the sponsor equity held by Riverstone personnel and affiliates is directly tied to the completion of a successful business combination of a Sponsored SPAC, Riverstone has an incentive to facilitate a successful business combination through an investment by its clients in PIPEs or other securities issued in connection with a proposed business combination. This presents a conflict of interest on the part of Riverstone in determining whether a fund should participate in Sponsored SPAC-related transactions, including the size and scope of such investments. The Riverstone personnel making the investment decisions for the funds to participate in any such SPAC-related transaction have in the past held, and in the future expect to hold, interests in the SPAC sponsor. Therefore, such personnel have a conflict of interest in determining whether such funds should participate in any such transaction because they can potentially benefit if a Sponsored SPAC successfully completes a business combination before the relevant deadline. Riverstone could also be incentivized to make riskier decisions on behalf of the Sponsored SPAC or underlying target company than it might make absent such economic entitlements associated with the sponsor equity, which could give rise to conflicts of interest with respect to clients to the extent they invest therein. Such conflict of interest will be increased as the Sponsored SPAC nears the end of the designated time period since the SPAC sponsor equity will be worthless if the SPAC does not complete an initial business combination before the relevant deadline. Riverstone will seek to resolve such conflicts in a manner that Riverstone deems fair and equitable, consistent with the governing documents of the applicable fund and of such SPAC, but there can be no assurance that such conflicts would be resolved in

a manner beneficial to the relevant fund. Additional conflicts of interest arise if the business combination is between a Sponsored SPAC and a portfolio company of a fund. Riverstone or an affiliate could receive carried interest upon the sale of the portfolio company to a Sponsored SPAC. All of these factors would incentivize Riverstone to consummate a transaction. In such cases, Riverstone will seek to resolve such conflicts in a manner consistent with the governing documents of the applicable fund, including obtaining approval from the fund's investor advisory committee.

Although Riverstone principals will continue to devote their time and attention to the investment activities of the funds, they will have other obligations with respect to the SPACs as board members that could otherwise raise conflicts of interest with respect to clients. In addition, the principals may regularly obtain confidential information regarding various target companies and other investment opportunities which would be imputed to all of Riverstone. Therefore, if a principal receives confidential information with respect to a company, the Riverstone funds may face certain restrictions on their ability to pursue a transaction with that company or dispose of an investment. Riverstone seeks to identify and mitigate the foregoing and other conflicts of interests associated with Sponsored SPACs through policies and procedures intended to ensure that all Riverstone personnel, including those providing services to a SPAC or holding interests in a Sponsored SPAC or its sponsor, manage the funds in accordance with the applicable governing documents and in a manner that is consistent with their fiduciary duties to Riverstone clients.

In the event that we cause one fund to purchase an investment from another fund (known as a cross trade), there may be a conflict of interest in how we allocate that trade and the terms of that trade. If we intend to engage in any cross trade, the investment committees of both relevant funds will review their respective fund's charter and organizational documents to determine if there are any prohibitions or restrictions on cross trades, and the nature of those restrictions. In addition, the investor advisory committee of each fund must approve the cross trade prior to its execution. Our firm or our affiliates will document the reason for the decision to effect a cross trade, including the price and any potential transaction-cost savings. In any case, neither our firm nor any affiliate may charge any commissions to either fund.

In addition, our funds may buy from or sell to our firm or affiliates. This could potentially create a conflict of interest between our firm and a fund because we have an incentive to negotiate more favorable terms for us or our affiliates at the expense of our client. As a result, we are subject to client notice and consent obligations in connection with the operation of the private investment funds for which we act as investment manager if those transactions are deemed to be "principal transactions." We have established policies and procedures that address these principal transactions and the funds' investment guidelines, limited partnership agreements and charter documents typically establish the terms of any principal transactions or restrict principal transactions. To the extent that a fund may engage in principal transactions with our firm or our affiliate, our client receives disclosure of the potential for principal transactions and the process for approving them. Further, cross transactions are expected to arise in the context of automatic or other re-balancing of investments among parallel investing entities, and in such circumstances Riverstone generally will not seek a fairness opinion or advisory committee consent given that such

transactions typically are effected close in time to the initial fund's investment or pursuant to authorizing provisions in the relevant governing documents.

Most importantly, we establish an investor advisory committee for each fund to review and resolve conflicts of interest, including with respect to principal transactions, that we bring to it in our discretion or as required by the fund's applicable governing documents. If we intend for a client to engage in a principal transaction, we will notify the client's investor advisory committee of the transaction and must obtain written approval from the investor advisory committee or the requisite percentage of limited partners before we proceed with the principal transaction. We also review the client's organizational documents to determine the procedures to be followed to approve principal transactions. In the absence of required consent, we will not proceed with the transaction.

Our firm, together with our affiliates, has the obligation to invest certain amounts in or alongside our funds on generally the same terms and conditions as the funds or their investors (except with respect to fees and carried interest payable to our firm), as part of our negotiated sponsor commitment. In certain of our funds, our firm and our affiliates have an option to invest up to an additional 10% in the aggregate of any investment made by such funds, which additional amount has been negotiated with investors in these funds.

Our principals, personnel or senior advisors invest in other private equity investment vehicles (including single investor-co-investments) managed by other advisers. In some cases, our firm, its affiliates or the funds are permitted to purchase portfolio companies that are owned by such other investment vehicles, which may indirectly benefit any principals, personnel or senior advisors.

Certain advisors and other service providers, or their affiliates (including any accountants, administrators, lenders, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) to a fund, the firm or their portfolio companies have in certain cases also provided, and may in the future provide, goods or services to or have business, personal, political, financial or other relationships with the firm (including sponsoring the Minority Investors). Such advisors and service providers may be investors in a fund, affiliates of Riverstone or a general partner and/or sources of investment opportunities and co-investors or counterparties therewith. These relationships may influence a general partner in deciding whether to select or recommend such a service provider to perform services for a fund or a portfolio company (the cost of which will generally be borne directly or indirectly by a fund or such portfolio company, as applicable). Notwithstanding the foregoing, investment transactions for a fund that require the use of a service provider will generally be allocated to service providers on the basis of best execution, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that the general partner believes to be of benefit to a fund. Service providers and consultants can receive compensation, including, but not limited to, cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits, participation or equity interest in a company or holding company, incentive equity and stock awards, profits or equity interests in one or more funds or general partners, remuneration from Riverstone and/or its funds or affiliates, guaranteed minimums or other

compensation, the amount of which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such service providers or consultants, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such portfolio company. The relevant fund typically will bear the costs of all service provider and consultant compensation as well as fees, costs and expenses of structuring arrangements with such persons. Consultants also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset or reduce the management fee. In certain circumstances, advisors, consultants and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to the firm and its affiliates as compared to services provided to a fund and its portfolio companies, which will result in more favorable rates or arrangements than those payable by a fund or such portfolio companies.

Certain of our principals, affiliates and members of the Sub-Adviser own significant minority, but non-controlling interests in Petra, a service provider which provides back-office services to private funds and investment advisers, including fund administration services, compliance support, outsourced CFO services, treasury services, ESG consulting and reporting services and other ancillary services. Substantially all of Riverstone's back office and accounting group as of January 1, 2022 was spun out to create Petra. A third party holds a majority interest in Petra, and two former Riverstone employees, who resigned from the firm in connection with the launch of Petra, are responsible for the day-to-day operations of Petra. These individuals provide administrative and financial services to Riverstone and one of these individuals provide legal services to Riverstone and its affiliates, including the funds, pursuant to a services agreement. The firm has engaged Petra to provide fund administration, treasury and ESG services to Riverstone and its affiliates, including the funds. To the extent provided under the relevant fund governing documents, the funds will be permitted to engage Petra directly on terms to be negotiated by Riverstone on behalf of the funds, with any incremental services expenses to be borne by such funds. Currently, Petra's largest client is Riverstone. However, Petra also provides services to third-party investment advisers and private funds. Although our principals and affiliates will continue to devote their time and attention to the investment activities of the firm and the funds, they will receive a benefit to the extent the service provider provides services to other third-party investment firms, the funds or any fund investments.

Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or written work product generated by such advisors, consultants and service providers. Although Riverstone generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, Riverstone expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, one or more funds, and due to the nature of the service provider relationships and the timing of services these persons have the potential to have information advantages relative to other investors or co-investors, and likely will be offered co-investment opportunities before such opportunities are presented

to other interested prospective co-investors. In certain circumstances where we commit or have committed to seek “market” or “arms-length” rates or terms, we will do so in our sole discretion, seeking rates that we have determined in our sole discretion to be reflective of the range of rates in the applicable or related markets. Riverstone reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arms-length.” Consequently, Riverstone undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable or relate specifically to the assets, services, geographies or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, Riverstone reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. Whether or not Riverstone has a relationship 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.

In certain circumstances, current or former Riverstone personnel are expected to serve in interim or part-time roles at a portfolio company, or provide services to a portfolio company as a secondee, consultant or in similar capacities, whether or not while maintaining certain legacy economic arrangements, benefits, support services or indicia of employment at Riverstone. Under such arrangements, Riverstone and/or the relevant fund investment is authorized to pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest, in that amounts paid by a fund investment in connection with secondee relationships (including compensation, benefits and other incentives or opportunities (including investment opportunities)) or to former personnel generally will not offset or reduce the management fee. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such personnel and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold or when the position can be filled on a longer-term or permanent basis. Personnel may or may not return to Riverstone at the end of such secondee or interim arrangement.

The funds’ portfolio companies are permitted to be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other investment funds managed by the firm or its affiliates that, although the firm determines to be consistent with the requirements of such funds’ governing agreements, may not have otherwise been entered into but for the affiliation with the firm, and which may involve fees and/or servicing payments to the firm’s affiliated entities which are not subject to the management fee offset provisions described in the applicable fund governing documents.

In addition, as a result of the funds’ controlling interests in portfolio companies, the firm typically has the right to appoint board members to such portfolio companies or to influence their appointment. Serving on a portfolio company board may give rise to conflicts to the extent that a firm employee’s (or consultant’s) fiduciary duties to a portfolio company as a director may conflict with the interests of the firm clients that are invested in such portfolio companies.



## Item 12      **Brokerage Practices**

Because we render advice to private equity funds, and investments are made on a negotiated basis, opportunities for trade executions are rare. On those rare occasions that our firm executes trades on behalf of its clients, our professionals must demonstrate compliance with broker selection, recordkeeping and other requirements related to trading, including “best execution.”

Our firm seeks the most advantageous terms for fund trades. While trade price is often a significant quantitative factor in determining best execution, it is not the sole determinative factor. When placing orders with brokers for execution, we also evaluate qualitative execution factors, such as:

- available prices and rates of commissions or other compensation to brokers,
- efficiency of execution, bearing in mind the size of the order and characteristics of the security (for example, liquid vs. illiquid),
- financial responsibility of the broker-dealer, and
- the ability of the broker-dealer to execute block trades.

When selecting brokers for underwriting transactions, we consider a different set of factors, such as:

- expertise in a particular industry,
- potential network for selling securities,
- past success with public offerings, and
- potential underwriting discount.

Research and Other Soft Dollar Benefits. We may receive unsolicited research from brokers, dealers, and banks through which we execute portfolio trades. In circumstances in which we use such research, the quality and ability to receive research may factor into the selection of brokers, dealers and banks executing portfolio trades. We do not have any agreements in place that would require that we give any specified amount of brokerage to any broker-dealer.

Referrals in Selecting or Recommending Broker-Dealers. We do not receive referrals for clients from any broker-dealers. In limited circumstances, we may use a broker where a division or affiliate of the broker may have referred or may refer investors to our clients. We may be deemed to have a potential conflict of interest in receiving referrals in that we may have an incentive to select those brokers. In order to mitigate such a conflict, we focus on the criteria set forth above when selecting brokers.

Directed Brokerage. As our clients are all private investment funds or accounts managed by us, we select all broker-dealers and do not permit our clients to direct brokerage.

Aggregation of Trades – Policies and Procedures. Because we render advice to private equity funds, and investments are made on a negotiated basis, opportunities for trade aggregation are rare with respect to different funds.

However, in addition to the limited partnerships that serve as the core private investment funds advised by our firm, we have and in the future may create parallel and alternative investment vehicles, as well as feeder funds that invest directly or indirectly in the core fund or parallel and alternative vehicles, to the extent these structures are consistent with applicable law and the core fund's organizational documents. Generally, a parallel investment vehicle will invest and divest proportionally in the same investments, and on virtually the same terms and conditions and at the same time, as the core private investment fund, subject to any limitations in the parallel investment vehicle's organizational documents. We have and in the future may establish alternative investment vehicles for tax reasons to permit certain investors to make investments outside of the core private investment fund, which investments generally will function as if made by the core fund on a substantially equivalent economic basis.

#### Results of Aggregating Trades

Ultimately, clients can benefit when we aggregate trades because we get volume discounts on execution costs. On the other hand, situations may occur where one client could be disadvantaged because:

- the average price received for an aggregate order may be worse than what a client would have received had it traded a smaller quantity of shares on its own, or
- the investment activities we conduct for other clients may result in, among other things, multiple clients needing to dispose of commonly held securities or other common investment positions at the same time.

When we do not aggregate trades, our clients pay higher execution costs than they would have had we aggregated the trades.

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

Our firm's professionals serve on the investment committees for the private investment funds for which we act as adviser, and they routinely monitor their portfolio investments. Their reviews focus on operations, financial performance and strategic direction of each portfolio company owned by the funds. The investment committee as a whole performs comprehensive reviews quarterly, and a subset of the investment committee monitors each portfolio investment more frequently to ensure compliance with its stated objective.

In addition, the investment committee reviews the valuations of funds' investments that are non-marketable securities.

Investors in our funds receive written financial reports, including information relevant to each investor's fund investment and a description of the fund's investments, on a quarterly basis. Investors in our clients also receive audited financial statements of the funds in which they are invested, valuations of all the fund's investments and tax information necessary for the completion of U.S. tax returns on an annual basis.

In addition to the information provided to all of our funds' investors, we have and in the future may arrange to provide certain investors of our clients with additional information or more frequent reports that other investors will not receive.

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

Our firm may, at times, receive an economic benefit from non-clients for providing advisory services to our funds. For instance, when we conduct certain private equity-related transactions on behalf of our clients, we might receive fees from portfolio companies in which our clients are invested. From these relationships, we have received, and may in the future receive:

- transaction fees (e.g., advisory fees we charge to any portfolio company and organizational or success fees we receive in connection with any fund investment),
- monitoring fees,
- investment banking, underwriting, and/or syndication fees,
- break-up fees, and/or
- directors' fees (including in-kind compensation).

We apply a portion of those fees we receive in these cases to reduce the management fees payable by the applicable client and its investors. The operating agreements of each of our funds set out the terms of these arrangements, which may vary from fund to fund. There will not be any offset applied to the co-investment vehicles, whether or not they pay any management fees. Please see Item 5 "Fees and Compensation."

We also engage third party placement agents or "finders" to solicit investors for certain of our funds. Certain of our affiliates have also entered into placement or "finders" arrangements for soliciting investors, including with certain affiliates of The Carlyle Group, our joint venture partner, with respect to our jointly-sponsored funds. Our funds disclose in their offering documents that they are permitted to enter into these arrangements. In addition, certain of our clients expect to require investors to acknowledge any fee payments relating to solicitation arrangements.

#### **Item 15      Custody**

Due to our access to funds and authority to deduct fees and other expenses from a client's account and services by our affiliates as general partners of our funds, we are deemed under

the Custody Rule to have custody of our clients' funds, subject to certain exceptions set forth in the Custody Rule and related guidance.

We utilize the services of a bank or other qualified custodian (as defined under the Custody Rule) to hold all funds and securities of any of our clients, to the extent required by the Advisers Act and SEC guidance. We also ensure that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities, under our name as agent or trustee for the clients.

While the Custody Rule generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, we are not subject to this requirement because all private equity funds managed by us are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In these cases, we distribute audited financial statements to all limited partners of our funds within 120 days of the end of the fiscal year of the fund.

## **Item 16 Investment Discretion**

Our firm accepts discretionary authority to manage our clients' securities accounts. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our fund's private offering materials and/or investment management agreement. These documents cover matters such as the types and amounts of securities of which a client's portfolio will consist, portfolio allocation limitations and the degree of risk assumed by a client's portfolio. Before accepting the discretionary authority inherent in managing our funds, we carefully review the investment strategies and investment programs set out in our funds' offering documents. Investment advice is provided directly to each fund and not individually to the limited partners of any fund.

## **Item 17 Voting Client Securities**

### Proxy Voting Policies and Procedures

We have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our clients. We strive to vote client proxies in a manner consistent with each client's best interests.

Our firm votes proxies in accordance with guidelines in effect. We generally expect to vote proxies in accordance with the recommendations of company management. Generally, we will cast proxy votes in favor of proposals that:

- maintain or strengthen the shared interests of shareholders and management,
- increase shareholder value,

- maintain or increase shareholder influence over the issuer's board of directors and management,
- maintain or enhance the independence of the board of directors, and
- maintain or increase the rights of shareholders.

We will generally cast proxy votes against proposals having the opposite effect of those items listed above, particularly where we believe that a proposal will have a dilutive effect on the value of the underlying security. In addition, we will vote against a proposal or recommendation of management if we determine that such a vote is in the best interests of our client.

Prior to voting, we will determine whether an actual or potential conflict of interest with our firm or any other interested person exists in connection with the proposal(s). If an actual or potential conflict is found to exist, we will engage a reputable non-interested party to independently review our vote recommendation and to confirm that our vote recommendation is in the best interest of the client under the circumstances. If the independent non-interested party determines that our vote recommendation is not in the best interest of a client under the circumstances, then we will vote in the manner suggested by the independent non-interested party.

It is always possible that, after appropriate analysis, we may decide that declining to cast a vote at all is in the best interest of our client.

In limited situations, we may not have the authority to vote on certain clients' securities. In these cases, clients may contact us, at any time, with questions about a particular proxy solicitation. The guidelines included in the proxy voting policy and procedures are subject to change as Riverstone periodically reassesses those policies and procedures to reflect developments in proxy voting and the best interests of its clients. Riverstone's proxy voting policies and procedures set forth guidelines for voting proxies with respect to private companies, public companies and also for certain types of proposals.

A copy of the proxy voting policy and procedures is provided to each fund and delivered to each investor upon investment in a fund. . We provide information regarding any proxies actually voted by us to any client and any investor of a fund upon the request of the client or the investor. Clients or investors that would like a copy of the proxy voting policy and procedures or information regarding how Riverstone voted proxies for particular portfolio companies may contact Christina Shalhoub, Riverstone's Chief Compliance Officer, at (212) 993-0076, and it will be provided at no charge.

## **Item 18      Financial Information**

We do not believe any financial condition exists that is reasonably likely to impair our ability to meet contractual commitments to our clients. Riverstone does not require prepayment of management fees more than six months in advance or have any events requiring disclosure under this item of the Brochure.

Our firm has never been the subject of a bankruptcy petition.