

SRP Capital Advisors, LLC  
(“*Stronghold*” or the “*Investment Manager*”)

FORM ADV, PART 2A  
(the “*Brochure*”)

March 30, 2024

**3811 Turtle Creek Blvd.  
Suite 1100  
Dallas, Texas 75219  
972-850-7474  
[www.strongholdresourcepartners.com](http://www.strongholdresourcepartners.com)**

This Brochure provides information about the qualifications and business practices of Stronghold. If you have any questions about the contents of this brochure, please contact us at 972-850-7474. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“*SEC*”) or by any state securities authority. Additional information about Stronghold also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## ITEM 2: MATERIAL CHANGES

Since Stronghold's last annual updating amendment of this Brochure filed on March 31, 2023, the following material changes have been made:

Item 4, Advisory Business – Regulatory assets under management were updated.

Item 4, Advisory Business and Item 5, Fees and Compensation – These items were revised to remove references to private funds that were liquidated during 2023.

Item 8, Methods of Analysis, Investment Strategies and Risk of Loss – This item was revised to reflect various additions and updates to the risk factor disclosures including updating disclosures regarding Epidemics, Pandemics, and Public Health Issues and removing disclosure regarding a formerly newly-formed entity.

There have been no other material changes since Stronghold's last filing.

*The information set forth in this Brochure is qualified in its entirety by the applicable governing and offering documents, as applicable, for any fund or account. In the event of a conflict between the information set forth in this Brochure and the information in the applicable offering or governing documents, such documents will control. We encourage all clients and investors to review this Brochure in its entirety.*

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## ITEM 4: ADVISORY BUSINESS

### *Firm Overview*

SRP Capital Advisors, LLC (“**Stronghold**”) is a Delaware limited liability company and investment adviser established in 2017. Stronghold provides or may provide investment management and advisory services to private investment funds, single investor vehicles, separately managed accounts, co-investment entities and other advisory clients (collectively referred to as “**Clients**”) that invest in debt, equity and other securities in the natural resources industry (“**Portfolio Investments**”). Stronghold may solicit co-investors to participate in investment opportunities or create co-investment entities (together referred to as “**Co-Investors**”) to make co-investments alongside Clients or Funds (as defined below). Co-Investors may or may not be deemed to be Clients, depending on the facts and circumstances.

### *Types of Advisory Services*

Stronghold or affiliated investment managers of Stronghold currently serve as investment advisers to SRP Opportunities II, LP, a Delaware limited partnership (“**SRPO-II**”); SRPO-II Partners I, LP (“**SRPO-II Partners**”), a Delaware limited partnership; Stronghold Targeted Operator Minerals Partners II, LP (“**STOMP II**”), a Delaware limited partnership; Yukon Co-Investment Partners, LP (“**Yukon**”), a Delaware limited partnership; Junction Resource Partners, LP (“**Junction**”), a Delaware limited partnership; SRP Ventures 2019, LP (“**Ventures 2019**”), a Delaware limited partnership; SRP Opportunities III, LP (“**SRPO-III**”), a Delaware limited partnership; and Dirt Track Investments Fund I, LP (“**Dirt Track**”), a Delaware limited partnership (each a “**Fund**”, and together, the “**Funds**”). SRP Opportunities II GP, LP, a Delaware limited partnership, is the general partner of SRPO-II; SRPO-II Partners I GP, LP, a Delaware limited partnership, is the general partner of SRPO-II Partners; STOMP II GP, LP, a Delaware limited partnership, is the general partner of STOMP II; Yukon CIP GP, LP, a Delaware limited partnership, is the general partner of Yukon; JRP GP, LP, a Delaware limited partnership, is the general partner of Junction; SRP Ventures 2019 GP, LLC, a Delaware limited liability company, is the general partner of Ventures 2019; SRP Opportunities III GP, LP, a Delaware limited partnership, is the general partner of SRPO-III and Dirt Track Investments, LP, a Delaware limited partnership, is the general partner of Dirt Track (each a “**General Partner**”, and together, the “**General Partners**”). SRPO-II Manager, LP, a Delaware limited partnership, is the management company to SRPO-II and SRPO-II Partners; STOMP II Manager, LLC, a Delaware limited liability company, is the management company of STOMP II; Yukon CIP Manager, LLC, a Delaware limited liability company, is the management company of Yukon; JRP Manager, LLC, a Delaware limited liability company, is the management company of Junction; SRP Ventures 2019 Manager, LLC, a Delaware limited liability company, is the management company of Ventures 2019; SRP Opportunities III Manager, LLC, a Delaware limited liability company, is the investment management company of SRPO-III and Dirt Track Manager, LLC, a Delaware limited liability company, is the investment management company of Dirt Track (each an “**Investment Manager**” and together the “**Investment Managers**”). Stronghold and the Investment Managers are together filing a single umbrella registration with the Securities and Exchange Commission (“**SEC**”), and each of the Investment Managers (each a “**relying adviser**”) is listed on Schedule R of Stronghold’s Form ADV Part 1. Each Investment Manager is a subsidiary of SRP IM Holdings, LLC (together with its affiliates, SRP Management Services, LLC and DSD Stronghold Management, LLC, the “**Management Company**”).

### *Principal Owners*

Stronghold, the General Partners, and the Investment Managers are, directly or ultimately, primarily owned and controlled by Ryan A. Turner (the “**Managing Partner**”). For more information regarding the ownership of Stronghold, please see Schedules A and B of Part 1 of Form ADV.

### ***Investment Mandates***

Stronghold provides or will provide investment advice to Clients and manages Funds or Client accounts in accordance with the investment objectives, strategies, guidelines, restrictions and limitations set forth in the applicable confidential offering memorandum, limited partnership agreement, organizational and governing documents, investment management agreements, advisory agreements and/or other related documents (collectively, the “***Governing Documents***”). The information in this Brochure is qualified in its entirety by the information set forth in such documents. Investors generally are not permitted to impose restrictions or limitations on the management of the Funds managed by Stronghold.

Stronghold or an affiliate thereof has and may enter into side letter agreements or arrangements with one or more investors in the Funds it manages that have the effect of establishing rights under, or altering, modifying, waiving or supplementing the terms of, the Governing Documents of the applicable Fund in respect of such investors. Among other things, these agreements entitle or may entitle an investor in a Fund or other client to lower fees, information or transparency rights, most favored nations’ status, notification rights or other preferential rights and terms. Information about each Fund and other advisory clients is set forth in their Governing Documents, which, with respect to Funds, are available to current and eligible prospective investors through Stronghold.

### ***Wrap Fee Programs***

Stronghold does not participate in or sponsor wrap fee programs.

### ***Regulatory Assets Under Management***

As of December 31, 2023, Stronghold had \$265,257,619 in regulatory assets under management all of which are managed under discretionary authority.

## **ITEM 5: FEES AND COMPENSATION**

Stronghold does not have a standard fee schedule but may earn a management fee based on capital commitments, capital contributions or invested capital (“***Management Fee***” or “***Acquisition Fee***”) for each Fund or Client. Pursuant to Fund or Client Governing Documents, Stronghold or its affiliates may on occasion receive certain additional fees with respect to Portfolio Investments or transactions. Management Fees may be offset by a percentage of such fees received by the Investment Manager or its affiliates or other expenses incurred. In addition to Management Fees, the General Partner or an affiliate will generally receive a performance allocation (“***Carried Interest***”) based on net profits after Clients or Fund investors have received a return of capital and preferred return, as outlined in relevant Governing Documents. Fee arrangements and any offset provisions are established in the Governing Documents for each Fund or Client.

The Management Fee and Carried Interest provisions for Funds currently managed by Stronghold are described below. Please refer to the Governing Documents of each Fund for more detailed fee and expense provisions. Fees may differ across the Funds or Client accounts managed or advised by Stronghold. Such variability may be driven by the size of the total mandate, investment strategy and investment horizon among other factors. Stronghold may, in its discretion and from time to time, elect to waive, in whole or in part, reduce or calculate differently, the Management Fee or Carried Interest with respect to any Client or investor. Certain Clients or Fund investors may negotiate different fee arrangements in a side letter or other agreement with Stronghold or an affiliate thereof.

All fees, costs and expenses and the reimbursement of those expenses will be explicitly disclosed in partnership agreements, advisory agreements or other Governing Documents of the Fund.

### ***Management Fees***

The General Partner or Investment Manager may, in its sole discretion, waive or reduce an investor's Management Fee.

#### **SRPO-II, SRPO-II Partners and SRPO-III**

For the period from the initial closing date until the end of the investment period, the Investment Manager shall be paid a Management Fee for each three-month period calculated with respect to such investor at a rate equal to the product of (i) 2% per annum and (ii) the capital commitment of such investor. Thereafter, the Investment Manager shall be paid a management fee for each three-month period calculated with respect to each investor at a rate equal to the product of (x) 2% per annum and (y) the actively invested capital of such investor as of the beginning of such three-month period. The Management Fee is payable in advance on a quarterly basis.

#### **Ventures 2019**

The Investment Manager shall be paid a Management Fee for each three-month period calculated with respect to such investor at a rate equal to the product of (i) 2% per annum and (ii) the greater of (a) the capital commitment of such investor or (b) the actively invested capital of such investor. The Management Fee is payable in advance on a quarterly basis.

#### **STOMP II**

The Investment Manager shall be paid a one-time Acquisition Fee equal to the product of (i) 2.5% and (ii) the amount paid for the Portfolio Investment in connection with the acquisition thereof. The Acquisition Fee is payable at the time of the transaction.

#### **Yukon**

Yukon does not pay a Management Fee.

#### **Junction**

The Investment Manager shall be paid a Management Fee for each three-month period calculated with respect to such investor at a rate equal to the product of (i) 2% per annum and (ii) the greater of (a) the capital commitment of such investor or (b) the actively invested capital of such investor. The Management Fee is payable in advance on a quarterly basis.

The Investment Manager shall be paid a one-time Acquisition Fee equal to the product of (i) 2.5% and (ii) the amount paid for the Portfolio Investment in connection with the acquisition thereof. The Acquisition Fee is payable at the time of the transaction.

#### **Dirt Track**

Dirt Track does not pay a Management Fee.

### ***Management Fee Offsets***

#### **SRPO-II, SRPO-II Partners, SRPO-III, Ventures 201, and Junction**

The Fund shall pay or reimburse the General Partner, the Investment Manager or its affiliates for (x) legal and other organizational and offering expenses of the Fund and the Fund-related entities, other than organizational expenses of the Investment Manager (refer to definition in the ***Expenses*** section below), and (y) all Placement Fees (refer to definition in the ***Expenses*** section below). Organizational Expenses in excess of such amount set forth in the relevant Fund Governing Documents, as applicable, and Placement Fees shall reduce the Management Fee otherwise payable by an identical amount. Organizational Expenses shall include fees and expenses of counsel to, accountants for and agents of the Fund, the General Partner and the Investment Manager, reasonable travel expenses of personnel of the General Partner and its advisors, and other expenses, in each case, incurred in connection with the formation of the Fund and the Fund-related entities, the preparation of the Governing Documents, compliance with applicable laws or regulations and the offering of Fund interests (other than Placement Fees).

All transaction fees shall be payable to and be income of the Investment Manager or a designated affiliate. All Placement Fees and Organizational Expenses shall be paid by the Fund. An amount equal to the sum of (i) 100% of all transaction fees (ii) 100% of all Placement Fees and all excess Organizational Expenses shall reduce the Management Fees on the date of, or in the periods following, payment of such fees.

#### **STOMP II and Junction**

There are no applicable Acquisition Fee offsets.

### ***Carried Interest***

Subject to the terms and conditions set forth in each Fund's Governing Documents, the General Partner will be entitled to receive an incentive distribution or "Carried Interest" with respect to each Fund, up to 20% of profits from portfolio company investments, after the return of all capital contributions, allocable fees and expenses, and the satisfaction of a preferred rate of return, between 8% and 12% per annum

Certain investors may negotiate different terms or provisions with respect to their Carried Interest and the General Partner or Investment Manager may elect to waive all or any portion of any future Carried Interest otherwise payable with respect to any investor. Principals, employees of Stronghold, agents or other affiliates may receive a portion of the carried interest allocation or other compensation received by the General Partner or Investment Manager. Distributions will be subject to appropriate reserves for Fund expenses and contingent liabilities, and Carried Interest may be subject to clawback upon the final liquidation of a Fund, to the extent that the amounts previously distributed to the General Partner exceed the aggregate amount due to the General Partner on a cumulative basis over the life of such Fund.

### ***Expenses***

The below is a general description of fees and expenses for each Fund; however, each Fund has differences with respect to fees and expenses to which it is subject. Accordingly, refer to each Fund's Governing Documents for a full description of fees and expenses.

The Funds shall pay or reimburse any and all expenses, costs and liabilities incurred to conduct their business in accordance with the Funds' Governing Documents (refer to sections below, *Organizational Expenses and Placement Fees, Investment and Partnership Expenses and Related Party Expenses*). Expenses may be incurred by a Fund, a Portfolio Investment of a Fund, the General Partner, the Fund's Investment Manager, the Management Company or its affiliates.

The General Partner, the Fund's Investment Manager, the management company and its affiliates, as applicable, shall pay, without reimbursement by the Funds, all of their own overhead and administrative expenses as defined in the Fund's Governing Documents.

*Organizational Expenses and Placement Fees.* The Fund shall pay or reimburse:

- (i) all costs, fees and expenses (including travel (including, air travel, car or ride sharing services, and other modes of transportation), lodging, meals, entertainment, printing, mailing, courier, legal, capital raising, accounting, regulatory compliance (including the initial and/or preliminary registrations, filings and compliance contemplated by AIFMD), and any administrative or other filings) incurred in connection with the structuring, organization, funding and start-up of the Fund, the General Partner, subsidiary or affiliate entity, and any affiliated management entity or manager thereof, including the preparation of, and negotiations with respect to, the Fund's private placement memorandum and supplements thereto, presentations, marketing materials, the Fund's limited partnership agreement ("**LPA**"), subscription documents, any side letters, or similar agreements and any other agreements and out-of-pocket costs and expenses incurred by placement agents, finders or other persons performing similar services in connection with the fundraise that are paid or reimbursed by the Fund, its subsidiary or affiliate entities, but not including any costs or expenses incurred in connection with the most-favored nations process or placement fees ("**Organizational Expenses**"); and
- (ii) any private placement or finders' fees paid by the Fund to placement agents, finders or other third-parties performing similar services in connection with the organization or funding of the Fund, its subsidiaries and affiliate entities, and if any such fees are deferred, the interest on such deferred fees (but not including any out-of-pocket costs and expenses) ("**Placement Fees**"). Placement Fees shall reduce the Management Fee otherwise payable by an identical amount.

*Investment and Partnership Expenses.* On an ongoing basis, the Funds and Portfolio Investments shall pay, or reimburse (expenses may be incurred by the Management Company or its affiliates and reimbursed by a Fund or Portfolio Investment as *Related Party Expenses*), as applicable, all fees, costs, expenses, liabilities and obligations relating to:

- (i) allocation of ordinary administrative and overhead expenses incurred in operating the Management Company, including all costs and expenses on account of rent, supplies, postage and delivery, equipment, furniture, salaries, wages, bonuses and other employee benefits;
- (ii) activities with respect to identifying and sourcing investments and developing an investment pipeline, carrying, management, structuring, seeking, organizing, negotiating, acquiring, consummating, evaluating, studying, diligencing (including developing, licensing, implementing, maintaining or upgrading any information technology systems (including any engineering, land, seismic, geophysical or geological reporting tools, databases, hardware or software (including any subscriptions to any periodicals or databases or research services)), financing, bidding-on, refinancing, hedging, holding, managing, owning, monitoring, operating, valuing, trading, dissolving, winding-up, liquidating, restructuring, taking public or private, selling or otherwise disposing of, as applicable, actual and potential investments whether or not any contemplated transaction or project is consummated and whether or not such activities are successful;
- (iii) broker, dealer, finder, underwriting, brokerage, sale, custodial, depository, reverse breakup, termination and other similar fees;



- (iv) legal, accounting, research, auditing, administration (including fees and expenses associated with compliance with any anti-money laundering laws and regulations and any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services as well as costs related to the establishment or maintenance of such other services), research, consulting (including consulting, advisory and retainer fees, salary, expense reimbursement and other compensation paid and benefits provided to consultants (including third-party operating consultants), industry executives and subject matter experts performing investment initiatives or providing other services), tax, third-party experts, hiring consultants or Portfolio Investment management or personnel (including headhunter fees, background checks and/or relocation expenses), and other professional services;
- (v) any and all costs, fees and expenses of any employees or consultants engaged by the management company or any affiliate thereof (including employees engaged in engineering, land, geology, geophysics, accounting, tax, legal, human resources and administration), whether the employees are conducting such activities directly through the management company or through an affiliate thereof, inclusive of expenses that would otherwise be ordinary overhead and administrative expenses that are payable by the General Partner and/or the management company and its affiliates;
- (vi) any and all costs, fees and expenses for attorneys, accountants, administrators or third party providers relating to any activities described in Partnership Expenses (including costs and expenses of in-house professionals and related administrative personnel, including personnel of the management company or any affiliate thereof responsible for conducting portfolio reconciliation, portfolio compliance and reporting or otherwise for implementing, maintaining and supervising the procedures relating to the books and records of the Fund), inclusive of expenses that would otherwise be ordinary overhead and administrative expenses that are payable by the General Partner and/or the management company;
- (vii) the Management Fee and Acquisition Fee, as applicable;
- (viii) any taxes, fees and other governmental charges levied against the Fund and/or any subsidiaries and affiliates;
- (ix) indebtedness or guarantees, financing, commitment, origination and similar fees and expenses;
- (x) insurance;
- (xi) preparation, distribution or filing of financial statements, other reports or other communications with limited partners, any other administrative, compliance or regulatory filings or reports, printing, communications, mailing, courier, marketing and publicity, filing, title, transfer, survey, registration and other similar fees and expenses;
- (xii) any web portal, extranet tools, computer software (including accounting, investor reporting and ledger systems) or other administrative, valuation, information gathering or reporting tools (including subscription-based services), any activities with respect to protecting the confidential or non-public nature of any information or data, including Confidential Information;
- (xiii) activities or proceedings of the limited partner advisory board (“*LPAB*”), any annual limited partner meeting or other periodic, if any, meetings of the limited partners, any other conference, meeting or webcast with any limited partner(s) and any periodic meeting, training program and/or event involving Portfolio Investment management and/or other persons;
- (xiv) any travel (including air travel, car or ride sharing services or other modes of transportation), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities, attendance of any member, manager, shareholder, partner, director, officer,

- employee or affiliate of the General Partner or the management company at any trade conference;
- (xv) complying with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions, anti-terrorism or environmental, social or governance considerations), including any legal, administrator, consulting or other third-party service provider fees, costs and expenses related thereto and any regulatory expenses of the General Partner incurred in connection with the operation of the Fund, the reporting, filings or other ongoing compliance contemplated by the AIFMD, FATCA and the OECD Standard for Automatic Exchange of Financial Account Information, compliance or regulatory matters, except as otherwise set forth in the LPA, including compliance with the LPA and/or any letter agreement and costs and expenses incurred in connection with the most-favored-nations process;
  - (xvi) indemnification of any person or entity as provided in the LPA, actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith;
  - (xvii) any fee, cost, expense, liability or obligation relating to any subsidiary or affiliate of the Fund or its activities, business, or actual or potential investments (to the extent not borne or reimbursed by a Portfolio Investment of such subsidiary or affiliate of the Fund) that would be a Partnership Expense if it were incurred in connection with the Fund, any expenses incurred in connection with the formation, offering of interests, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities and any other costs and expenses related to any structuring or restructuring of any Fund or related entity, all costs and expenses associated with operating a subsidiary or affiliate entity of the Fund, the termination, liquidation, winding up or dissolution of the Fund and any legal entities owned directly or indirectly by the Fund, including Portfolio Investments and related entities; and
  - (xviii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, its affiliates and subsidiaries, the General Partner, the subsidiary or affiliate General Partner, the management company, any entities owned directly or indirectly by the Partnership (including Portfolio Investments), and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof, unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer contemplated or any limited partner's name change, change in registered agent, internal restructuring or change in custodian, defaults by partners in the payment of any capital contributions, distributions to the partners and other expenses associated with the acquisition, holding and disposition of investments, including extraordinary expenses;

*Related Party Expenses* Certain *Investment and Partnership Expenses* are incurred by the Management Company or its affiliates and may be reimbursed by a Fund or Portfolio Investment for expenses incurred and services performed by independent third parties, the Management Company, its affiliates and related persons. Related Party Expenses will be charged in accordance with Stronghold's expense allocation policy based on time / headcount, asset base or a specified allocation, as appropriate. As a matter of policy Stronghold will seek to ensure that Related Party Expenses are determined on an arm's length basis at a rate that is no less favorable to the Fund or Portfolio Investment than had the service been provided by an independent third party. Any discounts negotiated with third-party service providers by or on behalf of Stronghold will be applied to all Stronghold entities, as applicable. Related Party Expenses include:

- (i) compensation and benefits (including salary, fees, bonus, insurance premiums, withholding and other payroll costs) paid by the management company, its subsidiaries or affiliates to employees or consultants (excluding the Managing Partner) based on headcount allocation;

- (ii) travel including airfare, lodging, ground transportation, meals and miscellaneous travel expenses, to the extent related to the diligence, evaluation, management, disposition of assets, investments, Portfolio Investments or Funds, including meetings, seminars, conferences, and trainings;
- (iii) professional services including, but not limited to, legal, compliance, recruiting, accounting (including audit, tax, administration, valuation, portfolio and financial reporting), human resources, geology, geophysics, petrotechnical, data, investment advisory, software development, information technology, administration, consulting, appraisal, research, landman, title, broker and other professional fees, whether performed in-house or by a third-party, based on headcount allocation or asset base allocation most relevant to the services provided;
- (iv) office expenses including rent, office supplies, office administration and depreciation on capitalized office furniture, fixtures and equipment based on headcount allocation;
- (v) information technology expenses including computer equipment, support services, software, hardware, internet and phone services required to perform the activities of the Portfolio Investments and Funds, based on headcount allocation; and
- (vi) software, development and data subscriptions involved in the sourcing, monitoring, evaluation, tracking, research, reporting, review and other services required to perform the activities of the Portfolio Investments and Funds, whether performed by a third-party or in-house, based on asset base allocation.

#### ***Compensation for the Sale of Securities or Other Investment Products***

Neither Stronghold nor any of its supervised persons accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of securities or other investment products.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As noted under Item 5 above, Stronghold and/or its affiliates are entitled to receive Carried Interest distributions or other incentive-based compensation with respect to the Funds and may be entitled to receive Carried Interest distributions or other incentive-based compensation with respect to other advisory Clients in the future (subject to the terms and conditions set forth in the applicable Governing Documents). Stronghold's receipt of performance-based fees raises certain conflicts of interest, which are described below.

***Investment Selection.*** Carried Interest distributions and other performance-based compensation could motivate Stronghold and its affiliates to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. The method of calculating the Carried Interest or other performance-based compensation may result in conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions.

Stronghold attempts to mitigate conflicts of interest associated with Carried Interest distributions through one or more of the following: (i) the payment of performance fees or Carried Interest on realized profits; (ii) the requirement that invested capital, a preferred return and certain expenses be returned to investors before an affiliate is entitled to receive Carried Interest distributions; (iii) the requirement that Stronghold and/or its affiliates have a capital commitment to the applicable Fund(s) managed by Stronghold; and (iv) a potential clawback/giveback obligation of Stronghold or an affiliate upon liquidation of the applicable Fund (and related escrow account, if applicable).

***Side-by-Side Management.*** Different Stronghold-managed Funds have different performance-based fee arrangements. Such differences could incent Stronghold to favor one client over another in its investment

allocations or manipulate the sequence of dispositions. Stronghold believes that these potential conflicts of interest are mitigated to a certain extent by its investment allocation policy and the investment objectives and mandates of each Fund as disclosed in the applicable Governing Documents. Moreover, these potential conflicts are also mitigated to a certain extent by the fact that Stronghold-related persons will invest alongside its investors in the Funds and thus have a shared interest with investors in maximizing other investor returns.

Stronghold seeks to ensure that there are clear boundaries between the investment criteria of pooled investment vehicles that it manages.

Principals, employees of Stronghold, agents and affiliates may be compensated to some extent based upon investment profits for which they are responsible and, accordingly, may face the same potential conflicts. Stronghold attempts to address known material conflicts of interest through full and fair disclosure in applicable Governing Documents and this Brochure.

## **ITEM 7: TYPES OF CLIENTS**

As noted in Item 4 above, Stronghold's Clients include or may include the Funds as well as single investor vehicles, separately managed accounts, and Co-Investors. Potential Clients and Fund investors include, but are not limited to:

- Public pension plans
- Corporate pension plans
- Endowments
- Foundations
- Financial service companies or banks
- Charitable organizations
- High net worth individuals
- Taft-Hartley plans
- Insurance companies
- Sovereign wealth plans
- Corporations
- Governments or government agencies
- Family offices

Investors in Funds will primarily consist of institutional investors and high net worth individuals and related investment entities that are "accredited investors," as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "*Securities Act*"), and "qualified purchasers" as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940 as amended (or knowledgeable employees of Stronghold).

The minimum investment amount in a Fund is disclosed in the Governing Documents, however the minimum investment is subject to reduction or waiver in Stronghold's discretion, and Stronghold or its affiliates may permit investments of a smaller amount or with respect to any investor.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Stronghold's investment activities are overseen by the *Investment Committee*. Following is a summary of the investment strategies and material risks that may be associated with the investment activities applicable to Stronghold's clients. Investors and potential investors in Funds are encouraged to review the applicable

Governing Documents for the Fund in which they are considering investing for a more comprehensive discussion of the investment program and material risks that may be associated with investing in that Fund.

## **METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

Stronghold's approach to niche lower to middle-market private equity investing is technically-driven at the Investment Manager/General Partner level. Stronghold's investment strategy stands in contrast to other natural resource investors that make longer duration bets on commodity assets and management teams, which are both subject to high levels of volatility and predicated on fortuitous exits (through strategic sales or capital markets monetizations). This "crowded trade" of "build-ups and buy-outs" is pursued by dozens of energy and resources investment managers. Instead, Stronghold seeks to create "visible" rates of return in core sectors of the North American resources ecosystem through custom structures designed to capture arbitrage, develop projects and invest in special situations.

Stronghold maintains a disciplined approach through each of the sourcing and evaluating phases of the investment process. Stronghold seeks to ensure that each potential transaction meets the Funds' investment criteria and are designed to deliver optimal risk-adjusted returns. Further, Stronghold believes that the rigorous application of a standardized, data-driven, and software-assisted investment process differentiates Stronghold from its competitors.

The Stronghold investment process has three stages:

- **Sourcing:** Stronghold leverages an extensive network created through its seasoned technical team and from its founding partners to source attractive middle-market deals conducive to Stronghold's strategy.
- **Evaluation:** Stronghold technically underwrites every transaction, both on a technical and financial basis, utilizing its aligned and experienced team.
- **Monitoring and Realization:** By creating visible rates of return with investments that have embedded cash flow sweeps and realization mechanism, Stronghold believes it will be able to avoid reliance on strategic exits and recapitalizations while quantitatively forecasting and testing its realization assumptions against a variety of scenarios.

## **CERTAIN RISK FACTORS**

*There can be no assurance that investors in the Funds established by Stronghold or other client accounts managed or advised by Stronghold will achieve their investment objectives or that investments will be profitable. Stronghold's investment strategies involve or may involve a substantial degree of risk, including risk of complete loss. Nothing in this Brochure is intended to imply, and no one is or will be authorized to represent, that the investment strategies of the Stronghold client accounts, including Funds established by Stronghold, are low risk or risk free. These investment strategies are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective clients and investors should consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with the investment strategies and processes of Stronghold and will not necessarily apply to each client or investor. Fund Investors are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. The following risks are qualified in their entirety by the risks set forth in the applicable Governing Documents.*

### **General Risks**

**Availability of Investment Opportunities.** Identification and exploitation of many or all of the trading strategies Stronghold deploys and may deploy on behalf of the Funds involve a high degree of uncertainty. There can be no assurances that the Investment Manager will be able to identify and/or successfully take advantage of suitable investment opportunities for the Funds' capital, which may potentially reduce the

Funds' return due to excess capital or lead to (possibly material) losses due to changes in the Funds' risk parameters in order to deploy capital. The Investment Manager may rely on market participants to inform it of particular trading opportunities. The failure of market participants to provide such information, the Investment Manager's good faith reliance on such information by market participants and other factors may also reduce returns, or even cause (possibly material) losses of the Funds.

***Competitive Marketplace.*** The Funds operate in a highly competitive market for investment opportunities. The Funds will compete with various other investors—including other public and private funds, commercial and investment banks and commercial finance companies. Many competitors are substantially larger and have considerably more financial and other resources. Other funds may have investment objectives similar to the Funds, which may create competition for investment opportunities. Certain competitors may have access to funding sources that are not available to the Funds as well as lower cost of funds and may have higher risk tolerances or different risk assessments, which could allow them to consider a broader variety of investments and establish more relationships. This competition could impair the Funds' business, financial condition, and results of operations. As a result of this competition, the Funds may not be able to take advantage of attractive investment opportunities.

***Availability of Credit and Indebtedness.*** The Funds' assets, including any investments made by the Funds and any capital held by the Funds, may be available to satisfy all liabilities and other obligations of the Funds. If a Fund or a Portfolio Investment defaults on secured indebtedness, for example, the lender may foreclose, and the Fund could lose its entire investment in the security for such loan. If a Fund itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets and will not be limited to any particular asset, such as the investment giving rise to the liability. In addition, there can be no guarantee that (i) debt facilities will be available at commercially attractive rates throughout the term of the Fund or when due for refinancing, and accordingly the Fund or the applicable Portfolio Investment may be exposed to less favorable terms or rates upon a refinancing, or (ii) any facilities negotiated will be fully utilized. Borrowings may be secured by assignment of the obligations of the investors to make capital contributions to the Fund and a security interest in investments. This may limit the investors' ability to use their interests in the Fund as collateral for other indebtedness. The investors will not be personally liable for the Funds' obligations under any borrowing arrangements. However, the inability of the Funds to repay borrowings under a credit facility secured by the commitments of investors could enable a lender to take action against any investor to the extent of its unfunded commitment in the Funds.

***Contingency Reserves.*** The Funds' General Partners, at any time in their sole discretion, may establish reserves for contingencies (including general reserves for unspecified contingencies) in accordance with the applicable partnership agreement. The establishment of such reserves will not insulate any portion of a Fund's assets from being at risk, and such assets may still be traded by the Fund. A pro rata portion of any reserve may be withheld from distributions to the Fund's partners.

***Limited Diversification; Concentration.*** There can be no assurance that an investment in the Funds would improve the risk and return profile of any investor's portfolio or otherwise improve the performance of the investor's overall portfolio, and any investment in a Fund may in fact result in significant losses.

The Funds' overall portfolio of securities or instruments will not represent a broad diversification of investments among particular issuers, issues, companies, countries, industries, exchanges, counterparties, strategies, types of investments, or other shared characteristics. In general, a less diversified portfolio will tend to expose the investors to greater volatility and risk than would be the case with a more broadly diversified portfolio.

In addition, the Funds' portfolio will be concentrated in particular issuers, issues, companies, countries, industries, exchanges, counterparties, strategies, and types of investments in the energy and natural resource

sectors, without any limitation other than applicable law or regulation (if any). Such concentration will magnify the effect that the realization of the risks associated with investments would have on the Funds' portfolios.

***Accuracy of Public Information.*** The Investment Manager may select investments for the Funds based, in part, on information and data filed by issuers with various government regulators or made directly available to the Investment Manager by the issuers or through other sources. The Investment Manager evaluates all such information and data, seeking independent corroboration only when it considers it appropriate and when it is reasonably available. However, the Investment Manager cannot confirm the completeness, genuineness or accuracy of such information and data. Moreover, in some cases, complete and accurate information is unavailable. If information is inaccurate, investments may not perform as expected.

***General Economic Conditions.*** General economic conditions may affect the Funds' activities. Interest rates and general levels of economic activity may affect the value and number of investments made by the Funds or considered for prospective investment.

***Current Market Conditions and Governmental Actions.*** In recent years, world financial markets have experienced extraordinary market conditions, including, among other things, extreme losses and volatility in securities markets, supply chain disruptions, sanctions, and trade barriers, and the failure of credit markets to function. In reaction to these events, regulators in the U.S. and several other countries undertook unprecedented regulatory action. The U.S. government and securities regulators of many other jurisdictions continue to consider and implement measures to stabilize U.S. and global financial markets. However, despite these efforts, global financial markets remain extremely volatile. It is uncertain whether regulatory actions will be able to prevent further losses and volatility in securities markets or stimulate the credit markets. The Funds may be adversely affected by the foregoing events, or by similar or other events in the future. In the longer term, there may be significant new regulations that could limit the Funds' activities and investment opportunities or change the functioning of the capital markets, and there is the possibility of a severe worldwide economic downturn. Consequently, the Funds may not be capable of, or successful at, preserving the value of its assets, generating positive returns or effectively managing risks.

***Political Uncertainty.*** As a result of the lingering effects of the global financial crisis and the limited global recovery, the rise of populist political parties and economic nationalist sentiments have led to increasing political uncertainty and unpredictability throughout the world. Among the attendant risks are greater regulatory uncertainty, for example, regarding the posture of governments with respect to taxation and international trade and law enforcement. Also, there is greater likelihood that individual market participants or specific categories of market participants may be singled out and subjected to various forms of coercion for reasons of political expediency. Finally, in this environment, there is a heightened likelihood of changes in law. Any of the foregoing may adversely affect the Funds.

***Increased Regulation of Private Funds.*** Legal, tax and regulatory changes may occur during the existence of the Funds that may adversely affect the Funds. The legal, tax and regulatory environment for the entire financial industry and private funds is evolving, and regulatory changes may adversely affect the value of investments held by the Funds, the ability of the Funds to obtain leverage at a rate or on terms acceptable to the Funds, the cost of doing business, and the investment strategies of the Funds and their implementation. In addition, the securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. The SEC, the Commodity Futures Trading Commission, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies and retain the right to suspend or limit trading in securities, swaps or futures, which may have an adverse impact on the Funds. The effect of any future regulatory change on the Funds may adversely affect the value of assets held by the Funds and the ability of the Funds to pursue its investment strategies and such effect may be substantial.

**Regulatory Compliance.** Investment activities of the Fund may result in reporting and compliance obligations under the applicable regulations of the United States and other jurisdictions. The costs of compliance will be borne by the Funds. Moreover, investments by the Funds are or may become subject to regulation by various governmental agencies. New and existing regulations, changing regulatory schemes, and the burdens of regulatory compliance all may have a material negative impact on the performance of the Funds' portfolio. The Investment Manager cannot predict whether new legislation or regulation will be enacted by legislative bodies or governmental agencies, nor can it predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on the Funds' investment performance.

**No Current Income.** The Funds' investment policies should be considered speculative, as there can be no assurance that the Investment Manager's assessments of the short-term or long-term prospects of investments will generate a profit. In view of the fact that the Funds will likely not pay dividends, an investment in the Funds is not suitable for investors seeking current income for financial or tax planning purposes.

**Restricted Assignability and Illiquidity of the Interests.** Participation in the Funds will be an illiquid investment. The Interests have not been registered under the Securities Act or any other applicable securities laws. There is no public market for the interests in the Funds and none is expected to develop. In addition, the interests are not transferable except with the consent of the applicable General Partner, which consent may be withheld by the General Partner in its sole discretion and are subject to the terms and conditions of the applicable partnership agreement.

**Use of Proceeds.** The proceeds of the offering of interests in the Funds are used by the Funds to make investments and to pay for the expenses and liabilities of the Funds. Investors in the Funds will not have any opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments by the Funds. No assurance can be given that the Funds will be successful in obtaining suitable investments or that the objectives of the Funds will be achieved.

**Side Letters.** The Fund may enter into side letters with investors who have made substantial investments in the Fund and may amend or supplement such side letters or may enter into additional side letters with other investors who have made substantial investments in the Funds. Such side letters may provide for additional and/or different rights (including, without limitation, with respect to the calculation of the Management Fee and Carried Interest payable or allocable to the Investment Manager and the General Partner, with respect to transparency and with respect to notice of certain events or policy changes along with most favored nations clauses) than investors have pursuant to the applicable partnership agreement. As a result of such side letters, certain investors may receive additional benefits which other investors will not receive. The Funds will notify certain other investors of any such side letters or of any of the rights and/or terms or provisions thereof and offer such additional and/or different rights and/or terms to other investors in accordance with the applicable partnership agreement. The Funds may enter into such side letters with any party as the General Partner may determine in its sole and absolute discretion at any time. To the extent that compliance with any side letter would cause the Funds, the General Partner, the Investment Manager or any of their respective affiliates to violate their respective fiduciary duties or obligations or to violate any applicable laws, any non-compliance with any such provision will not be deemed to be a breach of such side letter. The other investors will have no recourse against the Funds, the General Partners, the Investment Manager and/or any of their affiliates in the event that certain investors receive additional and/or different rights and/or terms as a result of such side letters.

**Valuations.** The Funds' assets are valued quarterly under the supervision of the General Partners and the Valuation Committee. The valuation of unrealized investments will be valued using one or more of the following methods: (i) comparable private market transactions, (ii) discounted cash flow analysis and (iii)



comparable public market valuation. The relative weightings of each valuation method reflect Stronghold's judgment regarding the applicability of each approach to the specific investment.

Valuations of the Funds' portfolio may involve uncertainties and judgmental determinations. The process of valuing securities for which reliable market quotations are unavailable is based on inherent uncertainties and the resulting values may differ from those that would have been determined had a ready market existed for such securities and may also differ from the prices at which such securities are ultimately sold. Additionally, third-party pricing information regarding certain of the Funds' securities, derivatives and other assets may at times be unavailable. A disruption in the secondary markets for the Funds' investments may limit the ability of the General Partners to obtain accurate market quotations for purposes of valuing their investments and calculating the net asset value of the Funds' investments. Due to the overall size and concentrations in particular markets and maturities of positions that may be held by the Funds at any time, the liquidation values of the Funds' securities and other investments may differ considerably from the interim valuations derived from methods described herein or in the applicable partnership agreement. If the valuation of the Funds' securities in accordance with the Funds' valuation policies proves incorrect, the net asset value of the Funds' investments may be adversely affected. Valuations determined in accordance with the Investment Manager's valuation policy will be conclusive and binding absent bad faith or manifest error. Finally, since these values will be used to determine the net asset value of the interests of newly admitted investors or withdrawing or redeeming investors, any undervaluation or overvaluation of these securities may adversely affect the interests of existing investors, newly admitted investors or withdrawing or redeeming investors.

***Expenses May Be a High Percentage of Assets.*** There can be no assurances with respect to the size of the Funds. Partnership Expenses of the Funds may be a high percentage of the Funds' net asset value. Even if the Funds' strategy is successful, the Funds may still not be profitable.

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

Over the life of the Funds, the General Partner generally expects to exercise its discretion to recommend to the Funds or to a portfolio investment that it contract for services with various service providers, potentially including, among others: (i) the General Partner (or an affiliate, which may include other portfolio investments of the Funds or other Stronghold Clients) and at rates determined or substantively influenced by the General Partner; (ii) an entity with which the General Partner or its affiliates or current or former members of their personnel has a relationship or from which such Person derives a financial or other benefit;

or (iii) a Limited Partner (or a limited partner of another Stronghold Client) or its affiliates. Such discretion subjects the General Partner to conflicts of interest because the General Partner may have an incentive to recommend service providers that benefit the financial or business interests of Stronghold and its affiliates. Additionally, there is a possibility that the General Partner, because of such incentive or for other reasons (including that the retention of certain Persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to Stronghold, the General Partner, the Funds, other Stronghold Clients and their respective affiliates), may favor the retention or continuation even if a better price and/or quality of service provider could otherwise be obtained. In addition, one portfolio investment may provide goods or services to another portfolio investment, and there can be no assurance that the terms of any such transaction will be the same as those that would be obtained in an arm's length transaction between unaffiliated parties. In particular, such transactions could result in the provision of services to a portfolio investment at a rate higher than could be obtained by such portfolio investment on the open market. Whether or not the General Partner or any of its affiliates has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that a more qualified and/or lower cost service provider could not be obtained. The terms of any transaction involving the provision of goods or services to the Funds or any portfolio investments will be determined by the General Partner in its sole discretion and may differ significantly from the terms that may be obtained in an arm's length transaction between unaffiliated parties.

***Services Provided by the Management Company, General Partner and Their Affiliates.*** Management Company, General Partner and their affiliates personnel perform operations and services, including accounting, legal and other services for the Funds, Clients and their respective Portfolio Investments. The Management Company, General Partner and their affiliates will be reimbursed for these services by the Funds, Clients and/or one or more of their respective investments. Overhead costs and expenses incurred by the Management Company, General Partner and its affiliates generally are not expected to be borne directly by the Funds or Clients but may be paid by the Funds or one or more of their respective Portfolio Investments. However, such costs and expenses may be borne by the Funds or any other Client in the Management Company, General Partner or their affiliates' discretion. Any such amounts received by the Management Company, the General Partner, their affiliates and/or Stronghold from the Funds, Clients or any of their respective Portfolio Investments will not reduce or otherwise offset any fee payable by the Funds, Clients or their respective Portfolio Investments, and will not be shared with the Funds, Clients or their respective investors. The Management Company, General Partner and its affiliates will be entitled, in its sole discretion, to determine (i) which such services are provided to the Funds, Clients and/or their respective Portfolio Investments, and (ii) the appropriate allocation of time, costs and expenses with respect to such services among the Funds, Clients and/or their respective Portfolio Investments. There can be no assurance that time, costs or expenses can or will, in all cases, be allocated in a manner that actually reflects the time spent on such services on behalf of Funds, Clients and/or their respective Portfolio Investments. The Management Company, General Partner and its affiliates will have a conflict of interest in determining the respective amounts and portions of the costs and expenses of such services that will be charged to the Funds, Clients and/or their respective Portfolio Investments. In particular, the Management Company and Stronghold will have an incentive to determine that services are subject to reimbursement and, therefore, allocate more costs and expenses to the Funds, Clients and/or their respective Portfolio Investments. In making these determinations, each of the Management Company, General Partner and its affiliates will be entitled to take into account its own interests and any other interests it determines to be appropriate, which may include the interests of any relevant Funds, Clients and/or their respective Portfolio Investments, subject to the considerations described above.

***Allocation of Expenses.*** The Funds will pay and bear all Fund expenses related to its operations. The amount of these Fund expenses will be substantial and will reduce the actual returns realized by the Limited Partners on their investment in the Funds. As described further in the Funds' Governing Documents, the fees, expenses and costs borne by the Funds encompass a broad range of items and activities. The Management Company, General Partner and its affiliates may from time to time incur fees, costs and

expenses, including in connection with transactions not consummated, on behalf of the Funds and one or more other Clients. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment will be charged to the applicable portfolio investment. To the extent such fees, costs and expenses are not charged to a portfolio investment, they will be paid by the Funds and each other Client that participated or was expected to participate in such investment unless the General Partner determines, in its sole discretion, that a different allocation is fair and equitable. The Funds and the other Clients are expected to bear an allocable portion of any such fees, costs, and expenses in proportion to the size of the investment made or proposed to be made by each in respect of the entity to which the expense relates, or in such other manner as the General Partner determines, in its sole discretion. There can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. Any such determinations may involve inherent matters of discretion and conflicts of interest. Notwithstanding the foregoing, the General Partner and its affiliates may in the future develop policies and procedures to address the allocation of expenses that differ from its current practice.

Moreover, Stronghold, the Management Company and their respective affiliates can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds that will not be subject to management fee offset or otherwise shared with the Funds, Limited Partners and/or portfolio investments. For example, airline travel or hotel stays incurred as Fund expenses may result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Stronghold, its affiliates and their respective employees, partners, members, shareholders, officers, directors and managers (and not the Funds, Limited Partners and/or Portfolio Investments) even though the cost of the underlying service is borne by the Funds and/or portfolio investments. From time to time, the General Partner will be required to decide whether costs and expenses are to be borne by the Funds, on the one hand, or the General Partner, Stronghold, the Management Company or their respective affiliates, on the other, and/or whether certain costs and expenses should be allocated between or among the Funds, on the one hand, and other Stronghold Clients, on the other hand. The General Partner will make such judgments in accordance with the relevant governing agreements. To the extent the relevant governing agreements are silent on a certain expense, such judgments will be made by the General Partner in its sole discretion.

In addition, the Funds, through Portfolio Investments or directly, may bear the cost, including compensation, of directors, executives or consultants to Portfolio Investments, which may include current or former senior principals or employees of the Management Company or its affiliates, in connection with management or consulting services provided by such Persons. Such compensation may take the form of equity grants in portfolio investments. Any such cost will not offset or otherwise reduce management fees paid to Stronghold. Because such Persons may be former senior principals or employees of Stronghold or its affiliates, the General Partner has a conflict of interest approving such arrangement, although it seeks to do so generally at market rates for the services provided. There can be no assurance, however, that such rates are the lowest cost available.

## **Risks Associated with the Investments**

***Nature of Energy Industry Investments.*** Investments in the energy sector may be subject to a variety of risks, not all of which can be foreseen or quantified. Such risks may include but are not limited to: (i) the risk that the technology employed in an energy project will not be effective or efficient; (ii) uncertainty about the availability or efficacy of energy sales agreements or fuel supply agreements that may be entered into in connection with a project; (iii) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contract or fuel contract prices, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, acts of God and other catastrophes; (iv) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (v) environmental liability risks related to energy properties and projects; (vi) uncertainty about the extent, quality and availability of

oil and gas reserves; (vii) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy fuels (prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics, energy conservation, the success of exploration projects, the tax and other regulatory policies of various governments and the economic growth of countries that are large consumers of energy, as well as other factors); and (viii) the risk that interest rates may increase, making it difficult or impossible to obtain project financing, or impairing the cash flow of leveraged projects. The occurrence of events related to the foregoing may have a material adverse effect on the Funds and their investments.

Certain of the Fund's investments may be subject to the risks inherent in acquiring or developing recoverable oil and natural gas reserves, including capital expenditures for the identification and acquisitions of projects, the drilling and completing of wells and the conduct of development and production operations. The presence of unanticipated pressures or irregularities in formations, miscalculations or accidents may cause such activity to be unsuccessful, which may result in losses. Furthermore, successful investment in oil and natural gas properties and other related facilities and properties requires an assessment of (i) recoverable reserves, (ii) operating and capital costs, (iii) future oil and natural gas prices, (iv) potential environmental and other liabilities and (v) other factors. Such assessments are necessarily inexact and their accuracy inherently uncertain.

***Fluctuation in Oil and Gas Prices.*** The revenues and profitability of certain of the Portfolio Investment in which the Funds invest are likely to be significantly affected by the future prices of and the demand for oil and natural gas, which are inherently uncertain. Oil and gas investments may have significant short falls in projected cash flow if oil and gas prices decline from levels projected at the time the investment is made.

Various factors beyond the control of the Funds will affect prices of oil, natural gas and natural gas liquids, including the worldwide supply of oil and natural gas, political instability or armed conflicts in oil and natural gas producing regions, the price of foreign imports, the level of consumer demand, the price and availability of alternative fuels, the availability of pipeline capacity and changes in existing government regulation, taxation and price controls. Prices for oil and natural gas have fluctuated greatly during the past, and markets for oil, natural gas and natural gas liquids continue to be volatile.

***Regulation of the Energy Industry.*** The energy industry is affected from time to time in varying degrees by political developments and a wide range of federal, state and local statutes, rules, orders and regulations. For example, oil and gas production, operations and economics are or have been affected by price controls, taxes and other laws relating to the oil and gas industry, by changes in such laws and by changes in administrative regulations. In addition, various federal, state and local laws and regulations relating to the protection of the environment may affect the operations and costs of the companies engaged in the energy industry. These laws and regulations may (i) restrict the types, quantities and concentration of various substances that can be released into the environment, (ii) require reporting of the storage, use or release of certain chemicals and hazardous substances, (iii) require removal or cleanup of contamination under certain circumstances, which may require the expenditure of material amounts over a significant period of time, (iv) impose substantial civil liabilities or criminal penalties and (v) cause additional restrictions and delays that could materially and adversely affect the Portfolio Investments and the prospects of the Funds. Moreover, there has been a trend in recent years toward stricter standards in environmental, health and safety legislation and regulation, which could impact the success of the Funds' investments.

***Oil and Gas Exploration and Development Risks.*** The Funds invest in businesses that engage in oil and gas exploration and development, a speculative business involving 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 formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and

other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks. In addition, in making such investments, the Funds 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, such estimates are inherently imprecise.

***Properties Subject to Ground Leases.*** The Funds may acquire leasehold interests in respect of properties that are the subject of a ground lease, where third party owners hold the fee interest in those properties (each, a “***Fee Owner***”). In such cases, the Fund’s interest in such a property will be subordinate to the Fee Owner’s interest in that property, and the Fund’s investment in the leasehold interest will be subject not only to the potentially competing interests of the Fee Owner, but also to interests held by third parties, such as mortgages or other liens (e.g., mechanic’s liens) that encumber the Fee Owner’s fee interest and which may be superior and potentially adverse to the interests of the Funds. A default by the Fee Owner under any of these competing interests and the enforcement or foreclosure of those interests by the holders thereof may also result in the termination or impairment of the Funds’ leasehold interest. In addition, any bankruptcy or insolvency of the Fee Owner could potentially impair or terminate the Funds’ leasehold interest. This risk is increased if the fee interest were itself subject to financing liens. In the event of the Fee Owner’s bankruptcy, there can be no assurance that a tenant will not acquiesce in a rejection or disaffirmance of the lease by the Fee Owner or its trustee in bankruptcy, or that the Fee Owner’s bankruptcy trustee will not seek to sell the property free and clear of the lease.

***Non-controlling Investments.*** The Funds may hold a minority stake in a company with limited minority protection rights. As is the case with minority holdings in general, such minority stakes that the Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Funds hold a minority stake, it may be more difficult for the Funds to liquidate its interests than it would be had the Funds owned a controlling interest in such company. Even if the Fund has contractual rights to seek liquidity of the Funds’ minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Funds, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

***Investment in Junior Securities.*** The securities in which the Funds will invest may be among the most junior in the Portfolio Investment’s capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect the Funds’ investment once made.

***Risk of Avoidance or Fraudulent Conveyance.*** The sale and purchase of real property or trust beneficiary interests therein at fair market value can be cancelled or avoided by a trustee in bankruptcy, corporate reorganization, civil rehabilitation or similar procedure, or by the seller’s creditors. Even if the purchase price was set at the fair market value of such real property, the transaction may be cancelled under certain circumstances, e.g., if the seller intended to conceal, donate or otherwise dispose of the sale proceeds in a manner that would harm the seller’s creditors, and the purchaser knew such intention at the time of the transaction. Under certain circumstances, payments to the Funds may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

***Follow-On Investments.*** The Funds may be called upon to provide follow-up funding for its Portfolio Investments or have the opportunity to increase its investment in such Portfolio Investment. This may occur under circumstances in which a Portfolio Investment is performing poorly, in which case the follow-on investment may be riskier than the initial investment in the Portfolio Investment, or when a Portfolio Investment is performing well and needs growth capital. There can be no assurance that the Funds will wish to make follow-on investments or that the Funds will have sufficient funds to do so. Any decision by the Funds not to make follow-on investments, or their inability to make them, may have a substantial negative

impact on a Portfolio Investment in need of such an investment or may diminish the Funds' ability to influence the Portfolio Investment's future development. Moreover, to the extent that the Funds do not make such investment in a Portfolio Investment, such Portfolio Investment may seek capital from other investors who could rank senior to, and/or cause the dilution of, the Funds' investment in such Portfolio Investment.

***Investment Expenses and Broken Deal Expenses.*** The Funds' investments will require extensive due diligence, legal, and other costs prior to their consummation and may be subject to broken deal expenses if they are not consummated. The Funds will pay any fees, costs, and expenses incurred in developing, investigating, negotiating, or structuring any investment opportunities they pursue, whether or not such investments are ultimately consummated, including investments pursued by the Investment Manager prior to initial closing, if applicable, that are intended to become Fund investments. Additionally, the Funds may enter into agreements that involve payments, such as reverse break-up fees, by the Funds if they do not consummate the transaction. These expenses can be significant and may be material to the Funds. The Funds may incur, either directly or pursuant to its obligation to reimburse the Investment Manager, for any such expenses advanced by it, significant expenses in connection with proposed investments that are not consummated without the opportunity for gain or recoupment of such expenses.

***Investments Longer than Term.*** The Funds may invest in investments which may not be advantageously disposed of prior to the date that the Funds will be dissolved, either by expiration of the Funds' term or otherwise. Although the General Partners expect that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution following dissolution, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

***Limited Liquidity.*** There are currently only limited secondary markets for the types of instruments in which the Funds may invest. Neither the issuers nor the underwriters of such investments are under any obligation to make a market in these instruments and, to the extent that such market making is commenced, it may be discontinued at any time. Therefore, there is no assurance that the Funds will have liquidity in respect of their investments.

***Subscription Credit Facilities.*** Calculations of gross internal rates of return ("IRR") and net IRR are typically based on actual investment cash flows, in the case of gross IRR, or actual investor cash flows, in the case of net IRR. This treatment will apply in instances where Stronghold utilizes borrowings or another subscription-based credit facility in lieu of capital contributions or in advance of receiving capital contributions from investors to repay any such borrowings and related interest expense. Therefore, use of a capital call facility or other subscription-based credit facility with respect to investments results in a higher reported net IRR than if the credit facility had not been utilized and instead the investors' capital had been contributed at the inception of an investment, and does not have any effect on the gross IRR. Use of such leverage arrangements presents conflicts of interest as a result of certain factors, including the interest rate on borrowings typically being less than the rate of the preferred return, and that such preferred return does not accrue on such borrowings and only accrues on capital contributions when made. As a result, use of such leverage arrangements with respect to investments can reduce or eliminate the preferred return received by the investors and accelerate or increase distributions of carried interest to the General Partner, providing the General Partner with an economic incentive to fund investments through borrowings in lieu of capital contributions. Subject to any express limitations in the Governing Documents, the use of a subscription-based credit facility by the Clients is generally within Stronghold's discretion.

***Hedging Risks.*** The Funds may utilize a variety of financial instruments such as shorts, derivatives, options, swaps, caps and floors and forward contracts for risk management purposes. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may

not be possible for the Funds to hedge against an exchange rate, interest rate or security price fluctuation that is so generally anticipated that the Funds are unable to enter into hedging transactions at a price sufficient to protect their assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations.

The Funds are not required to attempt to hedge portfolio positions and, for various reasons, may determine not to do so. Moreover, the Funds are not obligated to hedge against fluctuations in the value of their portfolio positions as a result of changes in market interest rates or any other developments. Furthermore, the Funds may not anticipate a particular risk so as to hedge against it. While such hedging transactions may reduce certain risks, such transactions themselves may entail certain other risks, including counterparty default, convergence and other related risks. Thus, while the Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, commodities prices or currency exchange rates or other events related to hedging activities may result in a poorer overall performance for the Funds than if the Funds had not entered into such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. For a variety of reasons, the Funds may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings. Moreover, it should be noted that a portfolio will be exposed to certain risks that cannot be hedged.

**Other Risks.** In addition to these and other risks related to investing in Funds or Portfolio Investments, there are other risks related to the regulatory environment in which Stronghold operates. Other risk factors and potential conflicts of interest are discussed in detail applicable Governing Documents, which should be read carefully before investing through Stronghold.

**Cybersecurity Risks.** Stronghold, its advisory clients and Stronghold's affiliates and service providers depend on information technology systems and, notwithstanding the diligence that Stronghold or an affiliate may perform on its or a client's service providers, it may not be in a position to verify the risks or reliability of such information technology systems. Stronghold, its clients and their respective affiliates and service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. Stronghold, its clients and their information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Stronghold will attempt to implement various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Stronghold or an affiliate may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Stronghold's, a client's or any of their respective affiliates' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Stronghold and its affiliates' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to Stronghold clients or investors by interfering with the operations of Stronghold and its affiliates (or their service providers). Stronghold's clients and investors may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach,

increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Stronghold, Stronghold's clients and Stronghold's affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and Stronghold clients may be required to indemnify Stronghold and its affiliates against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

***Epidemics, Pandemics, and Public Health Issues.*** Stronghold's business activities, as well as that of clients and their operations and investments, could be adversely affected by the outbreaks of, such as CoronaVirus, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. the extent to which Stronghold's investment strategies will be impacted by epidemics and pandemics will depend on various factors beyond our control, including the extent and duration of the impact on economies around the world and on the global securities and commodities markets. Volatility in the U.S. and global financial markets caused by the COVID-19 pandemic may continue and could impact Stronghold's investment strategies. The COVID-19 outbreak, and future pandemics, could negatively affect vendors on which Stronghold and Funds rely and could disrupt the ability of such vendors to perform essential tasks. An outbreak or recurrence of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the business, financial condition and operations of Stronghold and the Funds.

***Force Majeure & Catastrophic Risks.*** Stronghold and the Funds may be subject to operational risk from unforeseeable and uncontrollable catastrophic events, including fires, floods, earthquakes, adverse weather conditions and related power outages, water shortages or other damage caused by such events, changes in law, eminent domain, wars, riots, terrorist attacks, and other similar risks, which may be uninsurable or insurable at rates that Stronghold deems uneconomic. These events could result in loss and litigation, among other potentially detrimental effects. In February 2022, armed conflict escalated between Russia, and Ukraine and Russia invaded Ukraine. In response to Russia's invasion of Ukraine, the United States, the European Union and various other countries have announced, and continue to announce and expand, sanctions against or targeting Russia and various important Russian people and companies. These sanctions currently include, among others, restrictions or bans on selling or importing goods, services or technology in or from Russia, bans on Russian energy imports, and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. The U.S. and other countries could impose wider or more significant sanctions and take other actions against Russia or its interests should the conflict further escalate or deteriorate. The Ukraine-Russian conflict has led to, and may continue to lead to, significant political, geopolitical, economic and market turmoil and volatility, including dramatic increases in oil and gas prices and further supply chain disruptions. It is not possible to predict the broader consequences of this conflict or the sanctions imposed or applied as a result thereof, which could include further sanctions, embargoes, regional instability, geopolitical shifts, conflicts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact the Funds or the Firm's business, financial condition and results of operations.

***Financial Institution Risk; Distress Events.*** An investment in the Funds is subject to the risk that banks, brokers, hedging counterparties, lenders or other custodians (each, a "Financial Institution") of some or all of the Funds' assets fail to timely perform their obligations or experience insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Stronghold, its affiliates and/or the Funds may not be able to access deposits, borrowing facilities or other services, either permanently or for an extended 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, or 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 increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties during Distress Events, there can be no assurance that such intervention will occur in a future Distress Event or that any such intervention undertaken will 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 Stronghold and its affiliates to manage the Funds and their investments and on the ability of Stronghold, its affiliates and the Funds to maintain operations, which in each case could result in significant losses. Such losses have the potential to include a loss of funds and the inability of Funds to acquire or dispose of investments or acquire or dispose of such investments at prices that Stronghold believes reflect the fair value of such investments. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that the Funds will incur additional expenses or delays in putting in place alternative arrangements 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). Although Stronghold and its affiliates expect to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. The Funds are subject to similar risks if a Financial Institution utilized by investors in the Funds or by suppliers, vendors, service providers or other counterparties of the Funds becomes subject to a Distress Event, which could have a material adverse effect on the Funds.

A Financial Institution may require, as a condition to using its services (including lending services), that Stronghold, its affiliates and/or the Funds 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 Institution. Although Stronghold and its affiliates seek to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their obligations to the Funds, Stronghold 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.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH STRONGHOLD'S INVESTMENT STRATEGIES. INVESTORS ARE ENCOURAGED TO CAREFULLY REVIEW THIS BROCHURE AND THE APPLICABLE GOVERNING DOCUMENTS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.**

#### **ITEM 9: DISCIPLINARY INFORMATION**

Stronghold has no information to disclose in response to this Item.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

##### ***Stronghold Affiliated Entities***

Stronghold is affiliated with the General Partners, the Investment Managers, SRP Management Services, LLC and SRP IM Holdings, LLC. Stronghold or its affiliates may establish one or more funds or investment vehicles, including parallel funds or feeder funds, or one or more alternative investment vehicles for clients or for the purpose of structuring particular investments. Any such investment vehicles, as well as the General Partner or managing member to or of such entity, may be an affiliate of Stronghold.

##### ***Personal and Family Investment Activities***

Certain Principals and affiliates of Stronghold hold and may hold direct and/or indirect personal or family investments in various entities, companies, investments and assets/properties, including Funds established by Stronghold or other clients managed or sponsored by Stronghold and other entities, and may serve or

may serve on boards of directors, investment committees and advisory boards for such companies or entities. Employees are subject to Stronghold's Code of Ethics and Insider Trading Policy, which govern, among other things, personal trading activities, business activities outside Stronghold, handling of material non-public information obtained either through Stronghold or activities outside Stronghold and the conflicts of interests related to the aforementioned activities. See Item 11. In addition, the LPAB of each Fund, if applicable according to the Governing Documents, serves to, among other things, approve or disapprove any actual and material conflict of interest involving these Funds, their General Partner or affiliates. Please refer to Item 12 under *Principal & Related Party Transactions* for a summary of LPAB functions.

### ***Other Activities***

Principals or employees of Stronghold serve or may serve on boards of directors, investment committees and advisory boards for certain other companies or businesses, to the extent permitted and approved under Stronghold's Code of Ethics. Supervised persons must obtain prior approval from the Chief Compliance Officer with respect to outside activities. Subject to the *Key Person Event* provisions of the Fund Governing Documents, supervised persons are expected to devote their full professional time and efforts to the business of Stronghold and its affiliates and use reasonable efforts to avoid activities that could present actual or perceived conflicts of interest. The Managing Partner is among the founders of Glass Houses Acquisition Corp. ("*Glass Houses*"), a special purpose acquisition company.

### ***Other Registrations***

Neither Stronghold nor any of its affiliates or related persons is registered, or has an application pending to register as a securities broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator or commodity trading advisor.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Stronghold may advise multiple clients that have different investment objectives, guidelines and strategies, as set forth in the applicable Governing Documents of each such Client. In performing its advisory services, Stronghold may give advice and take action with respect to any of its clients that may differ from actions taken by Stronghold on behalf of other clients. Stronghold and its affiliates, along with their respective personnel, may invest or otherwise have an interest, either directly or indirectly, in Stronghold-managed Funds (or investments made by such Funds). One client may invest in the same Portfolio Investments as another client consistent with the terms of the applicable Governing Documents and, if applicable, approval by the applicable advisory committee of the applicable client once established. Stronghold has implemented policies and procedures relating to personal securities transactions and insider trading, which are designed to identify potential conflicts of interest, to prevent or mitigate actual conflicts of interest and to resolve conflicts appropriately, if they do occur.

### ***Code of Ethics***

Stronghold has adopted a Code of Ethics, which sets forth standards of business conduct and various other policies and procedures applicable to all of Stronghold's supervised persons. As such, Stronghold's Code of Ethics includes, among other things: (i) standards of business conduct, requiring that supervised persons comply with relevant provisions of the federal securities laws and the fiduciary duties an investment adviser owes to its clients, and policies designed to identify and address conflicts of interest; (ii) personal securities transaction policies governing the personal investment activities of relevant personnel and requiring the submission by access persons of reports regarding their personal trading accounts and activities; and (iii) an insider trading policy and policies and procedures designed to prevent misuse of material non-public

information. Clients and investors may obtain a copy of Stronghold's Code of Ethics by contacting us at 972-850-7474.

Personnel who fail to observe the Code of Ethics and related compliance policies risk serious sanctions, including dismissal and personal liability.

### ***Personal Securities Transactions Policy***

Stronghold's Code of Ethics includes a personal securities transactions policy, which imposes certain requirements and restrictions with respect to personal trading and investment activity by Access Persons. In particular, Access Persons are required to obtain the approval of the Chief Compliance Officer before buying or selling any publicly-traded security that is currently owned by or is being considered for purchase or sale by any client. Access Persons also must obtain approval prior to investing in initial public offerings or any private placements. Stronghold maintains and periodically updates a restricted list, to reflect actual or potential investment activities of advisory clients or potential receipt or possession of actual or potential material non-public information. Access Persons are prohibited from investing in securities listed on Stronghold's restricted list without prior approval by the Chief Compliance Officer. In appropriate circumstances and to the extent permitted by applicable law, the Chief Compliance Officer may grant waivers to Code of Ethics restrictions.

### ***Related Party Co-Investments***

Please refer to Item 12 under *Investment & Co-Investment Allocation* for a description of Stronghold's co-investment practices including those involving parties affiliated with or related to Stronghold.

### ***Insider Trading Policy***

Stronghold and its related persons may, from time to time, come into possession of material nonpublic and other confidential information, which, if disclosed, might affect a reasonable investor's decision to buy, sell or hold a security. Under applicable law, Stronghold may be prohibited from improperly disclosing or using such information for its personal benefit or for the benefit of any other person, regardless of whether that other person is a client. Accordingly, should Stronghold or any of its supervised persons come into possession of material nonpublic or other confidential information with respect to any company, it may be prohibited or restricted from communicating that information to any other person or using that information for the benefit of its clients. Accordingly, Stronghold's Code of Ethics contains procedures to prevent the misuse of material nonpublic information by Stronghold and Stronghold's supervised persons.

### ***Reporting Requirements Under the Code of Ethics***

To assist Stronghold in monitoring personal trading activities in order to detect potential conflicts of interest or violations of the Code of Ethics, fiduciary duty or applicable law, Access Persons must provide periodic reports with respect to personal securities transactions, holdings and accounts, including annual reports of holdings in reportable securities and quarterly reports of their personal transactions in reportable securities. These reports are submitted to and reviewed by the Chief Compliance Officer or his designee.

### ***Gifts and Entertainment***

Subject to certain restrictions, Stronghold's supervised persons may on occasion accept or provide gifts or invitations to entertainment. Stronghold's gifts and entertainment policy implements internal controls to monitor such activity, which include reporting or seeking pre-approval before giving or accepting gifts and entertainment of significant value and prohibiting or limiting the provision or receipt of cash gifts, as well

as gifts or entertainment to government employees, foreign officials and certain other categories of recipients.

### ***Political Contributions***

Stronghold has adopted a Political Contribution policy that is intended to ensure that neither Stronghold nor its employees engage in prohibited pay-to-play activities. Stronghold's supervised persons are prohibited from making political contributions for the purpose of inappropriately influencing any investment or business decision. In addition, Stronghold supervised persons are required to report or seek pre-approval before making any political contribution or soliciting contributions from others.

## **ITEM 12: BROKERAGE PRACTICES**

### ***Investment & Co-Investment Allocations***

As noted in Item 6, Stronghold seeks to ensure that there are clear boundaries between the investment criteria of Client portfolios that it manages. Stronghold may, from time to time, make the same investment on behalf of more than one client when such investment is suitable to those clients. Suitability will be determined by the investment guidelines, objectives and restrictions of each mandate as defined by Stronghold's investment allocation policy, the partnership agreement, advisory agreement or other Governing Document.

The General Partner may, from time to time, depending on the type of investment opportunity, in its discretion, offer co-investment opportunities with respect to the Fund's investments to (i) co-investment vehicles formed to invest in one or more investments of the Fund, (ii) other Stronghold Clients, (iii) any of the investors, (iv) affiliates of the General Partner or the Fund's management company (and/or their respective family members) and/or (v) any other person, including any person who the General Partner believes will be of benefit to the Fund or one or more investments of the Fund) or who may provide a strategic, sourcing or similar benefit to the Fund's management company, the Fund, any investment of the Fund or one or more of their respective affiliates due to industry expertise or otherwise (and may also organize one or more entities to invest in the Fund or to co-invest alongside the Fund to facilitate personal investments by such persons or entities). The Fund's management company may, but will be under no obligation to, provide co-investment opportunities to investors. Any such co-investment opportunity may be provided on such terms and conditions as the General Partner and the investors participating therein agree. Such Co-Investors may or may not pay Carried Interest or Management Fees to the Fund's General Partner and/or the management company and, unless any Co-Investors otherwise agree, the Fund may bear the entire amount of any break-up fee or broken deal expense or other fees, costs, and expenses related to an investment that is not consummated.

### ***Principal & Related Party Transactions***

In order to facilitate the acquisition of a Portfolio Investment, a Fund may make (or commit to make) an investment in such company with a view to selling a portion of such investment to Co-Investors prior to or within a brief period after the closing of such acquisition. If any such sale after the closing of an acquisition is made to Co-Investors or a co-investment vehicle controlled by the Fund's General Partner or any of its affiliates, such sale shall occur at such price and on such other terms and conditions as the General Partner determines to be equitable. Any such co-investments made through vehicles controlled by the General Partner or any of its Affiliates shall be made and disposed of (or a proportionate share thereof) at the same time and on substantially the same economic terms as the applicable investment by the Fund.

Pursuant to the respective Fund's Governing Documents, the LPAB generally shall be responsible for 1) approving or disapproving any material conflicts of interest involving the Fund(s), any parallel partnership, Stronghold and/or an affiliate; 2) approving or disapproving related party transactions and/or other transactions to the extent required by applicable law or deemed advisable by the Investment Manager; 3) approving or disapproving certain borrowing arrangements as set forth in relevant Governing Documents; and/or 4) providing general advice to the Investment Manager or General Partner with regard to other matters presented to it by the Investment Manager or General Partner or as otherwise specified in the Fund's Governing Documents. To the extent that such approval or disapproval of the LPAB is not deemed sufficient by the General Partner or the LPAB in its good faith judgment, as required by applicable law, the General Partner may, in its discretion, elect to select one or more persons, who shall not be affiliated with the Fund's management company or the General Partner, to serve on a committee, the purpose of which shall be to consider, and on behalf of the investors and the Fund, approve or disapprove, to the extent required by applicable law, such related party transactions, other transactions and matters and any approval or other client consent that may be required under the Advisers Act. In any event, Stronghold will comply with Section 206(3) of the Advisers Act. The General Partner shall have the authority to agree to reimburse members of the committee for their out-of-pocket expenses and to indemnify them to the maximum extent permitted by law.

Other than the functions described above, the LPAB serves to, among other things, 1. (a) approve or disapprove any actual and material conflict of interest involving the Fund, any parallel partnership and/or the General Partner or (b) the General Partner or its affiliate, on the one hand, and the Fund or an issuer, on the other hand (which, in the case of either (a) or (b), the General Partner shall be required to present such actual and material conflict of interest to the LPAB); 2. at the request of the General Partner: approve or disapprove any transaction or matter involving a potential conflict of interest between the General Partner and its affiliates, on the one hand, and the Fund; and/or 3. provide general advice to the Fund's management company or the General Partner with regard to any other matters presented to it by the management company or the General Partner. Please refer to the Fund's Governing Documents for a full description of the functions of the LPAB.

### ***Brokerage Transactions***

Because the nature of Stronghold's business is to make private equity investments for Clients, Stronghold does not expect to use broker dealers for purchases of securities. Stronghold will generally have the authority to determine what securities the Funds should buy or sell and what brokers or dealers the Funds should use. The vast majority, if not all, of the investments made by the Funds will be in non-registered securities offered in private placements without the services of a broker-dealer. Consequently, while Stronghold will have the authority to select brokers or dealers, such authority is seldom expected to be exercised. However, on occasion, the client account may receive public security positions through a distribution in kind or as part of a distribution or liquidation of a Portfolio Investment. Accordingly, Stronghold may occasionally use brokers to transact on behalf of its client accounts.

In situations where Stronghold chooses the broker-dealer to liquidate or otherwise sell these positions, consistent with its duty to seek best execution, Stronghold will select brokers and dealers based upon their reputation, quality of service, and ability to liquidate the particular security. When selecting a broker or dealer, Stronghold may also take into account factors such as execution capabilities, commission rates, fees, responsiveness and financial responsibility. In applying these factors, Stronghold recognizes that different brokers may have different execution capabilities with respect to different types of securities and transactions, and that no one broker will likely be judged the best at every relevant factor as a general matter or with respect to any particular transaction. Stronghold will periodically review executing brokers from both a qualitative and quantitative perspective to assess the quality of executions and value of services provided.

### ***Soft Dollars***

As a matter of general policy, Stronghold does not participate in soft dollar arrangements. Stronghold does not receive research or other products or services from broker dealers or third parties in connection with client securities transactions. Should Stronghold for any reason choose to enter into one or more soft dollar arrangements, it would continue to place primary consideration on the broker's ability to provide best execution. Further, any soft dollar arrangements would endeavor to meet all the conditions of Section 28(e) of the Exchange Act.

### ***Brokerage for Client Referrals***

Stronghold does not currently have any referral arrangements or use brokerage relationships for client referrals.

## **ITEM 13: REVIEW OF ACCOUNTS**

### ***Reviews***

Monitoring of active Portfolio Investments is a critical component of the Investment Committee's weekly meetings. Given the high degree of control exercised by Stronghold over certain Portfolio Investments we believe Stronghold is highly knowledgeable about Portfolio Investment activity. Investment Committee approval includes a specified amount of capital committed to each Portfolio Investment. No Portfolio Investment can spend capital without technical and commercial alignment, which includes Stronghold Investment Committee review of each individual transaction; accordingly, we believe the risk associated with portfolio monitoring and investment execution is mitigated. Stronghold believes this approach is superior to that of other investment managers that outsource these back-office functions to each Portfolio Investment. In addition, Stronghold hosts calls with portfolio partners' management, development, or origination team to review progress and surface issues.

### ***Reports to Clients and Investors***

Stronghold has engaged MUFG Capital Analytics LLC to provide third-party administration services to SRPO-II, SRPO-II Partners and SRPO-III. The administration for all other Funds is maintained in-house.

Stronghold provides all investors with access to the online investor portal. Within the investment portal, clients are able to access:

- |                              |                                |
|------------------------------|--------------------------------|
| ▪ Fund documentation         | ▪ Schedules K-1                |
| ▪ Capital account statements | ▪ Quarterly investor letters   |
| ▪ Quarterly financials       | ▪ Relevant transaction updates |
| ▪ Annual financials          | ▪ Other relevant updates       |

Email notifications are sent to alert clients of new information that is available in the online investor portal.

Subject to the applicable Governing Documents, Fund investors will receive written financial reports, investor letters and capital account statements on a quarterly basis. Within 120 days after the end of each fiscal year, or as soon as reasonably practicable thereafter, a report from an independent certified public accountant setting forth as at the end of such fiscal year: (i) a balance sheet of the Fund; (ii) a statement of the net income or net loss of the Fund for such year; (iii) a statement of changes in financial position or a cash flow statement of the Fund; and (iv) a supplemental statement of such investor's capital account. In addition, the Funds may hold annual meetings to provide investors with the opportunity to review and

discuss investment and Portfolio Investment activities. They may review other information as presented by Stronghold consistent with the duties established in the applicable Governing Documents.

Stronghold may provide different and/or additional reporting or reporting on different timelines to investors pursuant to provisions in advisory contracts or side letter agreements (including increased transparency and other information rights). Representatives of Stronghold are available for discussions with investors on a periodic or agreed upon basis. Client books and records will be available for inspection by investors at reasonable times during business hours (subject to any limitations set forth in the applicable Governing Documents).

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Other than the fees and expense reimbursements as described in Item 5 above, neither Stronghold nor any affiliate receives any economic benefit from a non-client for providing investment advice or other advisory services to its clients.

Stronghold has or may have relationships with its principals, supervised persons or affiliates who may refer investors to a Fund. These individuals will have or may receive an economic interest in Stronghold that may be impacted by the fees received from new clients introduced.

Stronghold may enter into agreements or arrangements with placement agents, solicitors or other third parties who refer clients or investors to Stronghold or to Funds managed by Stronghold. In consideration of these referral services, such persons receive or may receive compensation from Stronghold (or its affiliates) which may consist of, among other things, a percentage of the Management Fee and/or Carried Interest distribution otherwise payable or distributable to Stronghold or its affiliates; a percentage of an investor's commitment and/or a flat fee; or equity ownership in Stronghold. In each applicable Fund, Placement Fees offset Management Fees and therefore Clients and investors will not be charged any higher or additional fees as a result of any placement agent or solicitation arrangements. In every instance, all arrangements and payments of referral or placement agent fees will be disclosed to applicable investors.

#### **ITEM 15: CUSTODY**

To the extent Stronghold or an affiliate serves as the General Partner or managing member of any Fund, it would be deemed to have custody of such client's funds and securities for purposes of Rule 206(4)-2 under the Advisers Act. In order to comply with Rule 206(4)-2, Stronghold utilizes the services of qualified custodians (as defined under Rule 206(4)-2) to hold client cash and securities, to the extent required by the Rule. Stronghold also ensures that each qualified custodian maintains these assets in an account that contains only client assets, under the client's name. Cash is maintained at a bank. Securities are maintained by a broker, bank or other qualified custodian, except with respect to "privately offered securities" as defined in Rule 206(4)-2, which generally are not required or able to be held at a qualified custodian.

In accordance with Rule 206(4)-2, for each such Fund it will (i) engage an independent auditor registered with and subject to inspection by the Public Company Accounting Oversight Board to audit each of its clients as of the end of each fiscal year and (ii) distribute the results of the audit in audited financial statements (prepared in accordance with generally accepted accounting principles) to all investors within 120 days after the end of the fiscal year, but there can be no assurance that Stronghold will be successful in this regard. Qualified custodians generally are not expected to provide account statements directly to investors.

## ITEM 16: INVESTMENT DISCRETION

For its discretionary client accounts, including Funds that have and may in the future be established by Stronghold, discretionary authority will be granted to Stronghold by an investment management agreement, limited partnership agreement or other applicable Governing Documents. The investment objectives and restrictions applicable to Funds will be set forth in the applicable Governing Documents. Investors in Funds established by Stronghold generally do not have authority to impose any restrictions upon Stronghold's discretionary authority. However, Stronghold may, under certain circumstances, enter into a side letter or similar agreement with an investor in a Fund that limits such investor's participation in certain types of investments in order to address specific legal, regulatory, tax or policy restrictions of the investor. Each investor in Fund will generally grant the General Partner of such Fund a limited power of attorney to enable the General Partner to execute the applicable partnership agreement and perform certain other activities in connection therewith on its behalf.

### *Investment Allocations*

Please refer to Item 12 under *Investment & Co-Investment Allocation* for a description of Stronghold's investment allocation practices.

## ITEM 17: VOTING CLIENT SECURITIES

Clients and Fund investors generally cannot direct how proxies for securities held in such Funds or client accounts are voted, and therefore Stronghold generally is responsible for voting any proxies with respect to such securities. Stronghold will not typically invest in or hold publicly-traded securities and, therefore, rarely expects to vote proxies. However, clients of Stronghold may on occasion hold public securities, which may be subject to proxy votes. Stronghold does not vote or review proxies on securities held by any underlying Portfolio Investments. Stronghold will generally not have the authority to vote proxies for non-discretionary client accounts.

Stronghold has adopted Proxy Voting Policies and Procedures (the "*PVPs*") designed to ensure that, in the event that Stronghold is in a position to vote proxies and deems it in the clients' best interest to do so, Stronghold will vote such proxies based on what it considers to be in the best financial interest of each applicable client, as determined in its discretion.

Stronghold will attempt to identify actual or potential conflicts of interest that could compromise the independence of voting decisions when voting a proxy on behalf of a client. Where a material conflict of interest is identified, Stronghold will attempt to resolve the conflict before voting a proxy. Stronghold may determine not to vote proxies in respect of securities of an issuer if it determines that it would be in the applicable client's overall best interest not to vote. Investors may not direct or otherwise influence votes with respect to any particular proxy solicitation.

Stronghold has employees or supervised persons who may serve on Portfolio Investment boards. Therefore, in the event a related person of the Company is nominated as a director as part of a proxy vote, the Company may vote for the approval of such director without seeking input from the Fund's LPAB or taking other special measures to address a conflict of interest.

Investors may receive a copy of the PVPs, as well as information on how proxies were voted on behalf of a client, if applicable, upon request.



**ITEM 18: FINANCIAL INFORMATION**

Stronghold is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients. Neither Stronghold nor its principals have been the subject of a bankruptcy petition.