



**Part 2A of Form ADV: North Hudson Resource Partners LP - Firm Brochure**

**Item 1. Cover Page**

March 21, 2024

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**This brochure provides information about the qualifications and business practices of North Hudson Resource Partners LP (the “Adviser”, “Firm”, or “North Hudson”). If you have any questions about the contents of this brochure, please contact us at (713-936-6563). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about North Hudson Resource Partners LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 297155.**

**An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

North Hudson Resource Partners LP (“North Hudson”) is submitting this Brochure as part of its annual ADV filing for 2023.

Future Brochure filings will address “material changes” since the date of this filing concerning North Hudson which will either be delivered, or offered for delivery, to clients. A copy may also be downloaded from the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Our Brochure may be requested by contacting Brent Kelley, the Adviser’s Chief Compliance Officer at 713-936-6563.

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#### **Item 4. Advisory Business**

The Adviser is a Delaware limited partnership, based in Houston, TX, together (where the context permits) with its affiliated general partners of the Funds (as defined below) and other affiliates that provide advisory services to and/or receive advisory fees from the Funds. Such affiliates are currently and would typically be under common control with North Hudson Resource Partners LP and possess a substantial identity of personnel and/or equity owners with North Hudson Resource Partners LP. These affiliates have been and may in the future be formed for tax, regulatory or other purposes in connection with the organization of the Funds (as defined below). One or more of these affiliates currently serve as the general partner of the Fund.

The Adviser provides investment supervisory services to pooled investment vehicles (the “Fund”, or collectively the “Funds” or “Clients” or “Partnerships”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Adviser focuses on opportunistic private equity investments in the North American upstream and midstream sectors through its non-operated and operated platforms. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. The Adviser serves as the investment adviser to the Funds in order to provide such services.

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

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or governing documents of the applicable Funds. Investment restrictions for the Funds, if any, are generally established in the governing documents of the applicable Funds, Advisory Agreements and/or side letter agreements negotiated with investors in the applicable Funds (the governing documents, Advisory Agreements and side letters referred to herein as a Fund’s “Governing Documents”).

While each of its Clients generally follows the strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client based on the individual investment strategy of each Client. Additionally, from time to time and as permitted by the relevant Governing Documents, the Adviser in its sole discretion is permitted (but is not obligated to) offer co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants, and other service providers, the Adviser’s personnel and/or certain other persons associated with the Adviser and/or its affiliates. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle could purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing

sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in the Adviser's sole discretion, the Adviser is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

The Adviser does not participate in wrap fee programs.

North Hudson Resource Partners LP was formed in 2018 and is owned by North Hudson Resource Partners UGP LLC, which is in turn majority owned by Mark Bisso. The Adviser manages approximately \$ 890,614,037 of client assets as of December 31, 2023, all of which is managed on a discretionary basis.

## **Item 5. Fees and Compensation**

Below is a discussion of how the Adviser is typically compensated in connection with providing advisory services to its Clients. Because the Adviser may enter into different fee arrangements on a Client by Client basis, please ensure you obtain and carefully read and study all applicable Governing Documents for any Fund or Fund(s) for which the Adviser provides investment advisory services.

The Adviser or its affiliates generally receive Advisory Fees and Carried Interest (each as defined below) or similar performance-based remuneration from a Fund. A Fund, and/or its portfolio companies may also make other payments to the Adviser or its affiliates for services provided to the portfolio companies which, in certain circumstances, may reduce the Advisory Fees payable to the Adviser. Additionally, consistent with the Governing Documents of a Fund, the Fund typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Fund and/or the portfolio companies. Further details about certain common fees and expenses are set forth below.

### **Management Fee**

For its services to each Fund, the Adviser receives a management fee (the “Management Fee”), which is based on a percentage of assets under management or a percentage of capital commitments. With respect to the Funds, prior to the end of the investment period for each Fund, the Adviser receives a Management Fee based on a percentage of total capital commitments to the Funds. After the investment period, the Management Fee with respect to the Funds is based on percentage of assets under management. Management Fees paid by a Fund may also be reduced by other fees or compensation received by the Adviser or its affiliates that relate to such Fund’s activities and investments, or by certain organizational or other expenses borne by such Fund, as described in more detail below. Management Fees paid by a Fund are indirectly borne by investors in such Fund.

Administrative Fees are sometimes charged to certain co-investment vehicles (e.g. North Hudson SRR LP and North Hudson Fortuna III LP), which is based upon the cumulative investment capital contribution of an investor.

The annual Management Fee is paid quarterly in advance. The Adviser will refund any pre-paid Management Fees by a Fund if the Advisory Agreement with such Fund is terminated before the end of the billing period. Management Fee refunds are calculated on a pro-rata basis for partial periods.

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

differ from one Fund to another, as well as among investors in the same Fund. The Adviser retains flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor's capital account(s).

As is generally the case in private equity funds, the Governing Documents provide that a Fund's Management Fees will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. As further specified in the Governing Documents, from the effective date of the relevant Fund until a date specified in the Governing Documents (generally representing the earlier of the end of the Fund's defined investment period and the date the relevant General Partner (or an affiliate thereof) first begins receiving or accruing management fees from another Fund meeting certain criteria) (the "Stepdown Date"), Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate Commitments. Further, after the Stepdown Date, Management Fees generally will be charged and calculated based on a formula tied to the amount of investment contributions made by the relevant Fund that have not been realized or completely written off for U.S. federal income tax purposes.

Under the Governing Documents, where the fair market value of an investment exceeds the total amount of investment contributions relating to such investment, post-Stepdown Date Management Fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such investment contributions. However, where there has been a partial distribution, partial writedown or partial sale of an investment and the fair market value of such investment following such event exceeds the total amount of investment contributions relating to such investment, the Governing Documents do not require Management Fees after the Stepdown Date to be reduced.

As a result, the amount of Management Fees generally will not correspond with fluctuations in the Fund's net asset value, including following the investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), except in the case of investments completely written off for U.S. federal income tax purposes. Except where the Governing Documents expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial distributions (e.g., those resulting from a dividend recapitalization) or partial sales of investments.

In many circumstances, the fair value component of such post-Stepdown Date Management Fees will include capitalized transaction-specific expenses of unrealized investments. Further, Management Fees generally will not be reimbursed or refunded under the Governing Documents in the event of realizations, dispositions or partial write-downs that occur partway through the relevant calculation period.

The Governing Documents set forth the full list of terms under which Management Fees will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified Management Fee rate in the Governing Documents until they are reduced in the circumstances and on the date(s) specified therein.

As more fully described below, the Adviser or its affiliates are permitted to charge Other Fees (as defined below).

### **Carried Interest**

Additionally, a Fund may be charged a performance fee (sometimes referred to as “carried interest”) based on net profits (the “Performance Fee”). The Performance Fee for each Client is specified in the Governing Documents of such Client.

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

### **Other Fees**

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

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

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

### **Organizational Expenses**



The Partnership shall pay or reimburse the General Partner and its Affiliates for the Partnership's Pro Rata Share of all Organizational Expenses. Such expenses may be subject to certain limitation that are more fully explained in each Fund(s)' applicable Governing Documents.

#### **Partnership Expenses**

The Partnerships shall pay all Partnership Expenses or reimburse the General Partner, the Management Company or any Person advancing payment of such expenses. In addition, the Partnership, the General Partner, the Management Company or any member thereof may charge a Portfolio Company and/or a potential Portfolio Company for any expenses to the extent the General Partner reasonably determines such expenses are attributable to such Portfolio Company and/or potential Portfolio Company or the Partnership's investment or prospective investment therein or liquidation thereof. The General Partner, the Ultimate General Partner or the Management Company may engage placement agents and incur Placement Fees.

#### **Co-Investment Vehicle Expenses**

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

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

#### **General Partner Expenses**

The General Partner and the Manager will be responsible for all of their day-to-day operating expenses, including office overhead and compensation of employees.

#### **Allocation of Expenses**

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

To the extent not allocated to a portfolio company, the Adviser will in good faith allocate fees and expenses incurred in the course of evaluating and making investments that are consummated between Clients in accordance with each Client's Governing Documents or, to the extent not addressed in such Governing Documents, in accordance with its allocation procedures then in effect. In general, this results in an allocation that is pro rata based on the respective total capital commitments of such Clients, however certain expenses are allocated differently by the Adviser.

#### **Brokerage Fees**

The Adviser does not maintain any trading accounts and does not use "soft" dollars.

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

As stated in Item 5 above, the Adviser or its affiliates receive performance-based fees or carried interest allocations from certain Clients. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that performance-based fees only be charged to “qualified clients” (as such term is defined in Rule 205-3).

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee-paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest with respect to any future clients, the Adviser has implemented policies and procedures to ensure that all clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

## **Item 7. Types of Clients**

The Adviser currently provides investment supervisory services to private Funds. Investment advice is provided directly to the Fund (subject to the direction and control of the general partner of each such Fund, if applicable) and not individually to investors in such Fund.

The Adviser does not have a minimum size for a Fund, but minimum investment commitments are typically \$5 million for each investor in the Fund. The general partner of each Fund has in the past and may in the future, in its sole discretion, permit investments below the minimum amounts set forth in the Governing Documents of such Fund.

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

### **Methods of Analysis and Investment Strategies**

North Hudson believes its investment strategy, based on the Senior Investment Team's experience and comprehensive investment capabilities, is differentiated and well-suited to capitalize on the attractive opportunities currently available in the energy investment environment. The Firm intends to focus on middle market energy investments in the upstream and midstream sectors in North America. North Hudson's investment strategy will be a result of the Senior Investment Team sourcing investment opportunities through team member relationships, existing and former management team relationships, investment banking/financial advisors, and fundamental research.

### **Risks**

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Fund must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Fund, include the following:

### **General Investment Risks**

*Business Risks.* The Fund's investment portfolio is expected to consist primarily of debt and/or equity investments in energy companies. Operating results for these types of investments during a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance; Loss of Principal.* The Fund consists of one or more newly organized entities that have no prior operating history or track record. Accordingly, the Fund does not have performance history for a prospective investor to consider. With respect to any performance information contained herein, prospective investors should bear in mind that past or projected performance set forth herein relating to any investment fund, investment vehicle, managed account and other entity managed, controlled, formed or operated, directly or indirectly, by the Former Sponsor (collectively, the "Former Sponsor Funds") is not necessarily indicative of future results, and there can be no assurance that the Fund will achieve comparable results. Information contained herein reflects investments previously made, managed and/or operated by certain principals of the Management Company (the "Principals") in their capacities as employees of the Former Sponsor. This information is provided in order to illustrate the nature of such investments and the related investment strategy and process with respect to investments of the type expected to be made by the Fund, but should not be understood as "track record" information. With respect to the Former Sponsor, Mr. Bisso, as part of the team of executive officers that managed such investment vehicles, did not possess sole investment approval with respect to investments made and was assisted by other individuals that had substantial involvement in such investments that will not be involved in managing the Fund or its investments. In considering the performance information of the Former Sponsor Funds contained in this Memorandum, prospective investors should bear in mind that an investment in the Fund does not represent an interest in any Former

Sponsor Fund or its investment portfolio. A prospective investor should not rely on any expectation and there can be no assurance that the risk/return profile of an investment in the Fund will resemble that of any Former Sponsor Fund. An investor should only invest in the Fund as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment in the Fund. While the General Partner intends for the Fund to make investments that have estimated returns commensurate with the expected risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. As with any investment, a complete loss of all invested capital in the Fund is possible.

*Concentration of Investments; Lack of Diversification.* The Fund will focus primarily on investments in companies in the upstream and midstream oil and gas sectors. While the Management Company and certain of its partners, members, officers, employees, managers and directors have experience within this industry, the ultimate performance of the Fund's investments cannot be predicted with certainty. Although the General Partner will attempt to minimize risk, the Fund's actual returns will be subject to numerous factors beyond the General Partner's control, including natural causes, governmental regulation, competing responses to population growth, economic development, and increased urbanization, the successful implementation of measures to counter any of the foregoing, whether by way of political will, the development of new technologies for that purpose or otherwise, and consumer needs and preferences. In addition, the Fund may participate in a limited number of investments within the upstream and midstream oil and gas sectors of the energy industry and, as a consequence, the aggregate returns to the Fund may be substantially adversely affected by the unfavorable performance of even a single investment. To the extent the Fund concentrates its investments in a particular issuer, security, product, service or geographic region, such investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect to that issuer, security, product, service or geographic region. To the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified. If the Fund co-invests with another investment fund, a Limited Partner invested in such other fund may have exposure to a single portfolio company through more than one fund, potentially multiplying such Limited Partner's losses. In addition, during the early stages of the Fund's term, the Fund may hold more concentrated positions than it otherwise would.

The General Partner is expected to reinvest a significant amount of any current income and investment proceeds from a portfolio company of the Fund, including reinvesting the current income and investment proceeds from one portfolio company in a separate and distinct portfolio company. There are limited restrictions on the General Partner's ability to reinvest current income and investment proceeds not distributed by the Fund. As such, any such reinvestment will increase the Fund's exposure to a particular portfolio company and an underperforming portfolio company is likely to adversely affect other portfolio company and the aggregate returns of the Fund.

*Highly Competitive Market for Investment Opportunities Generally; Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity transactions in the energy industry is highly competitive and competition is increasing. The Fund will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and

corporations, strategic industry acquirers and other financial investors. Over the past several years, an ever-increasing number of private equity funds have been or are being formed, and many existing funds have grown in size. Additionally, a number of new funds and established funds with more generalized investment capabilities have entered into the energy industry within the last several years as capital needs in the industry have increased and investment returns in other industries have decreased. As global efforts are made to respond to anticipated future population growth, economic development and increased urbanization, and the effects of each of them, the number of funds and sources of investment capital that have similar investment objectives to the Fund, or that target similar investment opportunities, is likely to increase. Some of these competitors may have more relevant experience, greater financial resources and/or purchasing power, greater negotiating power, a greater willingness to take on risk, and/or more personnel than the General Partner, the Management Company, the Fund and their respective affiliates. In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. The General Partner expects that competition for appropriate investment opportunities may increase, which also may require the Fund to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to the Fund and/or adversely affecting the terms upon which investments can be made. Therefore, identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense. This may adversely affect the terms upon which the Fund makes investments, decrease the number of suitable investment opportunities and inhibit the Fund's ability to satisfy its investment objectives. To the extent that the Fund encounters competition for investments, returns to Limited Partners may decrease.

It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. Limited Partners will be required to bear Management Fees during the Investment Period based on the entire amount of the Limited Partners' Commitments and pay for other expenses as set forth in the Partnership Agreement even if the Fund fails to make any investments.

*Investment Management Agreement.* In connection with the purchase of the Initial Investments by the Fund, the Management Company intends to enter into an investment management or sub-advisory agreement (the "IMA") with the Former Sponsor to manage the interests held by the Former Sponsor in investments other than the Initial Investments (the "IMA Investments"). The Management Company expects to manage the IMA Investments until the earlier of (i) twelve months from the date the IMA is executed and (ii) the date the IMA Investments are fully monetized; provided, that the Former Sponsor will have the option to extend the IMA an additional period of time. In connection with the management of the IMA Investments, the Management Company will receive compensation. During the term of the IMA, the Principals will spend a portion of their business time and attention managing the IMA Investments. The Fund will have no interest in any compensation or other payments received by the Management Company with respect to the IMA Investments, and such amounts will not reduce or offset the Management Fees payable to the Management Company and will not be shared with the Limited Partners.

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

Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. While an investment may be sold at any time, it is generally expected that a sale will not occur until a number of years after the Fund's initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including the Management Fee) may exceed its income, thereby requiring that the difference be paid from the Fund's capital (including the aggregate unfunded Commitments).

The Fund's ability to dispose of investments may be limited for several reasons, including the absence of an established market for the investments, as well as contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms upon which a disposition could be made. Any possibility of a disposition in the public markets will depend upon favorable market conditions, including receptiveness to initial or secondary public offerings for the companies in which the Fund invests and an active mergers and acquisitions (or recapitalizations and reorganizations) market. Public offering, merger and acquisition and recapitalization and reorganization opportunities may be limited or non-existent for extended periods of time, whether due to economic, regulatory or other factors. In view of these limitations on liquidity, the Fund generally will not be able to realize an investment in a privately held entity until the sale of such entity. In addition, to the extent that Fund capital is invested in, or associated with, newly discovered oil or natural gas properties, there may be a delay of several calendar quarters in cash distributions made to Limited Partners. There are numerous factors that could influence the receipt by the Fund of first production payments from these type of wells, including construction of gas processing plants, distance to pipelines, property right-of-way negotiations, availability of custom equipment for high pressure wells, market demand for product, and the process of obtaining appropriate division orders. To the extent the Fund owns less than a majority of the working interests in a portfolio investment, the Fund will have little or no influence over these factors.

Leveraged Investments; Borrowing. The Fund may make use of leverage by having a portfolio company or special purpose vehicle incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies both the Fund's opportunity for higher returns and its risk of loss from a particular investment, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets (which may be impacted by regulatory restrictions and guidelines), which is difficult to accurately forecast. As a



result, at times it may be difficult for the Fund and/or portfolio companies to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) may restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

The use of leverage by a portfolio company may impose restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. Such leverage will increase a portfolio company's exposure to any deterioration in its industry, competitive pressures, adverse economic environment or rising interest rates. As a result, any decline in the value of a leveraged portfolio company may be accelerated and magnified in a market downturn. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in such portfolio company, which could adversely affect the Fund's returns. Additionally, in such a situation, lenders would typically have a claim that has priority over any claim by the Fund to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a portion of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts for such portfolio company. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal level of financial leverage, the Fund may hold a larger than expected equity investment in such portfolio company and may realize lower than expected returns from such portfolio company, which would likely adversely affect the Fund's returns. Any failure by lenders to provide previously committed financing could also expose the Fund to potential claims by sellers of prospective portfolio companies which the Fund may have been contracted to purchase.

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

investor could enable a lender to issue a capital call to such investors on behalf of the General Partner of the Fund.

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

Loans in Lieu of Distributions. Pursuant to the Partnership Agreement, certain distributions to the General Partner may be deferred to the extent the amount distributable exceeds the General Partner's tax basis in the Fund. In such case, the deferred distribution amount may be loaned by the Fund to the General Partner. Any interest accruing with respect to such a loan will be allocated and distributed solely to the General Partner.

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

Hedging Arrangements; Related Regulations. The General Partner may (but is not obligated to) endeavor to manage the Fund's or any investment's interest rate exposures, tax exposures, currency exposures, oil, gas and other commodity price exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-

traded or over-the-counter (“OTC”) contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used in some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty’s inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (“CFTC”) or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of the Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

*Position Limits.* Under current and proposed rules concerning position limits with respect to CFTC-regulated products, including futures, swaps and certain other contracts on or linked to certain physical commodities, the positions in such contracts held by the Fund and certain of its portfolio companies may be required to be aggregated. To the extent aggregation applies to the Fund or its portfolio companies, it may not be feasible to hedge one or more risks in their respective operations, or the costs of hedging such risks may increase substantially, either of which is expected to have an adverse effect on the Fund.

*Uncertain Economic, Social and Political Environment.* The global economic and political climate can be uncertain. Prior acts of terrorism, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a “self-reinforcing” economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and generally will increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections.

*Deterioration of Credit Markets.* The ability of the Fund and its portfolio companies to effectively execute their respective strategies will be dependent on the health of the U.S. and global credit markets. In the event that, as a result of an economic downturn or otherwise, credit markets deteriorate and it becomes more difficult for investment funds such as the Fund to obtain favorable financing for investments, the Fund’s ability to consummate investments may be adversely affected, one effect of which may be a slower-than-anticipated rate of capital deployment by the Fund. A persistent credit market deterioration may result in limited availability of credit to consumers, homeowners and/or businesses, which may lead to an overall weakening of the U.S. economy and/or global economies. In such a situation, portfolio company performance may decline and/or the value of portfolio companies may be diminished. As a result, the Fund’s ability to realize its investments at favorable times and/or for favorable prices may be negatively impacted, one effect of which may be longer-than-anticipated holding periods for investments. Accordingly, a deterioration in credit markets may negatively affect the Fund’s ability to achieve its investment objectives and/or generate attractive returns for Limited Partners.

*Force Majeure Events.* Certain force majeure events (meaning those events beyond the control of the party claiming that the event has occurred, including acts of God, fire, flood, earthquakes, war, terrorism and labor strikes) may adversely affect the ability of the Management Company, the Fund, their respective affiliates, counterparties of the foregoing or other persons or entities to perform their respective obligations. The cost of repairing or replacing assets damaged by a force majeure event could be considerable. In addition, repeated or prolonged service interruptions resulting from a force majeure event may cause a permanent loss of customers, substantial litigation or significant penalties for regulatory or contractual non-compliance, though in some cases, agreements may be terminable if a force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre-agreed time period. The occurrence of a force majeure event may, directly or indirectly, have a material adverse effect on the Fund and/or any of its portfolio companies.

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

*Outbreaks of Infectious or Contagious Diseases; COVID-19.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, which the World Health Organization formally declared in March 2020 to constitute a global "pandemic," have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity, all of which may result in significant losses to a Fund. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders),

prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID-19 significantly diminished global economic production and activity of all kinds and contributed to both volatility and declines in markets for financial assets as well as commodities and other assets. Among other things, these unprecedented developments resulted in material reductions in demand across some, many or all categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, and strain and uncertainty for businesses and households. Certain industries are likely to feel such impacts particularly acutely, for instance industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment and industries related to natural resources production and development.

The COVID-19 crisis and any other public health emergency could result in significant adverse impacts on the Funds. The extent of the impact of any such emergency depends on many factors, all of which are highly uncertain and cannot be predicted, which may impact the Adviser’s or the Funds’ ability to source, diligence and execute new investments and to manage, finance and exit investments in the future, or cause significant changes or reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital (among a wide variety of other potential effects). In addition, the operations of the Funds, their investments, the applicable General Partner, the Adviser and their respective affiliates may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other social, political, financial, legal, regulatory and other factors related to an actual or threatened public health emergency (such as COVID-19), including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

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

*Adequacy and Availability of Insurance; Catastrophic Events.* The Fund may seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance.

However, it may not always be practicable or feasible for portfolio companies to have prudent insurance and other risk management products. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, hurricanes, tornados, floods, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the portfolio company's and/or the Fund's profitability. In general, losses related to terrorism are becoming harder and more expensive to insure against, and most insurers are excluding terrorism coverage from their all-risk policies. As a result, it is unlikely that any of the Fund's investments will be insured against damages attributable to acts of terrorism (or certain other losses of a catastrophic nature). If a major uninsured loss were to occur with respect to an investment, the Fund could lose both its capital invested in and anticipated profits related to such investment.

*Licensing Requirements.* Certain federal and local banking and regulatory bodies or agencies in the U.S. or in a non-U.S. jurisdiction may require the Fund, the General Partner, the Management Company and/or certain of their respective employees, partners, members, managers, directors or officers to obtain licenses or authorizations to engage in many types of investment activities contemplated by the Fund. It may take a significant amount of time and expense to obtain such licenses or authorizations and the Fund may be required to bear all or a portion of the cost and expense. There can be no assurance that any such licenses or authorizations would be granted or, if granted, whether any such licenses or authorizations would impose restrictions on the Fund, the General Partner, the Management Company or their respective affiliates. Such licenses may require the disclosure of confidential information about the Fund, its investors or their respective affiliates, including financial information and/or information regarding employees, officers and directors of certain significant investors. The Fund may not be willing or able to comply with these requirements. Alternatively, the Management Company may determine, in its sole discretion, to structure certain potential investments in a manner that would not require such licenses and authorizations, although such structure may be inefficient or otherwise disadvantageous for the Fund and/or any relevant portfolio company. The inability of the Fund, the General Partner, the Management Company or their respective affiliates to obtain necessary licenses or authorizations, the structuring of an investment in an inefficient or otherwise disadvantageous manner, or changes in licensing regulations, could adversely affect the Fund's ability to implement its investment strategy and achieve its intended results.

*Compensation and Potential Conflicts.* Each Fund's Governing Documents provide the relevant General Partner with wide-ranging authority to make determinations, including those related to investment purchases and dispositions (and their timing), valuation and other matters that have the potential to affect the compensation of the General Partner and its affiliates. In making such determinations, the relevant General Partner is subject to potential conflicts of interest. For example, the potential to earn additional compensation can create an incentive for the General Partner to make investments and to hold investments longer than otherwise would be the case in the absence of the Fund's Management Fee and carried interest compensation arrangements. The General Partners expect to be incentivized to cause each Fund to make, hold, value and/or dispose of

investments (and to delay or forego a determination that the investments are completely written off for U.S. federal income tax purposes in the manner described in the Governing Documents of each Fund (such investments, “Impaired Value Investments”)) in order to generate greater ongoing Management Fees and, potentially, larger carried interest distributions than would otherwise be the case if such investments had not been made or held (or if such determination had not been made), including because of the possibility that the investments’ values will appreciate in the future.

Where the Management Fee is calculated taking into account the valuation of an investment, including a determination of whether an investment has become an Impaired Value Investment, the relevant General Partner will have incentives to make determinations that result in the continued payment of, or a higher, Management Fee. Where the Governing Documents do not require Management Fees to be reduced in connection with investment reorganizations, restructurings, extraordinary dividends or similar transactions, the relevant General Partner expects to be incentivized to pursue such transactions. Additionally, the amount of carried interest owed to each General Partner is dependent in part on the amount and timing of investment dispositions, as well as in certain instances determinations that investments are Impaired Value Investments, and the General Partners expect to be subject to related conflicts of interest in determining whether and when to dispose of investments, make distributions, and/or determine that an investment is an Impaired Value Investment, within the requirements of the Governing Documents.

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

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

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

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

*Project Development and Operational Risk.* The successful development and operations of the portfolio companies in which the Fund invests will depend on adequate infrastructure being available (or being developed) and remaining available. Portfolio company projects and assets may be located in areas that are sparsely populated and difficult to access. Reliable roads, power sources, transport infrastructure and water supplies are essential for the conduct of project development and operations and the availability and cost of these utilities and infrastructure affect capital and operating costs. Unusual weather or other natural phenomena, sabotage or other interference in the maintenance or provision of such infrastructure could impact the development of a project, reduce production volumes, increase extraction or exploration costs or delay the transportation of raw materials to the mines and projects and commodities to end customers. Any such issues arising in respect of such infrastructure may materially and adversely impact an investment by the Fund.

*Drilling, Exploration and Development.* The Fund intends to invest in portfolio companies that have oil and gas exploration and development projects, which is a speculative business involving a high degree of risk. Exploration and development projects usually have limited production, marketing, and financial resources and are, therefore, more vulnerable to the adverse impact of competition and changes in market



conditions. Moreover, oil and gas drilling may involve unprofitable and unsuccessful efforts. Companies engaged in oil and gas exploration and development may expend a significant amount of capital drilling in wells that do not produce oil or gas, or in wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

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

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

*Hydraulic Fracturing Regulations.* It is expected that certain of the portfolio companies in which the Fund invests will use hydraulic fracturing as a means of producing commercial quantities of oil and natural gas from reservoirs in which they operate. There have been a number of initiatives and proposed initiatives at the U.S. federal, state and local level to ban or regulate hydraulic fracturing and to study the environmental impacts of hydraulic fracturing and further regulation of the practice. Such initiatives at the U.S.

federal, state or local levels to expand or implement regulation of hydraulic fracturing, together with the possible adoption of new laws or regulations that significantly restrict hydraulic fracturing, could result in delays, eliminate certain drilling and injection activities, make it more difficult or costly to perform hydraulic fracturing or sell the oil and natural gas produced from wells that have used hydraulic fracturing in the completion process, increase the costs of compliance and doing business and delay or prevent the development of unconventional hydrocarbon resources from shale and other formations that are not commercial without the use of hydraulic fracturing. These effects on a portfolio company's operations could have a material adverse effect on the financial performance of the Fund's investments and, therefore, of the Fund.

*Midstream Energy Investment Risks.* Investments in portfolio companies owning, controlling or investing in midstream energy assets, including oil and gas pipelines and terminals, are subject to a variety of risks not necessarily associated with other types of energy investments. Such risks may include: (i) the risk that the market for the refined products gathered by, transported on and stored in the midstream assets held by portfolio companies in which the Fund invests may decline due to a reduction in downstream customer base or end-user demand; (ii) the risk that the land on which midstream assets held by portfolio companies in which the Fund invests are located will not be owned by such portfolio company or its affiliates, and therefore will be subject to risks associated with obtaining and maintaining necessary land use rights, contracts and permits from unrelated third parties; (iii) the risk that the Federal Energy Regulatory Commission (the "FERC") may regulate tariff rates for interstate movements of oil and gas on the pipeline systems held by portfolio companies in which the Fund invests in a manner that adversely affects the profitability of the Fund's investments in such portfolio companies; (iv) the risk that, even if the FERC permits an increase in tariff rates charged on the pipeline systems held by portfolio companies in which the Fund invests, competition from other pipeline systems may prevent such portfolio companies from doing so; (v) the risk that any reduction in the capacity of interconnecting, third party pipelines due to testing, line repair, reduced operating pressures or other causes may result in a reduction of oil and gas volumes transported on pipelines or stored in terminals held by portfolio companies in which the Fund invests, thereby potentially adversely affecting the profitability of the Fund's investments in such portfolio companies; (vi) the risk that refined oil and gas products and other hydrocarbons transported on and stored in the midstream assets held by portfolio companies in which the Fund invests may be released into the environment, which could cause such portfolio companies to be required to make substantial expenditures for responsive action or government-imposed penalties, to be liable to government agencies or private parties for natural resources damages, personal injury or property damages, and to be subjected to significant business interruption; (vii) the risk that, as a result of their ownership or control of or investment in regulated assets such as pipelines, portfolio companies in which the Fund invests may be subject to unfavorable rulings imposed by regulatory authorities; and (viii) the risk of increased costs related to asset integrity management as a result of new rules imposed by the Pipeline and Hazardous Materials Safety Administration ("PHMSA") of the U.S. Department of Transportation.

*Pipeline Safety Risk.* Certain midstream assets are subject to regulation by PHMSA. PHMSA has established a series of rules requiring pipeline operators to develop and implement integrity management programs for natural gas transmission and hazardous

liquid pipelines that, in the event of a pipeline leak or rupture could affect “high consequence areas” (“HCAs”), which are areas where a release could have the most significant adverse consequences, including high population areas, certain drinking water sources and unusually sensitive ecological areas. These regulations require operators of covered pipelines to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize applicable threats to pipeline segments that could impact an HCA;
- improve data collection, integration and analysis;
- repair and remediate the pipeline as necessary; and
- implement preventive and mitigating actions.

In addition, certain states have also adopted regulations similar to existing PHMSA regulations for intrastate gathering and transmission lines. Moreover, changes to pipeline safety laws by the U.S. Congress and regulations by PHMSA that result in more stringent or costly safety standards could have a significant adverse effect on midstream operators. For instance, in March 2016, pursuant to one of the requirements in the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (“2011 Pipeline Safety Act”), PHMSA published a proposed rulemaking that would expand integrity management requirements and impose new pressure testing requirements on currently regulated natural gas pipelines. The proposal would also significantly expand the regulation of gathering lines, subjecting previously unregulated pipelines to requirements regarding damage prevention, corrosion control, public education programs, maximum allowable operating pressure limits, and other requirements. To date, no further action has been taken with respect to this proposed rule. More recently, in January 2017, PHMSA finalized new regulations for hazardous liquid pipelines that significantly extend and expand the reach of certain PHMSA integrity management requirements (i.e., periodic assessments, repairs and leak detection), regardless of the pipeline’s proximity to an HCA. The final rule also requires all pipelines in or affecting an HCA to be capable of accommodating in line inspection tools within the next 20 years. In addition, the final rule extends annual and accident reporting requirements to gravity lines and all gathering lines and also imposes inspection requirements on pipelines in areas affected by extreme weather events and natural disasters, such as hurricanes, landslides, floods, earthquakes, or other similar events that are likely to damage infrastructure. The rule was withdrawn two weeks later for review by the Trump administration, and the timing for implementation of this rule is uncertain at this time due to the change in U.S. Presidential administrations in 2021. Violations of PHMSA regulations can result in the imposition of civil or criminal fines and penalties. Effective April 27, 2017, to account for inflation, those maximum civil penalties were increased to \$209,002 per violation per day, with a maximum of \$2,090,022 for a series of violations. The safety enhancement requirements and other provisions of the 2011 Pipeline Safety Act as well as any implementation of PHMSA, rules thereunder could require operators to install new or modified safety controls, pursue additional capital projects, or conduct maintenance programs on an accelerated basis, any or all of which tasks could result in operators incurring increased operating costs that could have a material adverse effect on the results of operations or financial position of the companies in which the Fund invests.

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

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

Failure to comply with any such requirements could have a material adverse effect on a portfolio company, and there can be no assurance that portfolio companies or their personnel will at all times comply with all applicable environmental laws, rules, regulations and permit requirements. Past practices or future operations of portfolio

companies also could result in material personal injury or property damage claims. Any noncompliance with these laws, rules and regulations could subject the Fund and certain portfolio companies to material administrative, civil or criminal penalties or other liabilities. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the contracting parties to a joint operating agreement (“JOA”) (such as the Fund) subject to environmental liability.

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

Taxation of Energy Companies. Investments in companies operating in the energy sector may be subject to numerous taxes and fees by the jurisdictions in which such companies are organized or operate. Portfolio companies engaged in oil and natural gas operations or having substantial real property holdings, in particular, can be subject to specific tax regimes, such as severance and production taxes, petroleum revenue taxes, fees for drilling rights and exploration licenses, oil production fees, property taxes and stamp duties.

Environmental Liabilities. The Fund could face substantial risk of loss from environmental claims arising from investments made with undisclosed or unknown environmental problems or inadequate reserves or insurance for previously identified matters, as well as from occupational safety issues and concerns. Under certain circumstances, U.S. courts have held that a parent company is responsible for the environmental clean-up obligations of its subsidiary imposed by applicable laws. In the

event that the Fund is the parent of a portfolio company with such obligations, a U.S. court or a court of any other applicable jurisdiction might find that the Fund is liable for such obligations. Environmental claims with respect to a specific investment may exceed the value of such investment.

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

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

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

*Change of Law.* Government counterparties or agencies may have the discretion to change or increase regulation of a portfolio company's operations, or implement laws, rules or regulations affecting the portfolio company's operations, separate from any contractual rights it may have. A company in which the Fund invests could thus be materially and adversely affected as a result of statutory or regulatory changes or changes in judicial or administrative interpretations of existing laws, rules and regulations that impose more comprehensive or stringent requirements on such company, the market in which such company operates or the energy industry generally. Such changes could adversely affect the performance of one or more of the Fund's investments. Moreover, additional regulatory approvals, including renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws, rules and regulations, a change in the customers to whom oil and gas production is marketed, or for other reasons. Changes in laws, rules and regulations could result in increased compliance

costs, additional capital expenditures or unanticipated liabilities. A portfolio company also could be materially and adversely affected by regulations that have been vacated by court decisions. Several U.S. federal environmental programs, including the Clean Water Act rules regarding cooling water intake structures, the Clean Air Mercury Rule, and the Clean Air Interstate Rule, have been fully or partially vacated by the courts. The U.S. Environmental Protection Agency issued its Cross-State Air Pollution Rule replacing the Clean Air Interstate Rule on July 7, 2011. There is considerable uncertainty as to how these and other federal environmental programs will be modified and/or ultimately implemented. Any such modifications could alter the competitive landscape and/or the nature of the market in which a portfolio company operates in a material and adverse manner to such portfolio company.

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

*Production.* Exploration and production projects are particularly vulnerable to declines in the demand for and prices of crude oil and natural gas. Reductions in prices for crude oil and natural gas can cause continued production from a given reservoir to cease being economical earlier than it would if prices were higher, resulting in the plugging and abandonment of, and cessation of production from, that reservoir. In addition, lower commodity prices not only reduce revenues but also can result in substantial downward adjustments in reserve estimates. Actual oil and gas prices, development expenditures and operating expenses will vary from those assumed in reserve estimates, and these variances may be significant. Any significant variance from the assumptions used could result in the actual quantity of reserves and future net cash flow being materially different from those estimated in reserve reports. In addition, results from drilling, testing and

production and changes in prices after the date of reserve estimates may result in downward revisions to such reserve estimates. Substantial downward adjustments in reserve estimates could have a material adverse effect on a given exploration and production project's financial position and results of operations and could result in acceleration of result-based loans or defaults thereunder. Actual amounts produced from such reserves may similarly vary. In addition, due to natural declines in reserves and production, exploration and production projects must economically find or acquire and develop additional reserves in order to maintain and grow their revenues and distributions. Oil and gas wells are by their nature depleting assets, and as a result, annual production will naturally decline over the life of a well and so too will returns to the Fund attributable to such well.

Moreover, U.S. federal, state or local laws, rules, regulations and orders may restrict the rate of oil and gas production below the rate that would otherwise exist in the absence of such laws, rules, regulations and orders, and may restrict the number of wells which may be drilled in any particular area, thereby also restricting the cash flows of a particular portfolio company and, therefore, of the Fund. State laws regulate the size and shape of drilling and spacing units or proration units governing the pooling of oil and gas properties. Some states allow forced pooling or integration of tracts to facilitate development while other states rely on voluntary pooling of lands and leases. In some instances, forced pooling or unitization may be implemented by third parties and may result in a reduction of our interest in the unitized properties. In addition, state conservation laws establish maximum rates of production from oil and gas wells, which generally prohibit the venting or flaring of natural gas and impose requirements regarding the ratable production. These laws, rules and regulations may limit the amount of oil and gas that can be produced from wells that generate payments to the Fund or limit the number of wells or locations that can be drilled, further limiting potential payments that might otherwise be made to the Fund.

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

*Commodity Price Volatility.* The value of the Fund's investments will be substantially dependent upon the market price for oil, natural gas and other hydrocarbons, which value ultimately impacts the demand for their products and services. Historically, the markets for hydrocarbons have been volatile and such volatility is likely to continue in the future. Various factors beyond the control of the Fund, the General Partner, the Management Company or any portfolio company will affect hydrocarbon prices including: (i) the worldwide and domestic supplies of oil and natural gas; (ii) the ability of the members of the Organization of the Petroleum Exporting Countries to agree to and maintain oil prices and production controls; (iii) political instability or armed conflict in the Middle East and other oil or natural gas producing regions; (iv) terrorist acts; (v) the price and level of



foreign imports; (vi) the level of consumer demand; (vii) the price, availability and acceptance of alternative fuels; (viii) the availability of pipeline capacity; (ix) weather conditions; x) transportation interruption; (xi) domestic and foreign governmental regulations, price controls and taxes; (xii) domestic and foreign environmental laws, rules and regulations; and (xiii) the overall economic environment, including interest rates, levels of economic activity, the price of securities and the participation by other investors in the financial markets. There can be no assurance that there will not be a significant decline in the prevailing price for hydrocarbons, which could adversely affect the value of the Fund's investments and its income from its investments. Price volatility also makes it difficult for portfolio companies to budget for, and project the return on, acquisitions, exploration and development projects.

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

There are currently no federal price controls on oil production, and sales of oil, condensate and natural gas liquids by a portfolio company. However, there can be no assurance that Congress will not enact controls at any time.

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

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

*New Technology Risk.* Historically, technology changes in the energy sector have resulted in gradual incremental improvements with no disruptive technology impacts. However,

there are currently a number of scientific research institutions (including those supported by major venture capital firms and corporations) seeking to develop technologies designed to reduce dependence upon large scale fossil fuel generation. In the event that any such technology is successfully developed and implemented, the Fund's investments may be adversely affected. In addition, the upstream oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As new technologies develop, portfolio companies may be placed at a competitive disadvantage, and competitive pressure may force portfolio companies to implement new technologies at a substantial cost. There can be no assurance that portfolio companies will be successful in implementing new technologies on a timely basis or in a cost-effective manner. As a result, new technologies, services or standards could render some of the services, equipment and other assets provided or operated by portfolio companies obsolete, which could have an adverse effect on the Fund's investments.

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

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

*Risks in Effecting Operating Improvements; Undeveloped Acreage.* Portfolio companies will, in some cases, acquire working interests from current owners. In such cases, the success of the Fund's investment strategy will depend, in part, on the ability of the portfolio company to effect improvements in the operations of such asset. The activity of identifying and implementing operating improvements entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of

key personnel and disrupt normal business. There can be no assurance that a portfolio company will be able to successfully identify and implement such improvements.

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

*Operator Risks.* Oil and gas operations are subject to many risks, including well blowouts, cratering and explosions, pipe failures, fires, formations with abnormal pressures, uncontrollable flows of oil, natural gas, brine or well fluids, oil spills, severe weather, natural disasters, groundwater contamination and other environmental hazards and risks. Some of these risks or hazards could materially and adversely affect the Fund's revenues and expenses by reducing or shutting in production from wells or otherwise negatively impacting the projected economic performance of a portfolio company. To the extent that the Fund has a controlling interest in or is deemed to control the operations of any oil and gas asset, such exercise of control may impose additional risks of liability for environmental damage, failure to supervise management, violation of laws and governmental rules and regulations and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any portfolio company's facilities or operations, the Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. The exercise of control over an investment also could expose the assets of the Fund to claims by third parties, including creditors of a portfolio company. If any such liabilities were to arise, the Fund might suffer significant losses. While the General Partner intends to manage the Fund in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Fund and/or its affiliates cannot be precluded.

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

*Royalty Interest Risks.* The Fund may invest in oil and natural gas royalty interests. The Fund is expected to receive revenues from these royalty or overriding royalty interests only upon sales of oil, gas and other hydrocarbon production by the underlying property or upon sale of the royalty interests themselves. There can be no assurance that reserves sufficient to provide the expected royalty income will be discovered, developed or produced when anticipated, if at all.

*Land Title Risks.* The ownership of oil and gas properties is often highly fragmented, and the land title records can be highly complex and incomplete. Typically, interests acquired by portfolio companies will be evidenced by written conveyances which are duly filed (in the applicable records of the county or parish in which such interests are located) in the portfolio company's name or in the name of a nominee of the portfolio company if such practice facilitates assembly or acquisition of interests, administration of portfolio company affairs or as otherwise determined by the management team of such portfolio company. Generally, the General Partner will not make on-site inspections of the properties of portfolio companies. The General Partner expects to initially conduct only a cursory review of title to interests. Depending upon the results of such cursory review, the location of the interest, the size and materiality of the potential acquisition and other factors the General Partner deems relevant, the Fund or a portfolio company may have title reviews conducted by an attorney or a land service company. The General Partner may elect to perform curative work with respect to significant defects. If title reviews or other investigations reflect title defects on those properties, any curative work the General Partner elects to undertake will be at the Fund's expense.

Different jurisdictions adopt different systems of land title, and in some jurisdictions it may not be possible to ascertain definitively who has the legal right to convey oil and gas interests to a portfolio company. Even where the services of experienced land service companies are utilized to review land title records prior to making significant expenditures, they are subject to the risk that failures of title may not be discovered until after these expenditures have been made. The existence of a material title deficiency can render an oil and gas interest worthless and adversely impact the financial condition of a portfolio company. In addition, certain of the properties owned by portfolio companies may be subject to significant land use restrictions, including for example, city ordinances, environmental restrictions and native tribal jurisdictional rights. As a result, a portfolio company's rights to conduct its business on such properties, such a drilling and completing wells and producing oil and gas, could be subjected to unforeseen delays and costs, and in some cases severe restrictions or curtailment. While the General Partner will generally seek to conduct due diligence as to the nature of existing land use restrictions prior to making significant expenditures to acquire properties, there can be no assurance that land use restrictions will not be imposed after such acquisition that could materially and adversely impact the portfolio companies' ability to operate on such properties.

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

adversely affect the operating results and cash flows of the Fund's investments and, therefore, of the Fund.

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

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

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

in the regulation of GHGs could impact the portfolio companies in which the Fund owns an interest or make future investments undesirable.

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

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

*Broken Deal Expenses.* Investments in the energy industry often require extensive due diligence activities and regulatory approvals prior to acquisition. Due diligence may include feasibility and technical studies, preliminary engineering and marketing studies, legal and environmental review and bid preparation and submission costs, any or all of which may entail significant third-party expenses. In the event that an investment is not consummated (including any investment opportunity reviewed for the Fund prior to the initial closing date that was not consummated), the Fund may bear some or all of such third-party expenses and any termination fees.

*Ability to Exit Investments.* Individual investments in certain portfolio companies in the energy industry may have unique geographic and market characteristics (and may be subject to political, regulatory and public opinion considerations), which could make them highly illiquid. In addition, the Fund's investments may be quite sizeable. There are limited pools of capital available in the sector that can make sizeable investments and limited numbers of market participants. As a result, the potential exits from these investments may be limited and there can be no assurance that the Fund will be able to realize its investments on favorable terms, in a timely manner or at all. Moreover, the realizable value of a highly illiquid investment may be less than its intrinsic value.

*Availability of Raw Materials.* Constraints in the supply of, prices for, and availability of transportation of raw materials can adversely affect entities engaged in the energy business. Raw materials that are expected to be essential to the Fund's portfolio companies, such as proppants, hydrochloric acid, and gels, including guar gum, are normally readily available. Shortage of raw materials as a result of high levels of demand or loss of suppliers during market challenges can trigger constraints in the supply chain of those raw materials, particularly where a company has a relationship with a single supplier for a

particular resource. Many of the raw materials essential to the energy industry require the use of rail, storage, and trucking services to transport the materials to jobsites. These services, particularly during times of high demand, may cause delays in the arrival of or otherwise constrain the supply of raw materials. These constraints could adversely affect the business and results of operations of a portfolio company. In addition, price increases imposed by vendors for raw materials used in such company and the inability to pass these increases through to customers could have a material adverse effect on the operations of a portfolio company.

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

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

*Control Person Liability.* The Fund is expected to have controlling interests in a number of its portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws and regulations) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any of a portfolio company’s facilities or operations, the Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related costs. If any such liabilities were to arise, the Fund may suffer significant losses. While the General Partner intends to manage the Fund in a manner that will minimize the exposure of such risks, the possibility of successful claims against the Fund or for which the Fund otherwise may be liable cannot be precluded.

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

*Active Management.* The Fund may, in certain circumstances, take majority positions, which may be alongside other investors, such as institutions, other pooled investment vehicles, and management, while providing equity financing at all stages of a company’s lifecycle. Depending upon the amount of equity owned by the Fund, any relevant contractual arrangements between a portfolio company and the Fund, and other relevant factual circumstances, such majority position could result in an extension of the ninety-

day bankruptcy preference period to one year with respect to payments made to it. In addition, because of its equity ownership, representation on the board of directors, and/or contractual rights, the Fund may often be thought to control, participate in the management of or influence the conduct of such portfolio companies. This could expose the assets of the Fund to claims by such portfolio company, its other security holders, its creditors or governmental agencies. In addition, investments alongside other investors, including in the event the Fund holds a majority position in such portfolio company, may involve certain additional risks not present in investments where a third party is not involved. Please see “Non-Controlling Investments” below for additional detail on such risks.

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

*Unfunded Pension Liabilities of Portfolio Companies.* Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances, less than 80%) of a portfolio company, such fund and any other 80%-owned portfolio companies of such fund might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Fund generally intends to manage its investments to minimize any such exposure, the Fund may, from time to time, make an investment in a portfolio company that has unfunded pension fund liabilities, and such an investment may be structured in a manner that results in the Fund owning an 80% or greater interest in such portfolio company. If the Fund and/or any other 80%-owned portfolio companies of the Fund were deemed to be liable for such pension liabilities, the Fund and its portfolio companies could be adversely affected. The foregoing discussion is based on recent court decisions and current statutes and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), as in effect as of the date of this Memorandum, and is subject to change as applicable case law and guidance develops.

*Contingent Liabilities Upon Disposition.* In connection with the disposition of an investment, the Fund and the General Partner may be required to make (and/or be responsible for another person’s or entity’s breach of) representations and warranties, e.g., about the financial aspects of the applicable portfolio company, the condition of its assets and the extent of its liabilities, and may be responsible for the content of disclosure documents under applicable securities laws. The Fund and/or the General Partner also may be required to indemnify the purchasers or underwriters of such investment to the



extent that any such representations or disclosure documents are inaccurate. Such arrangements may result in contingent liabilities, which would be borne by the Fund and, ultimately, the Partners. In such a situation, the Partners may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in the Partnership Agreement. Furthermore, under the Delaware Revised Uniform Limited Partnership Act each Limited Partner that receives a distribution in violation of such act will, under certain circumstances, be obligated to re-contribute such distribution to the Fund.

*Liability of Limited Partners.* The Fund has been organized as a limited partnership. Generally, a Limited Partner is not expected to be personally liable for the debts of the Fund except that, in the event the Fund is otherwise unable to meet its obligations, the Limited Partners may, under applicable law, be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them, subject to certain limitations set forth in the Partnership Agreement. In addition, any Partner's Commitment is susceptible to risk of loss as a result of any liability of the Fund irrespective of whether such liability is attributable to an investment to which such Partner did not contribute any capital.

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

*Multi-Step Transactions.* In the event the Fund determines to effect an investment in a portfolio company by means of a multi-step transaction (e.g., a first-step cash tender offer, a stock purchase followed by a merger, or a simultaneous acquisition and concurrent merger of two separate companies), there can be no assurance that the remainder of such portfolio company can be successfully acquired. As a result, the Fund may acquire only partial control over such a portfolio company or partial access to its cash flows to service any debt incurred in connection with its acquisition.

## **Management Risks**

*Reliance on the General Partner.* The Fund will depend on the General Partner. Limited Partners generally will have no right or power to take part in the management of the Fund, and the General Partner generally will control the operation of the Fund (including decisions with respect to structuring, negotiating and purchasing, financing and divesting investments). As a result, the performance of the Fund's investments will depend largely on the business and investment acumen of the General Partner and the Principals, and the loss or reduction of service of one or more of the Principals could adversely affect the Fund's ability to achieve its investment objectives. In addition, the Principals likely will in the future manage investment funds other than the Fund, including the North Hudson Entities (as defined below), and the Principals may need to devote substantial amounts of their time and attention to the investment activities of such other funds, which may cause

conflicts of interest to arise. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on the Fund or one or more of its portfolio companies (including acceleration of debt facilities). The composition of the professionals making up particular investment teams may change over time, and the Senior Investment Team members who may have contributed to the past performance of any Former Sponsor Funds may no longer be members of the particular team or serve in the same or similar roles thereon (or may no longer be employed by the Management Company or may leave such team or the Management Company during the life of the Fund).

*Reliance on Portfolio Company Management.* The day-to-day operations of each portfolio company in which the Fund invests will be the responsibility of such portfolio company's management team, and, in certain circumstances, the Fund and the General Partner will rely on a portfolio company's management team to source underlying investment opportunities. Although the General Partner will be responsible for monitoring the performance of each investment made by the Fund and generally intends to invest in portfolio companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate any such portfolio company in accordance with the Fund's expectations. There can be no assurance that the management team of a portfolio company on the date a portfolio investment is made will remain the same or continue to be affiliated with the company throughout the period the portfolio company is held by the Fund. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, the Partnership may be adversely affected thereby.

*Standard of Care; Indemnification.* The Partnership Agreement contains provisions that, subject to applicable law, reduce, modify and/or eliminate the duties that the General Partner otherwise would owe to the Fund and the Limited Partners. Pursuant to the Partnership Agreement, the General Partner, the Principals, the Management Company and certain of their respective employees, officers, partners, members, managers, directors and affiliates will be indemnified and held harmless from losses sustained from any act or omission in connection with the Fund's activities, subject to certain exceptions set forth in the Partnership Agreement, and may receive advances for any fees, costs and expenses incurred in the defense or settlement of any claim that may be subject to a right of indemnification. The application of the foregoing standards may result in Limited Partners having a more limited right of action in certain cases than they would in the absence of such standards. As a result, the Fund may bear significant financial losses even where such losses were caused by the negligence of the General Partner and certain of its affiliates. Such losses may have an adverse effect on the Fund's returns to the Limited Partners. Any fees, costs, expenses (whether or not advanced) and other liabilities resulting from the Fund's indemnification obligations generally will be paid by or otherwise satisfied out of the assets of the Fund (including the aggregate unfunded Commitments). In addition, if the assets of the Fund are insufficient to satisfy the Fund's indemnification obligations, the General Partner may recall distributions previously made to the Partners, subject to certain limitations set forth in the Partnership Agreement.

*Possibility of Fraud or Other Misconduct of Employees and Service Providers.* Misconduct by: (i) the Management Company's employees, officers, directors, partners,

members and managers; (ii) service providers to portfolio companies, the Management Company, the Fund and/or their respective affiliates; and (iii) portfolio company directors, officers or employees could undermine the due diligence efforts of the Fund and/or the General Partner and cause significant losses to the Fund. Misconduct may include entering into transactions without authorization, failing to comply with operational and risk procedures (including due diligence procedures), making misrepresentations regarding prospective investments, improperly using or disclosing confidential or material non-public information, failing to comply with applicable laws or regulations, and the concealing of any of the foregoing. Such misconduct may result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to the Fund. The Management Company has controls and procedures through which it seeks to minimize the risk that any such misconduct will occur, however, there can be no assurance that such misconduct will be identified or prevented.

### **General Fund Risks**

*No Market for Limited Partner Interests; Restrictions on Transfer; No Right of Withdrawal.* Limited partner interests in the Fund generally may not be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the General Partner, which may be withheld pursuant to the Partnership Agreement, and the volume of transfers permitted in any calendar year may be restricted in order to comply with certain safe harbors under the tax regulations promulgated under the U.S. Internal Revenue Code of 1986, as amended from time to time (the “IRC”). Voluntary withdrawals from the Fund will not be permitted except in very limited circumstances generally involving situations in which retaining an interest in the Fund would violate certain laws or regulations. In addition, interests in the Fund are not redeemable. There will be no public market for interests in the Fund, and none is expected to develop. Interests in the Fund have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), the securities laws of any U.S. state or the securities laws of any non-U.S. jurisdiction and therefore cannot be re-sold unless they are subsequently registered under the Securities Act and other applicable securities laws, or unless an exemption from registration is available. It is not contemplated that the registration of interests in the Fund will ever be affected. Limited Partners may not be able to liquidate their investments in the Fund prior to its dissolution and should be prepared to bear the risks of an investment in the Fund for an extended, multi-year period of time.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Fund investments, and hence, most of the Fund’s investments will be difficult to value. Certain investments may be distributed in kind to the Partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such Partners. After a distribution of securities is made to the Partners, many Partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such Partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

*Broad Investment Guidelines.* Although the Fund's objective is to make investments in the upstream and midstream oil and gas sectors, the General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The General Partner may pursue investments outside of the industries and sectors in which the Principals have previously made investments.

*Recourse to the Fund's Assets.* The Fund's assets, including all investments made by the Fund and any capital held by the Fund, are available to satisfy all liabilities and other obligations of the Fund, including indemnification of the General Partner and others as provided in the Partnership Agreement or certain other contractual counterparty arrangements. If the Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability. The likelihood of a liability extending beyond the specific investment giving rise to the particular claim is greater than in other investment funds due to the fact that the Fund is expected to reinvest current income and investment proceeds from one portfolio company in other portfolio companies. Accordingly, Limited Partners could find their interests in the Fund's assets adversely affected by a liability arising out of an investment in which they did not participate in the event that, for example, they were excluded or excused from such investment by the General Partner.

*Capital Calls.* Capital calls will be issued by the General Partner from time to time at the sole discretion of the General Partner, based upon the General Partner's assessment of the needs and opportunities of the Fund. To satisfy such capital calls, Limited Partners may need to maintain cash or other assets that can be readily converted to cash equal to all or a substantial portion of their Commitments. Except as specifically set forth in the Partnership Agreement or under applicable law, rule or regulation each Limited Partner's obligation to satisfy capital calls will be unconditional. A Limited Partner's obligation to satisfy capital calls will not in any manner be contingent upon the performance or prospects of the Fund or upon any assessment thereof provided by the General Partner. Capital calls may not provide all of the information a Limited Partner desires in a particular circumstance and such information may not be made available and will not be a condition precedent for a Limited Partner to meet its funding obligation. Additionally, and notwithstanding the foregoing, the General Partner will not be obligated to call 100% of the Limited Partner's Commitment. The fees, costs and expenses incurred by a Limited Partner in fulfilling a capital call (e.g., bank fees, wire fees, value-added tax or other applicable charges imposed on a Limited Partner as well as internal and external administrative costs) will be borne solely by such Limited Partner and will be in addition to the amounts required by capital calls (and will not be part of or otherwise reduce their Commitments).

*Significant Adverse Consequences for Default.* The Partnership Agreement provides for significant adverse consequences in the event that a Limited Partner defaults on its Commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting Limited Partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest. Whether and how to exercise the General Partner's remedies against a defaulting Limited Partner will be

in the sole discretion of the General Partner, and the General Partner may require the non-defaulting Limited Partners to contribute capital to the Fund to make up for the shortfall created by such defaulting Limited Partner.

*Failure of Fund to Meet Obligations.* If a Limited Partner fails to pay installments of its Commitment when due, and the amount of capital contributions made by the non-defaulting Limited Partners plus any borrowings made by the Fund is inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect returns to Limited Partners (including to non-defaulting Limited Partners).

*Mandatory Withdrawal.* Under the Partnership Agreement the General Partner may require a Limited Partner to withdraw from the Fund if, among other things, failure to do so would, as determined by the General Partner in its sole discretion, adversely affect either the Fund, the General Partner, any portfolio company, the Management Company or certain of their respective affiliates. In such an instance, the withdrawing Limited Partner shall not contribute additional capital to the Fund in respect of any subsequent capital call and the withdrawing Limited Partner's interest in the Fund will be entirely terminated (and such Limited Partner's Commitment will be reduced to zero).

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

*General Partner's Carried Interest.* The fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner to cause the Fund to make riskier or more speculative investments, to sell an investment sooner or to hold an investment longer than otherwise would be the case.

*Transfer by General Partner.* To the extent that the General Partner, its partners and investment professionals (including the Principals) and/or their respective affiliates commit to make a direct or indirect investment in or alongside the Fund, a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.

*Provision of Managerial Assistance.* The Fund typically will designate directors to serve on the boards of directors of the portfolio companies in which it invests. The designation of board members and other representatives and the exercise of other management rights could expose the assets of the Fund to claims by a portfolio company, its security holders or its creditors, including claims that the Fund is a "controlling person" and thus is liable for securities laws violations by a portfolio company. These measures also could (i) result in claims against, or liabilities to, the Fund in the event of the bankruptcy or reorganization of a portfolio company; (ii) result in claims against the Fund if the designated directors violate their fiduciary or other duties to a portfolio company, if any, or, to the extent not otherwise disclaimed, fail to exercise appropriate levels of care under

applicable corporate or securities laws, environmental laws or other legal principles; or (iii) expose the Fund to claims that it has interfered in management to the detriment of a portfolio company. Portfolio companies may not obtain insurance coverage with respect to such liability, or the insurance coverage that portfolio companies do obtain may be insufficient to adequately protect against such liability. In addition, involvement in any litigation related to such liability may be time consuming and may divert the attention of affected persons from the Fund's investment activities. While the General Partner intends to manage the Fund in a way that will minimize the Fund's exposure to these risks, the possibility of successful claims cannot be precluded.

*Reinvestment of Capital.* The General Partner will have the option to reinvest or recall, as applicable, any amount distributed, subject to the terms of the Partnership Agreement. Accordingly, a Partner may be required to make capital contributions in excess of its Commitment and, to the extent such amounts are reinvested in other investments, a Partner will remain subject to investment and other risks associated with such investments. A Partner will need to reserve capital to fund recalls.

*Fees and Expenses.* The Fund will pay and bear all expenses related to its operations, including the Management Fee and the costs of holding, monitoring, maintaining and disposing of investments, including investment banking fees and consulting fees, whether or not the Fund makes any profits. While it is difficult to predict the future expenses of the Fund, such expenses may be substantial and may surpass the Fund's operating income. In addition, such expenses will reduce the actual returns realized by Limited Partners on their investment in the Fund and may, in certain circumstances, reduce the amount of capital available to be deployed by the Fund for investments. Such expenses include recurring and regular items, as well as unusual items for which it may be difficult to budget or forecast. As a result, the aggregate amount of such expenses over the life of the Fund and/or the amount called at any one time by the General Partner in respect of such expenses may exceed expectations.

*Need for Follow-On Investments.* Following an initial investment in a portfolio company, the General Partner may decide to cause the Fund to invest additional capital in such portfolio company or may have the opportunity to increase its investment in a portfolio company (whether for opportunistic reasons, to fund the needs of a portfolio company, as an equity cure under applicable debt documents or for other reasons). There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any determination by the Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for the Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party invests in such portfolio company.

*Additional Capital.* Certain of the Fund's portfolio companies, especially those in a development phase, may be expected to require capital to satisfy their working capital requirements or exploration, development and production strategies. The amount of the additional capital needed will depend upon the maturity and objectives of the particular

portfolio company. Each infusion of capital (whether from the Fund or other source) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, such portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including the Fund. In addition, the Fund may make additional debt or equity investments in such company in order to preserve the Fund's proportionate ownership or to protect the Fund's investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of the Fund or any portfolio company. There can be no assurance that any portfolio company will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

*Allocation of Capital.* A key component to the Fund's investment strategy is entering into commitments with portfolio companies to fund capital over time. If a portfolio company of the Fund does not fully draw upon its investment commitment from the Fund, the General Partner, in its sole discretion, may allocate the undrawn portion of such commitment to another portfolio company. For example, if the Fund has a portfolio company that needs investment capital in excess of the amount committed to it, and another portfolio company of the Fund no longer requires all of the capital originally committed to it by the Fund, then the General Partner may reallocate the remaining unutilized commitment to the portfolio company requesting additional capital. In addition, the General Partner does not expect every portfolio company to utilize the full amount committed to it by the Fund. As such, the General Partner may cause the Fund to have outstanding aggregate commitments to its portfolio companies that exceed the Fund's Commitments. Consequently, the Fund may not have sufficient capital to fund all of its commitments and may need to locate capital from other sources to satisfy its obligations, including another North Hudson Entity (as defined below).

*Deployment of Capital.* In light of the Fund's investment strategy and the need to be able to deploy capital quickly to capitalize on potential investment opportunities, the Fund may from time to time maintain cash at the Fund-level pending deployment into investments or portfolio companies, which could at times be significant. Such cash may be held in an account of the Fund for the benefit of the Limited Partners or may be invested in money market accounts or other similar temporary investments. In the event the Fund were unable to find suitable investments such cash may be maintained at the Fund-level for longer periods which would be dilutive to overall investment returns. It is not anticipated that the temporary investment of such cash into money market accounts or other similar temporary investments pending deployment into portfolio companies or investments will generate significant interest, and such low interest payment (if any) on the temporarily invested cash may adversely affect overall Fund returns.

*Investments Longer than Term.* Certain of the Fund's investments may not be disposed of prior to the Fund's dissolution. The General Partner has a limited ability to extend the term of the Fund and the Fund may be required to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of its dissolution. To the extent that such investments are held in trust in connection with the Fund's dissolution, such trusts may incur operating and formation expenses. In addition, there can be no assurance with respect

to the timeframe in which the Fund's winding up and final distribution to the Partners will occur.

*Small- and Mid-Cap Company Investments.* The Fund may invest in small-cap or middle market companies. While often presenting greater opportunities for growth, these investments may also entail larger risks than are customarily associated with investments in large companies. Small- and medium-sized companies may have more limited markets and financial resources and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there may be a more limited market for the sale of interests in smaller companies, if any, which may make sales and other dispositions of such investments more difficult. In addition, the relative illiquidity of private equity investments generally and the somewhat greater illiquidity of private investments in small- and medium-sized companies could make it difficult for the Fund to react quickly to negative market developments.

*Non-Controlling Investments.* The Fund may hold meaningful minority stakes in portfolio companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. In such instances, the Fund may have limited management and/or control rights with respect to the operation of such companies and may be entirely dependent on the decisions of the portfolio company and/or third-party investors. As is the case with minority holdings in general, such minority stakes that the Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company or were otherwise granted control and/or management rights alongside any such company and/or third party investor. Even if the Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or to seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business objectives and goals. In addition, the Fund may co-invest with other persons or entities through partnerships, joint ventures or other entities or arrangements as a co-venturer or partner. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that: (i) the Fund and such co-venturer may reach an impasse on a major decision that requires the approval of both parties; (ii) a co-venturer or partner of the Fund may at any time have economic or business interests or goals that are inconsistent with those of the Fund; (iii) the co-venturer or partner may encounter liquidity or insolvency issues or may become bankrupt; (iv) the co-venturer or partner may be in a position to take action contrary to the Fund's investment objective; (v) the co-venturer or partner may take actions that subject the property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances the Fund may be liable for actions of its co-venturers or partners. The co-venturer or partner may be a joint venture partner or interest holder in another joint venture or other vehicle in which the Management Company or its affiliates has an interest or otherwise controls. The co-venturer or partner may also be entitled to receive payments



from, or allocations or performance-based compensation (e.g., carried interest) in respect of, the Fund and/or such investments, and in such circumstances, any such amounts will not, even if they have the effect of reducing any retainers or minimum amounts otherwise be payable by the Management Company or its affiliates, be deemed paid to or received by such persons or entities or reduce the Management Fee. In addition, the Fund may co-invest with non-affiliated co-investors or partners whose ability to influence the affairs of the companies in which the Fund invests may be significant, and even greater than that of the Fund and as such, the Fund may be required to rely upon the abilities and management expertise of such co-venturer or partner. It may also be more difficult for the Fund to sell its interest in any joint venture, co-investment, partnership or entity with other owners than to sell its interest in other types of investments (and any such investment may be subject to a buy-sell right). The Fund may grant co-venturers or partners approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks or unanticipated exits from an investment. A deadlock could delay the execution of the business plan for the investment or require the Fund to engage in a buy-sell of the venture with the co-venturer or partner or conduct the forced sale of such investment or require alternative dispute resolution in order to resolve such deadlock. As a result of these risks, the Fund may be unable to fully realize its expected return on any such investment. Further, to the extent that the Fund offers any co-investment opportunity to any Limited Partners or third parties, some or all of the risks described above may also apply to such co-investments.

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

*Separate Agreements with Limited Partners.* The rights, duties and obligations of the Partners generally are set out, and the treatment of Limited Partners is described, in the Partnership Agreement. However, the General Partner may enter into additional written agreements (“Side Letters”) with one or more Limited Partners. These Side Letters may entitle a Limited Partner to make an investment in the Fund on terms other than those described herein. Any such terms, including with respect to (i) economic arrangements (including alternative fee or other compensation arrangements); (ii) excuse from participating in particular investments and/or withdrawal events; (iii) additional or

different reporting obligations of the Fund; (iv) the ability to transfer to affiliates or other parties; (v) co-investment opportunities; (vi) limits on indemnification obligations; (vii) withdrawal rights due to adverse tax or regulatory events; (viii) consent rights to certain Partnership Agreement amendments; or (ix) any other matters described therein, may be more favorable than those offered to any other Limited Partners. In certain instances, a Side Letter entered into with a Limited Partner may have an adverse effect on the Fund; for example, if the General Partner or the Fund enters into a Side Letter entitling a Limited Partner to be excused from a particular investment or withdraw from the Fund, any election to be excused by such Limited Partner may increase other Limited Partners' pro rata interests in that particular investment (in the case of an opt-out) or all future investments (in the case of a withdrawal).

To the fullest extent not prohibited by applicable law, the General Partner shall have no obligation to give the Limited Partners notice of any Side Letters entered into.

*Disclosure of Confidential Fund and Investor Information.* The General Partner expects that certain Limited Partners will be entities that are subject to public disclosure requirements, including U.S. state public records or similar freedom of information laws that may compel public disclosure of confidential information regarding the Fund, its investments and/or the Limited Partners. In recent years, an increasing number of requests for disclosure of fund documents (including partnership agreements, subscription agreements and side letters) have been made in respect of entities subject to such requirements. The Fund may incur expenses in connection with responding to any such disclosure request, even if the Fund ultimately succeeds in asserting confidentiality in respect of requested documentation. Moreover, notwithstanding the obligation of Limited Partners pursuant to the Partnership Agreement to maintain the confidentiality of certain Fund information, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement or other persons or entities. Under some circumstances, the General Partner may, in an effort to protect against any such potential disclosure, withhold all or any part of the information that would otherwise be provided to a Limited Partner, as more fully described in the Partnership Agreement. There can be no assurance that confidential information will not be disclosed by the Fund, the General Partner, the Management Company, their affiliates and personnel or services providers to any Limited Partner (including to comply with applicable laws, rules, regulations or policies). In addition, under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC has the authority to require private equity fund advisers to file additional reports with the SEC regarding their funds and investment activities. Any public disclosure of Fund information could have an adverse effect on the Fund and its investors, for example, by affecting the Fund's competitive advantage in finding attractive investment opportunities or investors.

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

Cyber-Security. The information technology systems of the General Partner, the Management Company, the Fund and the Fund's portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events (including fires, tornadoes, floods, hurricanes and earthquakes). If such a system is compromised, becomes inoperable for an extended period of time or ceases to function properly, the General Partner, the Management Company, the Fund and/or a portfolio company may be required to spend time and/or incur expenses seeking to fix or replace such system or otherwise remedy the effects of such issues. The failure of such a system and/or disaster recovery plan may cause significant interruptions in the General Partner's, the Management Company's, the Fund's, and/or a portfolio company's operations and may result in a failure to maintain the security, confidentiality or privacy of sensitive data (including information relating to Limited Partners and/or the beneficial owners of Limited Partners). Such a failure could harm the General Partner's, the Management Company's, the Fund's, a portfolio company's, a Limited Partner's or a beneficial owner of a Limited Partner's reputation, subject such persons to legal claims, or otherwise affect their business and financial performance.

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

Electronic Delivery of Certain Documents. Pursuant to the subscription agreement entered into by a Limited Partner, a Limited Partner may consent to electronic delivery (including email, facsimile or posting on the Fund's web-based investor reporting site or other Internet service in accordance with the Partnership Agreement) of (i) any notices or communications required or contemplated to be delivered to such Limited Partner by the Fund, the General Partner or any of their respective affiliates pursuant to applicable law or regulation (including the IAA), at the option of the person making such delivery, and (ii) capital call notices, other notices, requests, demands, consents and communications, and financial statements, reports, schedules, certificates or opinions required to be provided to such Limited Partner under the Partnership Agreement or under any side letter or other similar agreement with such Limited Partner. There are certain costs and risks (e.g., system outages) associated with electronic delivery, and there can be no assurance that any electronic delivery method is secure. The General Partner generally will not be responsible for any computer viruses, malfunctions, information theft or other problems that may be associated with the use of electronic delivery in connection with the Fund's activities.

*Impacts of Excuse or Exclusion.* A Limited Partner's participation in the Fund's investments may be limited by virtue of the General Partner's right to exclude a Limited Partner from, or a Limited Partner's right to be excused from, participating in certain of the Fund's investments as set forth in the Partnership Agreement, thereby increasing the participation of other Limited Partners and increasing such other Limited Partners' concentration with respect to such Fund investments. As a consequence of one or more Limited Partners being excused or excluded or other factors limiting their participation in investments, the aggregate returns realized by the participating Limited Partners could be adversely affected in a material manner by the unfavorable performance of even one investment by the Fund.

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

*Lack of Regulatory Oversight.* The Fund will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "1940 Act"). The 1940 Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Fund. Similarly, the Fund's investments in portfolio companies are not expected to be registered under the 1940 Act. Accordingly, Limited Partners will not be afforded the protections of the 1940 Act.

*Enhanced Scrutiny of Private Equity Industry; Potential Regulatory Changes.* Certain media, regulatory and political discourse has been and continues to be focused on enhancing governmental scrutiny of and/or increasing regulation of the private equity industry. The combination of such discourse and the public perception that certain alternative asset managers (including private equity firms) contributed to the 2008 global financial crisis may negatively impact the Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competitors outside of the alternative asset space. As a result, the Fund may make fewer investments, incur greater expenses or delays in completing or exiting investments, and/or realize lower proceeds on the disposition of investments than it otherwise would have. Moreover, any such enhancement of scrutiny or increase in regulation may adversely impact the Fund's activities (including the Fund's ability to operate and manage its investments, comply with applicable laws, rules and regulations in a manner not materially more burdensome than currently anticipated, or otherwise execute its investment strategy or achieve its investment objectives). In particular, the Fund may be required to incur additional costs and expenses in implementing structural changes in the conduct of the Fund's business, including to establish greater substance in certain jurisdictions in which the Fund invests or proposes to invest, and the Fund also may become directly or indirectly subject to additional tax liabilities (for example through restrictions on or denial of the deductibility of interest expenses against taxable profits). The foregoing may make it less attractive or impractical to continue to invest in one or more jurisdictions. Additionally, such additional scrutiny may divert the General Partner's and the Principals' time, attention and resources from portfolio management activities.

More recently, in connection with the outcome of the 2020 U.S. federal elections and the current control by one political party of the U.S. federal legislative and executive branches, uncertainty has arisen regarding potential changes in law and regulation affecting the U.S. private equity industry, including the possibility of significant revision to the IRC and U.S. financial laws, rules and regulations. The likelihood of occurrence and the effect of

any such change is highly uncertain and could have an adverse impact on the Fund, the General Partner and/or the Limited Partners.

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

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

*ERISA Considerations.* In the event the Fund is operated to qualify as a venture capital operating company (“VCOC”) in order to avoid holding “plan assets” within the meaning of ERISA, the Fund may be restricted or precluded from making certain investments. In addition, it could be necessary for the General Partner to liquidate investments of the Fund at a disadvantageous time in order to avoid holding ERISA “plan assets,” which may result in lower proceeds to the Fund than might have been the case without the need to qualify as a VCOC. In the event that the Fund intends to comply with the Plan Asset Regulations by limiting investment by benefit plan investors, the Fund may also not be eligible to accept investments from certain parties from time to time.

*OFAC and FCPA Considerations.* Economic sanction laws in the United States and other jurisdictions may prohibit the Management Company, the General Partner, their affiliates, and the Fund from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury’s Office of

Foreign Assets Control (“OFAC”) administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at [www.treas.gov/ofac](http://www.treas.gov/ofac). In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may restrict the Fund’s investment activities.

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

In recent years, the DOJ and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has recently significantly expanded the reach of its anti-bribery laws. While the Management Company has developed and implemented policies and procedures designed to ensure strict compliance by its personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of the Management Company’s policies and procedures, portfolio companies, particularly in cases where the Fund or an affiliate does not control such portfolio company, may engage in activities that could result in FCPA violations. Any determination that the Management Company has violated the FCPA or other applicable anti-corruption laws or anti-bribery laws could subject the Management Company to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect the Management Company’s business prospects and/or financial position, as well as the Fund’s ability to achieve its investment objective and/or conduct its operations.

*Compliance with Anti-Money Laundering Requirements.* In response to increased regulatory concerns with respect to the sources of funds used in investments and other activities, the General Partner may request Limited Partners to provide additional documentation verifying, among other things, such Limited Partners’ identities and sources of funds used to purchase interests in the Fund. The General Partner may decline to accept a subscription on the basis of such information that is provided or if such information is not provided. Requests for documentation and additional information may be made at any time during which a Limited Partner holds an interest in the Fund. The General Partner may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain

circumstances, without notifying the Limited Partners that the information has been provided. The General Partner will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives or special measures. Governmental authorities are continuing to consider appropriate measures to implement and at this point it is unclear what steps the General Partner may be required to take. These steps may include prohibiting a Limited Partner from making further contributions of capital to the Fund, depositing distributions to which a Limited Partner would otherwise be entitled in an escrow account or causing the withdrawal of a Limited Partner from the Fund.

*Alternative Investment Fund Managers Directive.* The European Union Alternative Investment Fund Managers Directive (the “AIFMD”) regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (“EEA”). To the extent the Fund is actively marketed to investors domiciled or having their registered office in the EEA: (i) the Fund, the General Partner and/or the Management Company will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which would result in the Fund incurring additional costs and expenses; (ii) the Fund, the General Partner and/or the Management Company may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in the Fund incurring additional costs and expenses or may otherwise affect the management and operation of the Fund; and (iii) the General Partner and/or the Management Company will be required to make detailed information relating to the Fund and its investments available to regulators and third parties. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Fund to raise its targeted amount of Commitments.

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

managing the Fund and its investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting the General Partner's and/or the Management Company's ability to recruit and retain these personnel.

*General Data Protection Regulation.* Portfolio companies are subject to regulations related to privacy, data protection and information security in the jurisdictions in which they do business. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

EU data protection law currently in effect is derived from the Data Protection Directive (Directive 95/46/EC) and has been implemented by national legislation across all 28 European Union ("EU") member states. On 25 May 2018, the General Data Protection Regulation (EU 2016/679) (the "GDPR") replaced the prior legislation. The GDPR seeks to harmonize national data protection laws across the EU, whilst at the same time, modernizing the law to address new technological developments. As a regulation, the GDPR is binding on data controllers and data processors in all EU member states, immediately upon coming into effect, without the need for implementation in each member state. The GDPR notably has a greater extra-territorial reach and has a significant impact on data controllers and data processors either with an establishment in the EU, or which offer goods or services to EU data subjects or monitor EU data subjects' behavior within the EU. The new regime imposes more stringent operational requirements on both data controllers and data processors, and introduces significant penalties for non-compliance with fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach.

The current ePrivacy Directive, will also be repealed by the EU Commission's Regulation on Privacy and Electronic Communications (the "ePrivacy Regulation") which aims to reinforce trust and security in the digital single market by updating the legal framework on ePrivacy. The ePrivacy Regulation is in the process of being finalized.

Compliance with current and future privacy, data protection and information security laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of our current and planned business activities. A failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as have an impact on reputation.

*General Data Protection Regulation - Fair Processing Information.* Prospective investors should be aware that, in considering and/or making an investment in the Partnership, and interacting with the Partnership, its affiliates, agents, advisers and/or delegates by (i) submitting one or more subscription agreements, (ii) communicating through telephone calls, written correspondence and emails (all of which may be recorded), or providing personal data concerning individuals connected with the investor (such as directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners, advisers and/or agents), they will be providing the Partnership, its affiliates, agents, advisers and/or delegates with personal data (as such term is defined in applicable EU data protection legislation).



The General Partner has prepared a privacy notice, which provides further information regarding the personal data collected and used by it including in relation to the Fund, and the purposes for which such personal data is processed. The privacy notice can be accessed on the Firm's website with the other Fund documents. Prospective investors should read the privacy notice carefully before sharing any personal data in accordance with the steps described above.

*Registration under the U.S. Commodity Exchange Act.* Registration with the CFTC as a "commodity pool operator" or as a "commodity trading advisor" or any change in the Fund's operations necessary to maintain the General Partner's ability to rely upon the exemptions from registration as described in Section XI – "Legal and Tax Matters – U.S. Federal Commodities Regulation" could adversely affect the Fund's ability to implement its investment program, conduct its operations and/or achieve its objectives and subject the Fund to certain additional costs, expenses and administrative burdens. Furthermore, any determination by the General Partner to cease or to limit investing in interests which may be treated as "commodity interests" in order to comply with the regulations of the CFTC may have a material adverse effect on the Fund's ability to implement its investment objectives and to hedge risks associated with its operations.

*Pay-to-Play Laws, Regulations and Policies.* A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to, and/or certain contacts with, certain officials by persons and entities seeking to do business with such governmental entities, including those seeking investments by public retirement funds. In addition, the SEC has adopted a rule that, among other things, prohibits an investment adviser from providing advisory services for compensation to a government client for two years after such investment adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If the Management Company, the General Partner, any of their employees or affiliates, or any service provider acting on their behalf fails to comply with such laws, regulations or policies, such non-compliance may have an adverse effect on the Fund. Limited Partners also may seek to pursue individual remedies, including withdrawal rights, which may be included in side letters or other similar agreements or otherwise imposed by applicable law, regulation or policy.

*HSR Act Regulation and Enforcement.* The growth of the private equity industry and the increasing size and reach of private equity transactions has prompted additional governmental attention to the industry and its practices. Acquisition by the Fund of equity securities may result in reporting and compliance obligations under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"). Compliance with the HSR Act could significantly delay the closing of a transaction, lead to deal abandonment, increase the cost of operating the Fund, and/or infringe upon the ability of the Fund to engage in certain transactions.

*General Tax Considerations.* An investment in the Fund involves complex U.S. and non-U.S. tax considerations that will differ for each investor depending on the investor's particular circumstances. The investment decisions of the General Partner and the Fund will be based primarily upon economic, not tax, considerations and could result, from time to time, in adverse tax consequences to some or all Partners. There can be no assurance that the structure of the Fund or of any investment will be tax-efficient for any

particular investor. Prospective investors are urged to consult their own tax advisors with reference to their specific tax situations.

*Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities.* The United States, pursuant to the U.S. Foreign Account Tax Compliance Act (“FATCA”) has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the Organisation for Economic Co-operation and Development (the “OECD”) has developed a worldwide tax information exchange standard pursuant to which many countries have now signed multilateral agreements for the exchange of information. A group of such countries have committed to a common implementation timetable which required the first exchange of information in 2017, with further countries committed to implement the new global standard by 2018. One or more of these information exchange regimes are likely to apply to the Fund and/or any alternative investment vehicles of the Fund, and may require the General Partner to collect and share with applicable taxing authorities information concerning Limited Partners (including identifying information and amounts of certain income allocable or distributable to them). A Limited Partner’s failure to provide such information may result in expulsion from the Fund and/or alternative investment vehicles. In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity’s share of most payments attributable to investments in the United States, including dividends, interest, and, beginning on January 1, 2019, gross proceeds of a disposition of stock, unless an exception applies. The Fund may be required to withhold such taxes from certain non-U.S. Limited Partners, unless an exception applies.

*Tax Liability Considerations.* The Fund may take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. Should any such position be successfully challenged by the U.S. Internal Revenue Service (the “IRS”), a Limited Partner might be found to have a different tax liability for an affected year than that reported on its U.S. federal income tax return. For all taxable years of the Fund, U.S. federal income taxes arising from an IRS audit will be paid by the Fund absent an election to the contrary. In addition, a designated “partnership representative” will have the power to act on behalf of the Fund and its Partners in all IRS audits and other proceedings involving the Fund’s U.S. federal income, loss, deductions and credits. These new rules may be less favorable than prior partnership audit rules for certain Partners in certain cases. The legal and accounting costs incurred in connection with any audit of the Fund’s tax return will be borne by the Fund. The cost of any audit of a Partner’s tax return will be borne solely by the Partner.

*Diverse Investor Group.* The investors may have conflicting investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of investors may relate to or arise from, among other matters, the acquisition or structuring of investments in portfolio companies and the timing and disposition of investments in portfolio companies. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner that may be more beneficial for one investor than for another investor, for example, with respect to investors’ individual tax situations. In addition, the Fund may make investments in portfolio companies, which may have a negative impact on related or unrelated investments made by investors in transactions

outside of the Fund. In selecting and structuring investments in portfolio companies appropriate for the Fund, the General Partner will consider the investment and tax objectives of the Fund and the investors as a group, not the investment, tax or other objectives of any investor individually.

*Recent Changes in U.S. Federal Income Tax Law.* On December 22, 2017, legislation was enacted containing significant changes to U.S. federal income tax law (the “2017 Tax Legislation”). The 2017 Tax Legislation, as well as possible future U.S. tax legislation and administrative guidance, could materially affect the tax consequences of a Limited Partner’s investment in the Fund and the tax treatment of the Fund’s investments. While some of these changes may be beneficial, others could negatively affect the after-tax returns of the Fund and the Limited Partners. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in the Fund, or of investments made by the Fund, will not be modified by legislative, judicial, or administrative changes, possibly with retroactive effect, to the detriment of the Limited Partners.

In addition, the 2017 Tax Legislation treats certain allocations of capital gains to service providers by partnerships such as the Fund as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the capital asset which generated such gain for at least three years. This could reduce the after-tax returns of individuals associated with the Fund and the General Partner who were or may in the future be granted direct or indirect interests in the General Partner, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Fund. This could also create an incentive for the General Partner’s principals to cause the Fund to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

*Delayed Schedule K-1s.* The Fund will likely not be able to provide final Schedule K-1s to Limited Partners for any given fiscal year until after April 15 of the following year. The General Partner will endeavor to provide Limited Partners with final Schedule K-1s or with estimates of the taxable income or loss allocated to their investment in the Fund on or before such date, but final Schedule K-1s may not be available until the Fund has received tax-reporting information from its portfolio companies necessary to prepare final Schedule K-1s. Limited Partners may be required to obtain extensions of the filing dates for their non-U.S. and U.S. federal, state and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.

*Tax Treatment.* There may be changes in tax laws or interpretations of such tax laws adverse to the Fund or its Limited Partners. There can be no assurance that the structure of the Fund or of any investment will be tax efficient to any particular Limited Partner. Prospective investors are urged to consult their own tax advisers with reference to their specific tax situations, including any applicable U.S. state or local or non-U.S. taxes and, in the case of U.S. tax-exempt and non-U.S. investors, with reference to any special issues that investment in the Fund may raise for such investors.

*Taxes in Excess of Distributions; “Phantom” or “Dry” Income.* The Fund is expected to be treated as a partnership for U.S. federal income tax purposes. Each Limited Partner will be taxed on its share of taxable income from the Fund, regardless of whether it has received any distributions from the Fund. Such taxable income is commonly referred to

as “phantom” or “dry” income. Because of the nature of the Fund’s investment activities, the Fund may generate taxable income in excess of cash distributions to Limited Partners, and no assurance can be given that the Fund will make cash distributions to cover such tax liabilities as they arise. Accordingly, each Limited Partner should ensure that it has sufficient cash flow from other sources to pay all tax liabilities resulting from such Limited Partner’s ownership of interests in the Fund.

Unrelated Business Taxable Income. The Fund expects to invest in portfolio companies that generate unrelated business taxable income (“UBTI”) for a tax-exempt Partner, either directly or indirectly through partnerships, limited liability companies and other flow-through entities that are engaged in business or otherwise generate UBTI. Because of the “flow-through” principles applicable to partnerships and limited liability companies, the Fund’s investments in such entities will give rise to UBTI to the extent such entities generate trade or business income or other income that is treated as UBTI. However, the General Partner may, in its sole discretion, form a Blocker Fund, which is designed to prevent such tax-exempt investors from recognizing UBTI from the Blocker Fund’s investments. Such Blocker Fund’s blocker corporations typically will form, with the General Partner, one or more partnerships, limited liability companies or other entities, each treated as a flow-through entity for U.S. federal tax purposes, to hold all or a portion of such Blocker Fund’s investment in such portfolio company, or will use other structures, so that, to the maximum extent possible, the capital contributions of and the aggregate net distributions received and retained by the General Partner are the same in timing, amount and character as the General Partner would have made or received and retained if each investment were made directly by such Blocker Fund rather than through a blocker corporation. Accordingly, in the event a Blocker Fund is formed, a tax-exempt Partner that wishes to minimize the recognition of UBTI should consider electing to invest through a Blocker Fund. Any Partner who chooses to invest in the Fund through a Blocker Fund, if available, will indirectly bear certain costs and expenses attributable to such Blocker Fund, including those related to the structuring, formation, operation and liquidation of such Blocker Fund and any blocker corporations or intermediate partnerships in which it invests, and any U.S. federal and state corporate income taxes imposed on such Blocker Fund.

Effectively Connected Income. The Fund expects to invest in portfolio companies that generate effectively connected income (“ECI”) for a non-U.S. investor, either directly or indirectly through partnerships, limited liability companies and other flow-through entities that are engaged in a U.S. trade or business or otherwise generate ECI. Because of the “flow-through” principles applicable to partnerships and limited liability companies, the Fund’s investments in such entities will give rise to ECI for non-U.S. investors of the Fund. However, as noted in “Unrelated Business Taxable Income” above, the General Partner may, in its sole discretion, form the Blocker Fund, which is designed to prevent such non-U.S. Partners from incurring ECI from the Blocker Fund’s investments; provided that gains from the disposition of stock in a corporation treated as a U.S. real property interest under Code §897 will not be considered ECI for purposes of this limitation. Such Blocker Fund’s blocker corporations typically will form, with the General Partner, one or more partnerships, limited liability companies or other entities, each treated as a flow-through entity for U.S. federal tax purposes, to hold all or a portion of such Blocker Fund’s investment in such portfolio company, or will use other structures, so that, to the maximum extent possible, the capital contributions of and the aggregate net

distributions received and retained by the General Partner are the same in timing, amount and character as the General Partner would have made or received and retained if each investment were made directly by such Blocker Fund rather than through a blocker corporation. Accordingly, in the event the Blocker Fund is formed, a non-U.S. Partner that wishes to minimize the recognition of ECI should consider electing to invest through the Blocker Fund. Any Partner who chooses to invest in the Fund through a Blocker Fund, if available, will indirectly bear certain costs and expenses attributable to such Blocker Fund, including those related to the structuring, formation, operation and liquidation of such Blocker Fund and any blocker corporations or intermediate partnerships in which it invests, and any U.S. federal and state corporate income taxes imposed on such Blocker Fund.

*Proposed Legislation Regarding Tax Deductions for Oil and Gas Exploration and Production.* In the past, legislation has been proposed that would, if enacted into law, eliminate certain significant U.S. federal income tax incentives currently available with respect to oil and gas exploration and production. Although none of these changes were included in the 2017 Tax Legislation, future adverse changes could include: (i) the repeal of the percentage depletion allowance for oil and gas properties; (ii) the elimination of current deductions for intangible drillings costs, or “IDCs”; and (iii) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes would become effective. The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and gas exploration and development, which could result in an increase in the taxable income allocable to the Limited Partners and/or negatively impact the value of an investment.

### **Conflicts of Interest**

Investors should be aware that various actual and potential conflicts will arise from the overall investment activities of the Fund, the General Partner, the Management Company, other North Hudson Entities (as defined below) and their respective affiliates, employees, partners, members, officers, directors and managers. The following discussion identifies certain potential conflicts of interest that should be carefully considered before making an investment in the Fund. The below discussion is not a comprehensive list of all existing or potential conflicts of interests. In addition, investors should be aware that the Management Company and its employees, partners, members, officers, directors, managers and affiliates may in the future engage in further activities that may result in additional conflicts of interest not addressed below.

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

conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by the Advisory Board with respect to such conflict of interest.

In addition, investors should note that the Partnership Agreement contains provisions that, subject to applicable law, rule and regulation modify the duties, including fiduciary duties owed to the Fund. Additionally, the Partnership Agreement contains exculpation and indemnification provisions that, subject to the specific exceptions identified therein, provide that the General Partner, the Management Company and their respective employees, managers, officers, partners, members, directors and affiliates will be held harmless and indemnified, respectively, for matters relating to the operation of the Fund.

The Principals, the Management Company and their respective affiliates engage in a broad range of activities, including investment activities for their own account, and may spend a portion of their business time and attention on investment opportunities that do not fall within the objectives, strategy, scope and investment criteria of the Fund, including transaction-related, investment advisory, management and other services to other entities, or investment opportunities in which the Fund is not permitted to participate due to investment limitations or restrictions in the Partnership Agreement. The Principals may in the future, form, manage and/or operate other investment funds, investment vehicles, investment managers, managed accounts and other entities besides the Fund, including the IMA Investments (collectively, the “North Hudson Entities”), and may direct investment opportunities to other North Hudson Entities in the manner described below. As a result of the foregoing, the Principals will manage the Fund’s investments, while also spending a significant amount of business time on other opportunities, investments and entities unrelated to the Fund’s investments, and certain investment opportunities identified by the General Partner, the Management Company and/or their respective employees, partners, members, officers, directors, managers and affiliates will not be presented or made available to the Fund. The General Partner believes that the significant investment of the Principals in the Fund, as well as the Principals’ interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the Partners, although the Principals will have economic interests in such other North Hudson Entities and investments and receive management fees and carried interests relating to such interests. The Principals, the Management Company and the General Partner are not obligated to present to the Fund any investment opportunity in which the Fund cannot participate for any reason as determined by the General Partner in its sole discretion, including due to any investment limitation or restriction in the Partnership Agreement. In addition, in the event the General Partner determines not to present an investment opportunity to the Fund for any reason, the Management Company, the General Partner, and their respective employees, partners, members, officers, directors, managers or affiliates may pursue such investment opportunities for their own accounts or through any other North Hudson Entity. Such other North Hudson Entities and investments, including for the avoidance of doubt, the IMA Investments, may compete with the Fund or companies acquired by the Fund. Certain investments may be allocated between the Fund and any North Hudson Entity in a manner as determined by the General Partner, in its sole discretion.

Over time, certain investment opportunities suitable for the Fund are likely also to be suitable for other investment funds sponsored by the General Partner or its affiliates, including the North Hudson Entities. In determining which investment funds should

participate in such investment opportunities, subject to the Partnership Agreement, the General Partner, the Principals and their affiliates are subject to potential conflicts of interest among the investors in the Fund and investors in the other investment funds sponsored by the General Partner and the Principals, including the North Hudson Entities. To determine whether the Fund or other investment funds sponsored by the General Partner or its affiliates will participate in the relevant investment opportunity, the General Partner and the Management Company generally assess whether an investment opportunity is appropriate for each relevant entity based on factors they determine, in their sole discretion, to be appropriate at such time, which may include each entity's investment restrictions and objectives (including those set forth in the relevant entity's governing agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure. The Management Company's and the General Partner's allocation of investment opportunities among the Fund and any other North Hudson Entity may not always, and often will not, be proportional. Therefore, such allocations may be more or less advantageous to the Fund relative to one or all of such other entities. There can be no assurance that the allocation of any investment opportunity, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which the General Partner and the Management Company may be subject did not exist.

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

In addition, because the Fund has a fixed investment period after which capital from Limited Partners generally may only be drawn down in limited circumstances, and because the Management Fee is, at certain times, calculated based upon the invested capital, the Management Fee structure may create an incentive for the General Partner to deploy capital when it might not otherwise have done so.

*Co-Investments.* The General Partner may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more Limited Partners and/or other persons or entities (including employees or affiliates of the General Partner or the Management Company, the Principals or third party investors who are not Limited Partners), in each case subject to the terms of the Partnership Agreement. Conflicts of interest may arise in the allocation of such co-investment opportunities, which may be made to one or more persons or entities for any number of reasons subject to the immediately preceding sentence and may not be offered to the Fund or any individual Limited Partner. In exercising its discretion to allocate co-investment opportunities with respect to a

particular investment to and among potential co-investors and the terms thereof, the General Partner may take into consideration any factors it determines to be appropriate in its sole discretion, such as the following: (i) expressed interest in co-investment opportunities; (ii) expertise of the prospective co-investor in the industry to which the investment opportunity relates; (iii) perceived ability to quickly execute on transactions; (iv) size of commitment to the Fund and other North Hudson Entities by the prospective co-investor; (v) tax, regulatory, securities laws and/or other legal considerations; (vi) confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; (vii) perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; (viii) the General Partner's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the General Partner's ability to execute the relevant transaction in the desired time or on desired terms; (ix) size of investment allocation and practicality of dividing it up among multiple co-investors; (x) lender requirements; (xi) perceived public relations and reputational benefits or costs; and (xii) whether the General Partner believes that allocating investment opportunities to an investor or other person or entity will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, the Fund or the General Partner or its affiliates. The General Partner may also, in its sole discretion, charge a management fee and obtain a "carried interest" in respect of any such co-investment. Because co-investments will not be made through the Fund, any compensation received in connection with a co-investment does not arise out of the investment activities of the Fund or actions taken directly or indirectly by the Management Company and/or the General Partner on behalf of the Fund and, therefore, none of such fees and other co-investor-related compensation will reduce or offset the Management Fee paid by the Fund. If a co-investment vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Fund. In the event that a transaction in which a co-investment was to be sought ultimately is not consummated, all obligations, liabilities and out-of-pocket and/or breakup fees, costs and expenses relating to such unconsummated transaction will be borne by the Fund, and not by any prospective co-investors, that were to have participated in such transaction.

Co-investments with third parties through partnerships, joint ventures or other entities or arrangements may involve risks not present in investments where a third party is not involved, including the possibility that a third party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Fund, may have financial difficulties (which may increase the possibility of default), or may be in a position to take (or block) action contrary to the investment objectives of the Fund. In addition, the Fund may in certain circumstances be liable for actions of its third party co-venturer or partner. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such co-investments, including incentive compensation arrangements. There can be no assurance that the Fund's return from a transaction would be equal to, and not less than, the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.



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

Allocation of Expenses. The Fund 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 Fund. As described further in Section IX – “Summary of Principal Terms– Fund Expenses” and the Partnership Agreement, the fees, expenses and costs borne by the Fund encompass a broad range of items and activities. The General Partner and its affiliates may from time to time incur fees, costs and expenses, including in connection with transactions not consummated, on behalf of the Fund and one or more North Hudson Entities. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment are expected to be charged to the applicable portfolio company. Except as otherwise set forth in “Co-Investments” above, to the extent such fees, costs and expenses are not charged to a portfolio company, they are expected to be paid by the Fund and each North Hudson Entity 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 Fund and such other North Hudson Entities are expected to bear a portion of any such fees, costs, and expenses in proportion to the size of its actual or proposed investment, or in such other manner as the General Partner considers, in its sole discretion, to be fair and equitable. There can be no assurance that any fees, costs and expenses will in all cases be allocated proportionately. 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, the Management Company and its employees, partners, members, managers, officers, directors and 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 Fund which will not be subject to Management Fee offset or otherwise shared with the Fund, Limited Partners and/or portfolio companies. 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 the Management Company and/or its employees, partners, members, managers, officers, directors and affiliates (and not the Fund, Limited Partners and/or portfolio companies) even though the cost of the underlying service is borne by the Fund and/or portfolio companies. From time to time, the General Partner will be required to decide whether costs and expenses are to be borne by the Fund, on the one hand, or the General Partner, the Management Company or their respective affiliates, on the other, and/or whether certain costs and expenses should be allocated between or

among the Fund, on the one hand, and other North Hudson Entities and/or co-investors, 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 in a manner the General Partner considers fair and equitable in its sole discretion. Travel and related expenses in connection with a trip taken by employees, partners, members, managers, officers, directors and affiliates of the Management Company and/or the General Partner for purposes of multiple matters will be allocated by the General Partner at its sole discretion.

In addition, the Fund, through portfolio companies or directly, may bear the cost, including compensation, of directors, executives or consultants to portfolio companies, 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 companies. Any such cost will not offset or otherwise reduce management fees paid to the Management Company. Because such persons may be former senior principals or employees of the Management Company or its affiliates, the General Partner has a conflict of interest in 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.

*Fees from Portfolio Companies.* The General Partner, the Management Company, the Principals or any of their respective affiliates, subject to certain limitations, may earn directors' fees, advisory fees, management fees, consulting fees, investment banking fees, monitoring fees, broker's and finder's fees, transaction fees, commitment, topping, break-up fees and litigation payments or equivalent compensation, from portfolio companies and from other persons or entities in connection with potential or actual portfolio investments and such fees shall be for the sole account of the General Partner, the Management Company, the Principals or any of their respective affiliates. Such fees may create a conflict of interest with respect to the role of the General Partner, the Management Company, the Principals or any of their respective affiliates in connection with the Fund. Except for the Management Fee offset described in the Partnership Agreement, Limited Partners will receive no benefit from such fees.

The General Partner may have the right to appoint portfolio company board members (including current or former General Partner personnel or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their compensation. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to the General Partner in connection with services provided by the General Partner and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the Partnership Agreement's offset provisions, are in addition to the Management Fee or carried interest discussed herein. The General Partner's authority to appoint or influence the appointment of portfolio company board members who may be involved in approving compensation payable to the General Partner subjects the General Partner and any such portfolio company board appointees to a conflict of interest.

Additionally, a portfolio company typically will reimburse the General Partner, the Management Company or service providers retained at their discretion or influence for

expenses (including travel expenses) incurred by the General Partner, the Management Company or such service providers in connection with the performance of services for such portfolio company. Such reimbursed amounts will be in addition to, and will not otherwise reduce or offset, the Management Fee. This subjects the General Partner, the Management Company and their respective affiliates to conflicts of interest because the Fund generally does not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Partnership Agreement and its internal reimbursement policies and practices, the General Partner determines the amount of these reimbursements for such services in its sole discretion.

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

Over the life of the Fund, each of the General Partner and the Management Company generally expects to exercise its discretion to recommend to the Fund or to a portfolio company thereof that it contracts for services with various service providers, potentially including, among others: (i) the General Partner (or an affiliate, which may include other portfolio companies of the Fund or other North Hudson Entities) and at rates determined or substantively influenced by the General Partner; (ii) an entity with which the General Partner, the Management Company or their respective affiliates or current or former employees, partners, members, managers, officers, directors and affiliates has a relationship or from which such person derives a financial or other benefit; or (iii) a

Limited Partner (or a limited partner, member or other equity holder of another North Hudson Entity) or its affiliates. This subjects the General Partner and/or the Management Company, as applicable, to potential conflicts of interest because, although the General Partner and/or the Management Company intend to select service providers that they believe are aligned with the Fund's operational strategies and that will enhance portfolio company performance, each of the General Partner and the Management Company may have an incentive to recommend the related or other person because of its financial or business interest. Additionally, there is a possibility that the General Partner and/or the Management Company, because of such incentive or for other reasons (including whether the use of such persons or entities could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the General Partner, the Management Company, the Fund and/or other North Hudson Entities), may favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person. In addition, one portfolio company may provide goods or services to another portfolio company, 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 company at a rate higher than could be obtained by such portfolio company on the open market. Whether or not the General Partner or the Management Company has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost. The terms of any transaction involving the provision of goods or services to the Fund or any of its portfolio companies 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.

*Industry Relationships.* As with other private equity fund sponsors, as part of the Management Company's business, the Management Company and its employees, partners, members, managers, officers, directors and affiliates have developed many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders, consultants, operators, geologists, engineers, professional advisors (such as attorneys and accountants), co-investors, current and former directors, officers and employees of current and former portfolio companies, current and former services providers to current and former portfolio companies and current and former employees and members of the Management Company. Certain of these third parties may: (i) introduce investment opportunities to the Management Company and its affiliates; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio companies; (iii) introduce portfolio companies to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio companies; or (v) provide investment banking, consulting, legal or advisory services to the Management Company, the Fund, the North Hudson Entities or portfolio companies of the Fund and any North Hudson Entities. Such third parties may also provide goods or services to or have business, personal, political, financial or other relationships with the General Partner, the Management Company or their respective partners, members, managers, officers, directors and affiliates. In addition, such third parties may invest in one or more North Hudson Entities, co-invest in one or more portfolio companies, or provide other significant business or investment services to the

Management Company, the North Hudson Entities and/or their respective portfolio companies. These relationships may influence the General Partner in deciding whether to select or recommend any such third-party to perform services for the Fund or a portfolio company. The cost of any services provided by such third parties will generally be borne directly or indirectly by the Fund or its portfolio companies, as applicable.

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

Material Non-Public Information. From time to time, the General Partner and its employees, partners, members, managers, officers, directors and affiliates may come into possession of confidential or material, non-public information concerning specific companies, including as a result of the General Partner and its employees, partners, members, managers, officers, directors and affiliates serving on the boards of directors of portfolio companies. Under applicable securities laws, this may limit the General Partner's flexibility to buy or sell securities issued by such companies. The Fund's investment flexibility may be constrained as a consequence of the General Partner's inability to use such information for investment purposes, and the Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the General Partner's internal policies. Due to these restrictions, the Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold. Each of the Fund, the General Partner and the Management Company anticipates that, to avoid such restriction, it may elect not to receive such non-public information. In situations where the Fund decides to receive such information, it may seek to discontinue receiving non-public information concerning the borrower under a loan when it is disclosed by such borrower that the borrower will issue high yield bonds in the near future. As a result, the Fund, at times, may receive less information regarding such a borrower than is available to the other investors in such borrower's loan, which may result in the Fund taking actions or refusing to take actions in a manner different than had it received such non-public information.

Advisory Board. The General Partner will appoint one or more Limited Partner representatives to the Advisory Board, which has the ability to review and waive compliance with certain provisions of the Partnership Agreement, including resolving potential conflicts of interest situations, and whose approval is required or may be requested in certain circumstances under the Partnership Agreement, including certain approvals or consents required by the IAA. Pursuant to the terms of the Partnership Agreement, all Limited Partners are bound by the determinations of the Advisory Board, regardless of whether a Limited Partner is represented by a member of the Advisory

Board. The Partnership Agreement will provide that, to the fullest extent permitted by applicable law, none of the Advisory Board members shall owe any fiduciary duties to the Fund or any other Partner. Members of the Advisory Board may have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the Advisory Board for consideration or review. Members of the Advisory Board may have various business and other relationships with the General Partner and its members, partners, managers, directors, officers, employees and affiliates. These relationships may influence their decisions as members of the Advisory Board. To the extent that a Limited Partner is not represented by a member of the Advisory Board, such Limited Partner will have no influence over matters submitted to the Advisory Board for review or approval.

**Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of adviser's management.

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

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

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

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

In addition to the Adviser's Clients, certain Principals of the Adviser engage in other investment advisory services outside of the Adviser. To address these potential conflicts of interest, the Adviser has implemented a Code of Ethics as described in Item 11 which includes, among other things, a requirement that the Principals disclose to the Adviser's CCO any interest of unrelated clients to participate in the same securities or investments as that of the Adviser's Clients.

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

The Adviser does not recommend or select other investment advisers for its Clients.

### **NHRP Energy Credit LP**

NHRP Energy Credit LP (the "Servicer") is a loan servicing company that is under common control with the Adviser. The Servicer provides loan administration, collateral management or similar services in regard to a single secured term loan facility (the "Loan Facility"). The Servicer's current intention is to provide services solely to the Loan Facility. However, the Servicer retains the right to provide services to other loan facilities in the future, if it deems it appropriate.

In connection with the Servicer's operation as a separate business entity from that of the Adviser, the fee income charged by and paid to the Servicer is separate from the management fees or carried interest described in Items 5 and 6 above. None of the fee income received by the Servicer will offset the management fees or carried interest charged to and paid for by the Funds. Furthermore, the Funds will not pay any type of fees to the Servicer for performing its services under the Loan Facility. The lenders under the Loan Facility will be paying all such fees in relation to the Loan Facility.

The Adviser does not believe a conflict of interest exists between the Adviser, its Clients, or the Servicer.



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

### **Code of Ethics**

For the purposes of this Item 11, references to the “Fund” or “Fund” shall include any successor investment Fund that may be established by the Adviser, the General Partners or affiliates of the Adviser or the General Partners.

North Hudson has adopted a Code of Ethics (the “Code”) that sets forth standards of conduct that are expected of North Hudson’s principals and employees and addresses conflicts that may arise from personal trading and outside business activities. The Code subjects each principal and employee to appropriate restrictions on activities and investments, and provides information on certain prohibited transactions, North Hudson’s internal review and compliance procedures, including quarterly and annual reporting requirements, and well-defined rules of business conduct, all intended to prevent or detect potential conflicts of interest. The Code also includes policies and procedures to prevent the misuse of material non-public information in North Hudson’s possession. Strict compliance with the Code and applicable securities laws is a condition of employment with North Hudson, and each principal and employee are obligated to individually read and retain a copy of the Code, as well as certify that he or she has read and understands the Code. North Hudson reviews compliance with the Code on an ongoing basis, and employees may be subject to disciplinary actions as severe as dismissal for certain infractions.

North Hudson and its affiliates may come into possession from time to time of material nonpublic or other confidential information. Under applicable law, North Hudson and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, including the Funds. Accordingly, should North Hudson or any of its affiliates come into possession of material nonpublic or other confidential information with respect to any public company, they would be prohibited from communicating such information to the Funds.

North Hudson’s Principal is a member of the Fund. Therefore, the Adviser may be deemed to recommend to Clients or buy or sell for Clients, investments in which the Adviser has a material financial interest.

The Principal has made capital commitments to the Fund. Such amounts may be invested pro rata with the members of the Fund in all Fund portfolio investments. In the view of the Principal, this aligns the interests of the Principal with the Fund and its investors and does not result in any conflicts of interest between the Adviser and the Fund.

All employees who are access persons (as defined by the Advisers Act) are required to submit an initial, and thereafter, annual, holdings report, as well as quarterly transaction reports or equivalent brokerage statements, detailing the securities held, purchased or sold during the relevant period, except as otherwise exempted by the Advisers Act. In addition, all employees must pre-clear securities trades in an initial public offering or private placement, to ensure that potential conflicts of interest are adequately identified and addressed in a timely manner, and in securities maintained on North Hudson’s restricted list, which consists of securities of companies that North Hudson has determined its employees should not be trading, generally because North Hudson may be in

possession of material non-public information relating to such company. The trading restrictions of the Code do not apply to (i) purchases or sales in any discretionary managed account over which an employee has no direct or indirect influence or control, or ability to direct any investment decision, (ii) purchases that are part of any automatic dividend reinvestment plan or direct investment program, and (iii) purchases effected upon the exercise of rights issued by an issuer pro-rata to all holders of a class of securities to the extent such rights were acquired from such issuer, sales of such rights.

The Code also includes, among other things, requirements that all employees (i) conform their business conduct to applicable state and federal laws and regulations, and (ii) obtain pre-approval of any outside business activities that involve a time commitment that could reasonably be expected to have an adverse effect on the employee's work at North Hudson or conflict with the limited partnership agreement of any Funds or provide for material compensation to the employee.

North Hudson has also adopted a compliance program, which includes, among other things, a records retention and communication policy, an information security program intended to protect the confidentiality of the information retained by North Hudson and policies designed to ensure compliance with applicable laws and regulations.

The foregoing policies are designed to comply with SEC requirements that registered investment advisers have a Code of Ethics. North Hudson's Code of Ethics is available for review upon request. You may request a copy of the Code by contacting our Chief Compliance Officer, Brent Kelley at 713-936-6563 or [bkelly@northhudsonrp.com](mailto:bkelly@northhudsonrp.com).

## **Conflicts**

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

## **Resolution of Conflicts**

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

- (1) A Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered from the viewpoint of such Client;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Governing Documents for the Clients;

- (3) Generally, the General Partner of the Funds has established a limited partner advisory committee (an “Advisory Committee”) composed of representatives of Fund investors. While the Advisory Committee will not have a direct role in management of the Funds, the Advisory Committee may be consulted with respect to transactions involving conflicts of interest;
- (4) Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- (5) Prior to subscribing for interests in a Client, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Client.

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

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

Conflicts could arise if a Client makes investments in conjunction with an investment being made by other Clients or in a transaction where another Client has already made an investment. Investment opportunities are, from time to time, appropriate for Clients at the same, different or overlapping levels of a portfolio company’s capital structure. Conflicts arise in determining the terms of investments, particularly where these Clients invest in different types of securities in a single portfolio company. Questions arise as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raise conflicts of interest, particularly in Clients that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Clients would not necessarily provide such additional capital, and if provided each Client will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict arises in allocating an investment opportunity if the potential investment target could be acquired by either a Client or a portfolio company of another Client. Investments by more than one Client of the Adviser in a portfolio company also raise the risk of using assets of a client of the Adviser to support positions taken by other clients of the Adviser, or that a Client remains passive in a situation in which it is entitled to vote. The Adviser also reserves the right to express inconsistent or contrary views of commonly held investments or of market conditions more generally.

Employees and related persons of the Adviser and its affiliates have made (and are permitted to make) capital investments in or alongside certain Clients, and therefore often have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

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

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

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

### **Cross Transactions**

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

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

## **Borrowings**

The Clients will enter into borrowing arrangements that require the Clients to be jointly and severally liable for the obligations. If one Client defaults on such arrangement, the other Clients would likely be held responsible for the defaulted amount. The Clients will only enter into such joint and several borrowing arrangements when the Adviser determines it is in the best interests of the Clients.

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

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

## **Principal Transactions**

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

Advisers Act be made to the applicable Client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

### **Management of the Clients**

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

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

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

### **Follow-on Investments**

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

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

The Adviser is permitted, in its discretion, to contract with any related person of the Adviser (including but not limited to a portfolio company of a Client) to perform services for the Adviser in connection with its provision of services to the Clients. When engaging a related person to provide such services, the Adviser has an incentive to recommend the related person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally is permitted, in its discretion, to recommend to a Client or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) the Adviser or a related person of the Adviser (including but not limited to a portfolio company of a Client) or (ii) an entity with which the Adviser or its affiliates, or a member of their personnel has a relationship or from which the Adviser or its affiliates, or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser, because of its financial or other business interest, has an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

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

### **Fee Structure**

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

Additionally, as discussed above in Item 6, the General Partners of the Funds are entitled to Performance Fees under the terms of the Governing Documents of such Funds. Such General Partners

are affiliates of the Adviser. The existence of the General Partners' Performance Fees creates an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

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

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

### **Diverse Membership**

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

### **Business with Portfolio Companies and Investors**

The Adviser generally has an incentive to recommend the products or services of certain investors or prospective investors in the Clients, certain third parties, or their related businesses to the Clients or their portfolio companies for use or purchase, even if the products or services recommended are not the best available to the Clients or the portfolio companies.

In addition, certain portfolio companies controlled by a Client could engage in activities that could adversely affect another Fund and/or its portfolio company, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that do not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions could also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This could be expected to result in the assets of a Client and/or a portfolio company being used to satisfy the obligations or liabilities of another Client or its portfolio company.

The Advisers and/or its affiliates are permitted to engage in business opportunities arising from a Client's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This



creates a conflict of interest, as such interests are a benefit arising from the Client's investment and vary from the applicable Client's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Client).

In certain instances, a Client's portfolio company competes with, is a customer of, or is a service provider to, another Client's portfolio company. In providing advice to a portfolio company's business, the Adviser is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or Clients. As a result, a conflict of interest could arise in these instances if advice and recommendations provided by the Adviser to a portfolio company has adverse consequences to a separate portfolio company owned by another Client.

The Adviser may cause portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these agreements and which may be pooled across multiple portfolio companies, and discounted due to scale), benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, commissions or similar payments and/or discounts being paid to the Adviser, its affiliates or a portfolio company (including related to a portion of the savings achieved by a portfolio company). While the Adviser may have a conflict of interest because its economic benefit may incentivize the Adviser to maintain such arrangements, the Adviser believes that such arrangements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are reduced because the Adviser only benefits at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with, the Adviser will only take actions that are beneficial to, or not opposed to, the interests of a Client and its portfolio companies.

Certain members of a Fund's Advisory Committee are, and in the future other members may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The General Partner of a Fund will, from time to time, utilize the services of investors and their affiliates on an arm's length basis with commercially reasonable terms, as it deems appropriate.

### **Service Providers**

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

Additionally, employees of the Adviser or its affiliates and/or their family members or relatives can in certain cases be expected to have ownership, employment, or other interests in such service providers. These relationships that an Adviser will in certain cases have with a service provider can

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

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

### **Positions with Portfolio Companies**

The Principals and certain investment personnel of the Adviser serve as directors of, or observers on boards with respect to, certain portfolio company investments and, in that capacity, are required to make decisions that they consider to be in the best interests of such portfolio companies and their equity holders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that are in the best interest of the portfolio company will not necessarily be in the best interests of the Adviser’s Clients, and vice versa. Accordingly, in these situations, there will be conflicts of interests between such individual’s duties as a Principal or employee of the Adviser and such individual’s duties as a director of the portfolio company investment.

Decisions made by a director can be expected in certain cases to subject the Adviser, its affiliate or a Client to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims.

From time to time employees of the Adviser also expect to be asked to serve as directors of, or observers with respect to, certain entities in which a Client has fully exited its ownership interest. Such companies are not portfolio companies of the Client and as a result, any compensation received

by such Adviser employee is not subject to the Advisory Fee offset described above, or otherwise shared with the Clients and/or investors.

#### **Side Letter Agreements; Advisory Committee Rights**

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

Generally, each Fund has established an Advisory Committee, consisting of representatives of investors. A conflict of interest can be created when some, but not all Limited Partners are permitted to designate a member to the Advisory Committee. The Advisory Committee has the ability to approve conflicts of interests with respect to the Adviser and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the Advisory Committee. Representatives of the Advisory Committee have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships could in certain cases influence the decisions made by such members of the Advisory Committee.

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

#### **Other Potential Conflicts**

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

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

and indemnified, respectively, for matters relating to the operation of Clients, including matters that involve one or more potential or actual conflicts of interest.

The Adviser and the Clients will generally engage common legal counsel and other advisers in a particular transaction, including transactions in which there are conflicts of interest. Members of the law firms engaged to represent the Clients have been and may in the future be investors in a Client and/or could represent one or more portfolio companies or investors in a Client. In the event of a significant dispute or divergence of interest between Clients, the Adviser, and/or its affiliates, the parties are permitted to engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser and the Clients and the portfolio companies of the Clients will, from time to time, engage other common service providers. In certain circumstances, the service provider could charge varying rates or engage in different arrangements for services provided to the Adviser, the Clients, and/or the portfolio companies. This in certain cases may result in the Adviser receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Clients and/or the portfolio company, or the Adviser receiving a discount on services even though the Clients and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between the Adviser, on the one hand, and the Clients and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Clients and/or the portfolio companies.

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

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

The Adviser causes Clients to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Clients, the applicable general partner, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the Advisory Committee and other indemnified parties, against liability in connection with the activities of the Clients. This generally includes a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more Clients and/or the Adviser (including their respective directors,

officers, employees, agents, representatives, members of the Advisory Committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Clients, and/or the Adviser on a fair and reasonable basis, and is permitted to make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

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

## **Item 12. Brokerage Practices**

As the Fund invests primarily in private equity, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Fund, the Adviser would adopt written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities, as follows:

If the Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by North Hudson. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Adviser has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Adviser generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Adviser generally does not make use of such services at the current time and has not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data service, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Adviser’s Funds. However, each and every research service may not be used for the benefit of each and every Fund managed over time by the Adviser, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund. Research services may be shared between the Adviser and its affiliates.

The Adviser currently does not engage in soft dollar transactions but may engage in soft dollar transactions in the future in accordance with the limitations of Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Adviser does not anticipate engaging in significant public securities transactions; however, to the extent that the Adviser engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, the Adviser may also

purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, the Adviser may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining the best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of the Adviser is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

In the Adviser’s private company securities transactions on behalf of the Funds, the Adviser may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, the Adviser may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Adviser generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

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

### **Oversight and Monitoring**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors companies in which the Funds invest, and the Adviser's Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives. Investment decisions will be reviewed and require unanimous approval by the Fund's Investment Committee, which consists of Mark Bisso, Jon Linker, and Mike Jabon.

The Principals believe that active participation in the monitoring of Fund investments is critical to creating value for North Hudson investors. Leveraging their extensive investment experience in this space, the Principals will actively assist portfolio companies with strategic planning, financial management (including budgeting and capital allocation), analysis of transaction opportunities, and positioning for a successful exit. The North Hudson Resource Partners team will utilize its extensive network in the industry to assist with assessing and identifying potential senior management team members as the company grows. The Adviser strongly believes that board participation from independent industry executives (with whom the Principals have personal relationships) is an invaluable resource for portfolio company executives, serving as both "real world" sounding boards and as potential strategic advisors. North Hudson Resource Partners team Operational Excellence Committee, chaired by Mike Jabon, ensures that portfolio companies have strong operational plans from day one of the investment and will enable the sharing of best practices across the portfolio.

### **Reporting**

Annually, the Fund will furnish audited financial statements and tax information necessary for the completion of U.S. income tax returns to all Limited Partners. On a quarterly basis, each Limited Partner will be furnished with unaudited financial statements of the Fund. In addition, during the Commitment Period, the General Partner will conduct an annual informational meeting for the Limited Partners.



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

The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Fund. Any arrangement to compensate a person or entity for soliciting business or potential Clients for the Adviser must be first proposed to, and approved, by the CCO. The CCO will maintain a file of approved solicitors. Such file will contain (i) the name of the solicitor, (ii) the date on which the solicitor was approved by the CCO, (iii) the date on which the Company engaged the solicitor, if any, and (iv) a copy of the solicitation agreement between the solicitor and the Adviser.

**Item 15. Custody**

The Adviser is deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Fund by virtue of the common control of the Adviser and the General Partner of the Fund. All assets and securities of the Fund are held by qualified custodians. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

**Item 16. Investment Discretion**

Investment advice is provided directly to the Fund, subject to the direction and control of the General Partner of each Fund, and not individually to the investors in the Fund. Services are provided to the Fund in accordance with the Governing Documents of the applicable Fund. Investment restrictions for the Fund, if any, are generally established in the Governing Documents of the applicable Fund.

## **Item 17. Voting Client Securities**

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

If the Adviser is called upon to vote proxies, it would adopt written policies to address issues that might arise with respect to voting such proxies in accordance with SEC rule 206(4)-6. The Adviser would generally vote in favor of matters that follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders, and/or present compensation plans that are commensurate with enhanced manager performance and market practices. The Adviser may determine not to vote proxies in respect of securities of an issuer if it determines it would be in the Client's overall best interest not to vote.

You may contact our office at 713-936-6563 for any questions.

**Item 18. Financial Information**

The Adviser does not require prepayment of Management Fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.