



## **Webs Creek Capital Management LP**

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**This brochure provides information about the qualifications and business practices of Webs Creek Capital Management LP. If you have any questions about the information contained in this brochure, please contact us at (972) 850-0081. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

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

**Webs Creek Capital Management LP is registered as an investment adviser with the SEC. Such registration does not imply any level of skill or training.**

**Additional information about Webs Creek Capital Management LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

March 29, 2024

## Item 2: Material Changes

The date of the last annual update to our firm brochure was March 29, 2023. A summary of certain changes that have been made to our firm brochure since the date of our last annual updating amendment is set forth below:

- We added disclosures throughout the document discussing the management of Separately Managed Accounts.
- We moved suites within the same office building and updated our address on the cover page.
- We added disclosures throughout the document discussing the formation of Webs Creek Private Strategies LLC, a relying adviser of Webs Creek Capital Management LP, its management of WCPS SPV I LP (and potentially future SPVs and/or funds), and new policies, procedures, and disclosures to reflect that we now also invest in private companies.
- Webs Creek Capital Offshore Fund Ltd., a newly-newly formed Cayman Islands exempted company, has been established to operate as a private pooled investment vehicle primarily for the benefit of U.S. tax-exempt investors and non-U.S. persons. It invests all or substantially all of its assets in, and conducts its investment activities through, Webs Creek Capital Partners LP.

The information set forth in this brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and offering documents, such documents shall control.

We encourage all investors to review this brochure in its entirety.

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## Item 4: Advisory Business

### FIRM DESCRIPTION

Webs Creek Capital Management LP (the “Investment Manager”), a Texas limited partnership and private investment advisory firm, was organized in January 2019. We provide investment management services with respect to private pooled investment vehicles and other institutional investors (“SMA Investors”) via Separately Managed Accounts (“SMAs”) and have full discretionary authority with respect to investment decisions. Our investment advisory services are provided in accordance with the investment objectives and guidelines set forth in the applicable offering and/or governing documents of the funds and SMAs we advise. References and disclosures in this brochure relating to any funds or SMAs we advise should be read in conjunction with the funds’ and/or SMAs’ offering and governing documents.

In 2023, we launched Webs Creek Private Strategies LLC (the “Relying Adviser” or “WCPS”) to take advantage of the supply-demand imbalance of energy private investment capital through an opportunistic energy privates’ strategy. WCPS is a relying adviser of Webs Creek Capital Management LP and provides investment management services with respect to private pooled investment vehicles focused on investments in private companies and has discretionary authority over investment and operational decisions as outlined in the private pooled investment vehicles’ governing documents. References to “we” in this brochure generally refer to the Investment Manager but when context requires should be read to include the Relying Adviser.

### PRINCIPAL OWNER

The general partner of the Investment Manager is Webs Creek CM GenPar LLC (the “General Partner”), a Texas limited liability company, which is wholly owned and controlled by M. Stephen Thomas (the “Principal”). Mr. Thomas is the only beneficial owner holding more than 25% of the limited partner interests of the Investment Manager.

The sole member of WCPS is the Investment Manager.

### TYPES OF ADVISORY SERVICES

We provide investment advisory services to private pooled investment vehicles, Webs Creek Capital Partners LP, a Delaware limited partnership and its feeder fund, Webs Creek Capital Offshore Fund Ltd., a Cayman Islands exempted company (jointly, the “Fund”) and to one or more SMAs. We are responsible for investing and re-investing the capital of the Clients in securities, financial instruments and/or other assets in accordance with the investment objectives, policies and guidelines set forth in the offering and/or governing documents of the Clients, with a focus on the energy sector. The Relying Adviser provides investment advisory services to private pooled investment vehicles, WCPS SPV I LP, a Delaware limited partnership, and its feeder fund, WCPS SPV I LLC, a Delaware limited liability company (jointly, the “SPV” and collectively with the Fund and SMAs, the “Clients”) and is responsible for its investment in and oversight of one or more private companies.

The investment Manager and Relying Adviser identify investment opportunities utilizing a fundamental research process. The Investment Manager and Relying Adviser use both qualitative and quantitative factors to formulate a view of a company’s value and, in addition, identify opportunities that include a corporate and industry catalyst.

Additionally, historically and from time to time, we manage SMAs on behalf of institutional clients which employ strategies similar to that of the Fund. Terms applicable to these SMAs (including any investment restrictions) are subject to negotiation and may vary from those applicable to the Fund. **See Item 8 below.**

### INVESTMENT RESTRICTIONS

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

### ASSETS UNDER MANAGEMENT

As of February 29, 2024, we had approximately \$642,608,280 in regulatory assets under management, all of which were managed on a discretionary basis.

## Item 5: Fees and Compensation

### DESCRIPTION OF COMPENSATION AND FEE SCHEDULE

In consideration of our advisory services, we generally receive management fees and one of our affiliates generally is entitled to receive performance allocations with respect to the Fund. The fees and expenses applicable to the Funds are set forth in detail in the applicable governing and offering documents. A brief summary of such fees and expenses is set forth below:

*Management Fee.* We generally receive a management fee, payable quarterly in advance, equal to a percentage of the capital account balance of an investor as of the beginning of such calendar quarter. The management fee for Class A of the Fund is calculated at an annual rate of 1.5%, and the management fee for Class B is calculated at an annual rate of 1.25%. The management fee for the Founders Class is calculated at an annual rate of 1.5% so long as the aggregate net assets of the Fund are less than \$50,000,000. Thereafter, the Founders Class management fee is calculated at an annual rate of 1.25% until the aggregate net assets of the Fund are equal to or greater than \$100,000,000, at which point the Founders Class management fee is calculated at an annual rate of 1.0%

*Performance Allocation.* Subject to certain terms and limitations, one of our affiliates generally is entitled to receive a performance-based allocation. The Class A performance-based allocation is equal to twenty percent (20%) of the aggregate net profits allocated to an investor in such Class at the end of the calculation period, which typically is the end of each calendar year. The Class B performance-based allocation is equal to seventeen and a half percent (17.5%) of the aggregate net profits allocated to an investor in such Class at the end of the calculation period, which typically is the end of the initial three-year anniversary following a capital contribution from the Class B investor, and, thereafter, at the end of each calendar year. The Founders Class performance-based allocation is equal to fifteen percent (15%) of the aggregate net profits allocated to an investor in such Class at the end of the calculation period, which typically is the end of each calendar year. Our affiliates generally are not subject to any performance allocations. The performance allocation is calculated and determined separately with respect to each capital contribution made by an investor.

A “Carryforward Account” (also known as a “high water mark”) is maintained by the Fund with respect to each capital account of an investor. At the end of each calculation period, each Carryforward Account is (a) increased by the amount, if any, of negative performance change with respect to such account and (b) reduced (but not below zero) by the amount, if any, of positive performance change with respect to such account. Changes are also made to the Carryforward Account upon any withdrawals or distributions from the Fund. No performance-based allocation is allocated with respect to a capital account of an investor until the Carryforward Account has been reduced to zero.

Each investor is required to certify that it is, among other things, an “accredited investor” and “qualified client” (as such terms are defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended) and a “qualified purchaser” (as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended).

Our fees with respect to each investor generally are not negotiable. However, subject to certain conditions and limitations, the management fee and/or performance allocation with respect to any investor may be waived or reduced by us or our affiliate. The General Partner, in its sole discretion, may enter into a side letter or similar agreement with an investor that provides for differing or additional rights or terms when compared to other investors, such as different management fees or performance-based allocations. Subject to applicable law, neither the Fund nor the Investment Manager intends to disclose the terms of such side letter agreements or the identities of the investors that have entered into such agreements. The General Partner generally grants waivers of the Fund’s management fee and performance-based allocation to principals and employees of the Investment Manager and its affiliates, as well as their related family members and affiliates.

*SMA fees.* The Investment Manager does not have a standard fee structure for SMAs. The amount and terms of payment of fees related to SMAs are addressed in their respective advisory agreements.

*Relying Adviser’s fees.* WCPS receives a monitoring fee from the holding company in which the SPV invests in exchange for its research, due diligence and ongoing monitoring of the investment. SPV limited partners pay a quarterly management fee at an annual rate of (i) one-half percent (0.50%) of such limited partners subscription amount for the first five (5) years, and then (ii) one-fourth percent (0.25%) of such limited partners subscription amount for the next five (5) years.

A WCPS affiliate will also receive cash distributions equal to a fifteen percent (15%) of the SPV's profits (the "Carried Interest"). Carried Interest is not earned and paid until limited partners of the SPV have received cumulative distributions equal to the sum of the limited partners aggregate contributions and after a preferred return. The SPV's preferred return is calculated as an eight percent (8%) annual return, calculated like simple interest on each limited partners' aggregate capital contributions less distributions of the SPV to its limited partners.

#### **DEDUCTION OF FEES**

With respect to each applicable Fund investor, management fees are payable quarterly, in advance, as of the first day of each calendar quarter and deducted directly from the capital account of each investor. For SMA clients, management fees may be paid monthly in arrears, quarterly in advance, or quarterly in arrears as determined by each advisory agreement. We invoice SMA clients and are normally paid from the account we are managing. The management fee is prorated with respect to any capital contribution effective other than as of the first day of a calendar quarter or month (in the case of SMA clients). Should any portion of a management fee paid in advance be due back to an investor at the time an investor withdraws or redeems, such as prior to a quarter-end or month-end (in the case of SMA clients), any such amount will be refunded or added to withdrawal or redemption proceeds to the investor.

WCPS receives its monthly monitoring fee directly from the holding company in which the SPV invests. This amount is not deducted from client accounts, though each client indirectly bears this expense, which is discussed in detail in the SPV governing documents. The WCPS management fee is calculated and payable in advance on the first business day of each calendar quarter and is paid from an account we are managing.

Performance-based allocations and the Carried Interest are re-allocated from each capital account of an investor to the capital account of our affiliate(s) or un-affiliated assignees.

#### **OTHER FEES AND EXPENSES**

Non-SMA clients will bear all expenses of the organization of the client and the offering of its limited partner interests (the "Interests") (including legal and accounting fees, printing costs, "blue sky" and other regulatory filing fees and expenses and out-of-pocket expenses) (collectively, "Organizational Expenses"). The Fund intends to amortize Organizational Expenses over a period of 60 calendar months from the date the Fund commences operations because it believes such treatment is more equitable than expensing the entire amount of Organizational Expenses in the Fund's first year of operation.

The Fund bears all (i) costs and expenses related to its investment program, including expenses related to proxies, underwriting and private placements, data feed hardware and software (including Bloomberg Terminals for members of the investment team), research, meetings or conferences related to research and potential investments, trade publications, brokerage commissions, bank service fees, interest on debit balances or borrowings, custody fees, fees assessed by prime brokers, and other third-party service fees, and any taxes (including, but not limited to, withholding and transfer taxes) imposed on the Fund, expenses relating to any short sales, clearing and settlement charges, and travel expenses, including reasonable meals and accommodations; (ii) all out-of-pocket costs of the administration of the Fund, including without limitation, fees and expenses of any administrator, accounting, audit, tax and tax preparation expenses, legal expenses, costs of any litigation or investigation involving the Fund's activities, and costs associated with reporting and providing information to existing and prospective limited partners in the Fund (the "Limited Partners"), the cost of holding any meeting of the partners, fees and expenses of any administrator, and any costs of procuring and maintaining insurance for the benefit of the Fund, the General Partner, the Investment Manager or any other "Indemnified Persons" (as defined in the Fund's offering and governing documents); (iii) any governmental, regulator, licensing, filing or registration fees and expenses (including any fees and expenses associated with any regulatory or operations consultant) incurred by the Fund, the General Partner or the Investment Manager in compliance with the rules of any self-regulatory organization or any federal, state or local or other applicable laws; (iv) any withholding, transfer or other taxes imposed on, or payable by, the Fund or any of its partners; (v) all costs, fees and expenses associated with the ongoing offering of the Interests; provided, however, that the Fund's management fee will be reduced (but not below zero) by the amount of any placement agent or solicitation fees borne by the Fund; and (vi) any costs or expenses associated with the winding up and liquidation of the Fund; and (vii) the Fund's management fee.

The SPV bears the actual out-of-pocket costs and expenses incurred in connection with its business and operations, including, without limitation, (a) all costs and expenses incurred in connection with the organization of the SPV, the offering of interests and the admission of the limited partners to the SPV, and the preparation and negotiation of its partnership agreement, including without limitation, legal accounting, filing, capital raising, regulatory compliance and other organizational expenses; (b) accounting costs, legal expenses, brokerage expenses and other transaction costs, consulting expenses and research expenses (including reasonable airfare, hotel and other travel expenses related to site visits) incurred in connection with (i) the Relying Adviser's diligence, negotiation, documentation and acquisition of the holding company interests and/or any other assets of the SPV or (ii) holding, monitoring, selling or otherwise disposing of the holding company interests and/or any other assets of the SPV; (c) all expenses (including legal and accounting expenses) incurred by the SPV, its affiliates and the strategic investor in connection with the strategic investor's investment in the SPV, including negotiation of the strategic investor agreement, and review or negotiation of the SPV agreement, the limited liability company agreement of the holding company, and all other documents related to the SPV or its investment in the holding company; (d) costs and expenses in connection with an annual audit of the SPV's financial condition, results of operations and related matters; (e) fees and expenses related to the SPV's fund administrator and other service providers; (f) fees, costs and expenses arising from the SPV's compliance and regulatory obligations; (g) fees, costs and expenses incurred in connection with the preparation of reports made to the partners; (h) taxes, fees and other governmental charges levied against the SPV; (i) fees, costs and expenses incurred in connection with any tax or regulatory audit, investigation, settlement or review of the SPV by any governmental authority; (j) fees, costs and expenses of meetings of the LP advisory committee (if established by the general partner) and meetings of the partners; (k) fees, costs and expenses, and premiums related to insurance and indemnification; (l) extraordinary expenses, such as, without limitation, litigation expenses and indemnification expenses; (m) the management fee; and (n) expenses of winding-up and liquidating the SPV.

The Fund and SPV reimburse us for any of the above expenses that we or an affiliate pay on its behalf. We document the rationale for allocating expenses across multiple Clients, when applicable, and do not allocate to any Client any expense that should not be allocated under the legal documents of said Client. We are responsible for the SMA's share of any of the above expense, when applicable.

The Clients are generally responsible for and pay all brokerage and custodial expenses and fees. The Fund and SMAs typically bear expenses related to trade errors. **See Item 12 below.**

#### **COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

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

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

### PERFORMANCE-BASED FEES

**As noted under Item 5 above**, one of our affiliates generally is entitled to receive performance-based allocations with respect to each capital account of investors in the Fund and carried interest with respect to each capital account of investors in the SPV. Performance-based allocations and carried interest could motivate us, due to our relationship with our affiliate, to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. Because the performance-based allocation is calculated on the basis that includes unrealized appreciation in the Fund's portfolio based upon values assigned by us, we face a conflict of interest in valuing the Fund's portfolio. Our individual employees and affiliates who are compensated to some extent based upon trading profits for which they are responsible face the same potential conflict. To mitigate this potential conflict of interest, we require that all employees and affiliates who are compensated to some extent based upon the trading profits of the Fund hold an investment in the Fund and/or participate in our Annual Incentive Bonus Plan, a deferred compensation plan. This puts the employees and affiliates' capital at risk the same as any other investor in the Fund. In the case of all partners and our affiliate that receives the performance-based allocation, this investment is significant. Similarly, our partners who are compensated to some extent based upon the trading profits of the SPV hold an investment in the SPV and have capital at risk the same as any other investor in the SPV. **See Item 8 below for a discussion of the Fund's investment strategies and risk of loss policies that also help to mitigate this potential conflict of interest.**

The Investment Manager does not have standard performance-based fee arrangements for SMAs. The amount and terms of performance-based fees related to SMAs, if any, are addressed in their respective advisory agreements.

Currently, the holding period of a capital asset must exceed one year for gain from the disposition of such asset to be treated as long-term capital gain and subject to preferential tax rates. However, with respect to certain partnership interests granted in exchange for services rather than a contribution of capital, the holding period of a capital asset must exceed three years for gain to be treated as long-term capital gain. This results in a conflict of interest between our affiliates that are entitled to receive performance-based allocations and other Fund limited partners.

We address these conflicts through full and fair disclosure in the applicable offering documents and this brochure. Consistent with our fiduciary duties, our policy is to use the utmost care when making and implementing investment decisions with respect to the Fund and to treat all clients fairly and equitably.

We have also addressed these conflicts by establishing a valuation policy and have delegated to fund administrators the calculation of the net asset value of the Fund and the SPV, subject to our general oversight and control. Generally, the fund administrators and we rely on industry standard third-party pricing sources to provide fair value marks. We have established a valuation committee for the Fund to meet if/when a potential valuation issue exists (e.g. an investment falls into Level 2 of the ASC 820 hierarchy and is not a derivative of an underlying security with a readily available closing price). Given the illiquid nature of the SPV's investment(s), we may use a valuation consultant to help determine fair value. However, valuation of the SPV's investment(s) does not cause the same conflicts of interest concerns as carried interest is only derived from cash distributions to SPV partners and not unrealized trading profits. The SPV's general partner is in the process of forming a LP advisory committee to provide guidance regarding matters that may involve a conflict of interest between the general partner and its affiliates on the one hand and the SPV limited partners on the other.

### SIDE-BY-SIDE MANAGEMENT

The Investment Manager has established specific policies and procedures around the allocation of investment and co-investment opportunities, and trade allocations to help ensure the fair and equitable treatment of all Clients, and to mitigate the potential conflict of interest of favoring one client over another when, for example, the Company could generate higher fees and put its interest above a client's in order to receive a higher fee. These specific policies and procedures are readily available upon request.



## **Item 7: Types of Clients**

### **TYPES OF CLIENTS**

We provide investment advisory services to affiliated private pooled investment vehicles that focus on either the public or private market. From time to time, we will provide investment advisory services to SMAs at an investor's request. We may in the future provide investment advice to other types of clients.

### **ACCOUNT REQUIREMENTS**

The minimum initial capital contribution amount required for an investor in the Fund is \$1,000,000, although capital contributions of lesser amounts may be accepted in its general partner's discretion. The minimum capital contribution amount required for an investor in the SPV is \$5,000,000, although capital contributions of lesser amounts may be accepted in its general partner's discretion. We manage SMAs on a case-by-case basis taking into consideration factors including the minimum amount of assets managed, the trading mandate of the SMA and other investment requirements or restrictions.

To invest in the Fund or SPV, each investor is required to certify that it is, among other things, an "accredited investor" and "qualified client" (as such terms are defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended) and a "qualified purchaser" (as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended). Each prospective investor is required to complete and return various subscription documents to the Fund and/or SPV, which are designed to provide the Fund and/or SPV, the administrator(s), us and our affiliates and agents with important information about the investor. Capital contributions may be accepted or rejected, in whole or in part, in our sole discretion.

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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The investment objective of the Fund is to achieve superior risk adjusted returns in all market conditions. The Investment Manager utilizes a long/short strategy intended to deliver alpha generation while minimizing risk of capital loss.

To achieve its investment objective the Fund invests in publicly traded equity securities with a focus on the energy sector. The Investment Manager has deep knowledge of the energy sector and years of investment experience in publicly traded energy equities. Global oil supply and demand factors, energy policies of oil producing nations, and the range of equity performance in the transitional energy landscape through the emergence of new technologies, creates mispricing and dispersion amongst individual equity energy securities.

The Investment Manager identifies investment opportunities utilizing a fundamental research process. This process results in the discovery of energy securities which the market has mispriced based on the Investment Manager's view of that security's intrinsic value. Factors that are analyzed in the Investment Manager's process to formulate its view of a company's value include both quantitative and qualitative factors. Examples of quantitative factors include corporate cash flow profile, net asset value, return on invested capital, net debt, growth and dividend yield. Examples of qualitative factors include asset quality and sustainability, management expertise and execution, market access, and industry competition. In addition, the Investment Manager generally prefers to identify opportunities that include a corporate or industry catalyst that will highlight the market mispricing.

The Investment Manager formulates its thesis and ranks the target company within its peer group using the above described factors and cases, only allowing the security with the most compelling risk/reward into the portfolio. Long positions generally include twelve (12) to eighteen (18) month price targets and short positions generally include nine (9) to twelve (12) month price targets. The Investment Manager only enters positions in companies with compelling upside potential and limited downside risk. The Fund's goal is to hold the security through the investment price target time horizon. However, the Investment Manager rigorously retests its thesis and price target for each company in which it holds an investment. Should a position's investment risk/reward change and skew negative, the Investment Manager will proactively adjust the Fund's exposure to the investment to limit or eliminate downside risk.

The Fund's portfolio is generally comprised of eight (8) to fifteen (15) long positions and ten (10) to twenty (20) short positions. A long position generally ranges in size of 4% to 10% of the Fund's AUM (defined below) at market. Long positions will generally not exceed 12.5% of assets under management of the Fund at market price ("AUM"). The top five (5) long positions will generally comprise 35% to 45% of AUM. A short position generally ranges in size of 1% to 4% of AUM. Short positions will generally not exceed 4.5% of AUM. The top ten (10) short positions will generally comprise 20% to 35% of the Fund's AUM. The Fund's gross exposure ranges from 100% to 150%. Net exposure ranges from 0% to 40% long, depending on the opportunity set and other risks factors. The Fund will generally invest in North American listed public equity securities with market capitalizations between \$400 million and \$25 billion. The Investment Manager targets the ability to liquidate individual positions in under forty-five (45) days while being less than 15% of the securities' ninety (90) day average daily trading volume.

For each individual security in the portfolio, and for the portfolio as a whole, the Fund tracks multiple risk factors, including but not limited to: dividend yield, growth, momentum, leverage, earnings risk, percent of the company's equity securities owned by hedge funds, short interest, international versus domestic derived revenue and assets, ETF rebalance risks, crowding, value, sentiment, beta, and volatility. This analysis also includes macro factors the Investment Manager believes to be impactful to the thesis. Macro factors include supply and demand disruptions, political stability in oil producing nations, foreign and domestic policies, environmental risk and concerns, and disruptive industry technology. In addition, the Investment Manager tracks potential negative tax implications and strives to balance tax efficiency while generating superior returns.

SMAs we manage will generally follow a similar investment strategy to the Fund, provided however, that the investment management agreement related to such account(s) may vary certain aspects of the strategy (including but not limited to a long only strategy).

The investment object of the WCPS strategy is to form SPV(s) to generate attractive absolute returns through the acquisition of ownership interests in one or more private energy companies. Each potential SPV will have a different investment objective and strategy which will be detailed in full in its private placement memorandum.

## **CERTAIN RISK FACTORS**

*The investment objectives and methods summarized above represent the Investment Manager's current intentions. Depending on conditions and trends in the securities markets and the economy in general, the Investment Manager may pursue any objectives, employ any investment techniques or purchase any type of security that they consider appropriate and in the best interests of the Clients whether or not described in this section. The foregoing discussion includes and is based upon numerous assumptions and opinions of the Investment Manager concerning world financial markets and other matters, the accuracy of which cannot be assured. **There can be no assurance that the Clients' investment strategy will achieve profitable results.***

*Please note that the following list is not a complete list of all risks involved in connection with an investment in the Clients or with the Investment Manager. With respect to the Clients, additional risk disclosures may be found in the Clients' private placement memorandum.*

### **Investment Risk Factors**

*Investment Judgment; Market Risk.* The profitability of a significant portion of the Clients' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Investment Manager will be able to predict accurately these price movements. The prices of many of the securities and other investment instruments in which Investment Manager invests are highly volatile and market movements are difficult to predict. Investment analyses and decisions may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available at the time of making an investment decision may be limited, incomplete or erroneous, and therefore no assurance can be given that all circumstances that may adversely affect an investment will be known. Depending upon the investment strategies employed and market conditions, the Clients may be adversely affected by unforeseen events involving such matters as political crises, military actions, terrorist attacks, natural disasters, public health issues (including viral outbreaks and pandemics such as the COVID-19 coronavirus), changes in currency exchange rates or interest rates, forced redemptions of securities or acquisition proposals, regulatory intervention or general market conditions creating illiquidity or pricing anomalies or value impairment. With respect to the investment strategy utilized by the Clients, there is always some, and occasionally a significant, degree of market risk.

*Reliance on Key Person.* The Clients will be substantially dependent on the services of the Principal. In the event of the death, disability, departure or insolvency of the Principal, or the complete transfer of the Principal's interest in the Investment Manager, the business of the Clients may be adversely affected. The Principal will devote such time and effort as he deems necessary for the management and administration of the Clients' business. However, the Principal may engage in various other business activities in addition to managing the Clients, and consequently may not devote all time to Clients' business.

*Risk of Loss: No Limited Liability.* An investment in the Clients is speculative and involves a high degree of risk. The Clients are not a limited liability product. Clients are personally liable for all losses incurred by its investment in the Clients, and such losses could materially exceed the capital which Clients allocated to Manager's trading.

*Illiquidity.* The investments made by the Clients may be very illiquid, and consequently the Clients may not be able to sell such investments at prices that reflect the general partner's assessment of their value or the amount paid for such investments by the Clients. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Clients and other factors. Furthermore, the nature of the Clients' investments may require a long holding period prior to profitability. The general partner is authorized to make distributions in kind of securities in lieu of or in addition to cash. In the event the general partner makes distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.

The SPV interests are illiquid and subject to certain restrictions on transfer. The SPV is a closed-end investment fund designed for long-term investors. An investor should not invest in the SPV if the investor needs a liquid investment. Investors in the SPV do not have the right to redeem their interests. The transferability of the interests is subject to certain restrictions contained in its partnership agreement and is affected by restrictions imposed under applicable securities laws. The interests are not traded on any national or other securities exchange or other market. No market currently exists for the interests, and the SPV does not expect that one will develop. Therefore, the interests are not readily marketable and should only be acquired by investors able to commit their funds for an indefinite period of time.

*Short Sales.* The Fund will and SMAs may enter into transactions, known as “short sales,” in which they sell a security they do not own in anticipation of a decline in the market value of the security. Short sales by the Fund and SMAs that are not made “against the box” theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. The Fund and SMAs may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Fund and SMAs might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

*Derivatives.* Derivative instruments, or “derivatives,” include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Clients to the possibility of a loss exceeding the original amount invested.

Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Clients contracts for the purpose of making derivative investments. In the event of the counterparty’s default, the Clients will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive.

*Counterparty Risk.* The Fund and SMAs will be subject to the risk that counterparties of derivative contracts and other instruments in which they invest and trade may default on their obligations under those instruments and that certain events may occur that have an immediate and significant adverse effect on the value of those instruments. Some of the markets in which the Fund and SMAs may effect their transactions are over-the-counter or inter-dealer markets. The participants in such markets are typically not subject to credit evaluation by an exchange or clearing organization and regulatory oversight as are members of exchange-based markets. The Fund and SMAs therefore are exposed to a greater risk that a counterparty will not timely settle a transaction or otherwise perform its obligations in accordance with contractual terms and conditions because of a dispute over the terms of the contract (whether or not bona fide), or because of a credit or liquidity problem, thus causing the Fund and SMAs to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund and SMAs have concentrated their transactions with a single or small group of counterparties. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement of positions and segregation and minimum capital requirements applicable to intermediaries. Although the Fund and SMAs intend to enter into transactions only with counterparties that the Investment Manager believes to be creditworthy, we will attempt to reduce the Fund and SMAs’ exposure by obtaining collateral in appropriate cases and will pursue any available remedies under any of these contracts, there can be no assurance that a counterparty will not default and that the Clients will not sustain a loss on a transaction as a result. The Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Concentration of transactions with a limited number of counterparties could increase the potential for losses by the Fund and SMAs. The Fund and SMAs are subject to the risk of failure of any of the exchanges on which its positions trade or of their clearinghouses.

*Foreign Securities.* Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Clients are maintained) and the various foreign currencies in which the Clients' portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Emerging Market Securities.* The Clients may invest in securities of companies located in emerging market countries. The value of emerging market securities may be drastically affected by political developments in the country of the company's location. In addition, the existing governments in the relevant countries could take actions that could have a negative impact on the Clients, including nationalization, expropriation, imposition of confiscatory taxation or regulation or imposition of withholding taxes on distributions.

*Economic and Political Risks.* A portion of the Clients' assets may be invested in countries where the market economy is relatively less developed. Although the recent general trend in such countries has been towards more open markets and the promotion of private business initiatives, no assurance can be given that the governments of these countries will continue to pursue such policies or that such policies may not be altered significantly. Political instability, economic distress, the difficulties of adjustment to a market economy, social instability, organized crime or other factors beyond the Investment Manager's control could have a material adverse effect on the performance of the Clients.

*International Trade.* The economies of many emerging markets are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade.

*Investment Controls.* Restrictions or controls may at times limit or preclude foreign investment in certain emerging markets and increase the costs and expenses of the Clients. Certain emerging markets require governmental approval prior to investments by foreign persons, limit the amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors. Certain emerging markets may also restrict investment opportunities in issuers in industries deemed important to national interests.

Investments in emerging markets may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if a deterioration occurs in an emerging market's balance of payments, the country could impose temporary restrictions on foreign capital remittances. The Clients could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the Clients of any restrictions on investments. Investing in emerging markets may require the Clients to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs to the Clients.

*Emerging Market Inflation.* Emerging market countries tend to have periods of high inflation and high interest rates, as well as substantial volatility in interest rates. The value of emerging market securities can be expected to be extremely sensitive to changes in interest rates worldwide and, in particular, in the country of the relevant security.

*Leverage.* Subject to applicable margin and other limitations, the Fund and SMAs may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Fund's portfolio would be amplified. Interest on borrowings will be a portfolio expense of the Fund and will affect the operating results of the Fund. Also, the Fund and SMAs could potentially create leverage via the use of instruments such as options and other derivative instruments.

*Options.* Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different than the market value.

*Turnover.* The Fund and SMAs may invest on the basis of short-term market considerations. The portfolio turnover rate of the Fund and SMAs may be significant, potentially involving substantial brokerage commissions and fees.

*Investment Authority.* Substantially all decisions with respect to the management of the Fund and SMAs are made by the General Partner or the Investment Manager. Limited Partners and SMA Investors have no right or power to take part in the management of the Clients. In the event of the withdrawal or bankruptcy of the General Partner, in all likelihood, the Fund will be liquidated.

*Performance Allocation and Carried Interest.* The performance allocation and carried interest made to our affiliate creates an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation or carried interest.

*Withdrawal Restrictions.* There are severe restrictions on withdrawals from the Fund (which may be settled in securities rather than cash) and on transfers of Interests. The prior written consent of the General Partner is required for a transfer of the Interest of any Limited Partner. Because of the restrictions on withdrawals and transfers, an investment in the Fund is a relatively illiquid investment and involves a high degree of risk. A subscription for Interests should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

The SMA Investors may withdrawal capital from SMAs in accordance with the terms of the SMAs' governing documents. A significant withdrawal from the Clients could require Manager to liquidate investments more rapidly than otherwise desirable and to achieve an investment allocation appropriately reflecting a smaller portfolio.

*Limited Distributions.* Since the Fund and SMAs do not generally intend to pay distributions, except to the extent the net assets of the Fund exceed \$500,000,000, an investment in the Fund and SMAs is not suitable for investors seeking current distributions of income. Moreover, an investor is required to report and pay taxes on its allocable share of income from the Fund and SMAs, even though no cash is distributed.

*In-Kind Distributions.* A Fund withdrawal distribution may be made in cash or in-kind, or any combination thereof. The General Partner will determine the percentage of any distribution to be made in cash and the percentage to be made in-kind, as well as the particular securities to be distributed. Distributions that are made in-kind will, to the extent practicable, not be disproportionately allocated to any Limited Partner or Limited Partners. However, a prior or contemporaneous in-kind distribution to some Limited Partners will not affect the Fund's right to distribute cash to Limited Partners.

In the event that a distribution in-kind does not represent a pro rata portion of the portfolio, a Limited Partner receiving assets through such distribution may experience lower returns than it would have if it received a pro rata portion of the portfolio (or was distributed different assets in any non pro rata distribution). Conversely, the Fund's performance after making such a distribution may be lower than it would have if such assets remained in the portfolio entirely or were distributed pro rata in accordance with the portfolio, thereby adversely affecting the remaining Limited Partners.

*Possible Effect of Withdrawals.* Limited Partners may withdraw capital from their respective Capital Accounts in accordance with the terms of the Partnership Agreement, and SMA Investors may close their respective SMA Account(s) in accordance with the terms of their Investment Management Agreement. A significant withdrawal of capital from the Fund and/or closure of a SMA Account could require us to liquidate investments more rapidly than otherwise desirable to raise the necessary cash to fund the withdrawals or close the SMA Account and to achieve an investment allocation appropriately reflecting a smaller portfolio. This may cause a temporary imbalance in the Fund's and/or SMAs' portfolios, which may adversely affect the remaining Limited Partners and SMA Investors.

*Currency Risk.* The Fund and SMAs may invest their capital in securities that are custodied in different countries, the prices of which are determined with reference to currencies other than the U.S. dollar. The Fund and SMAs value their securities in U.S. dollars and therefore may be affected by fluctuations in currency values.

*Concentration of Holdings.* Although the Investment Manager has adopted informal guidelines on diversification, those guidelines are subject to change by the Investment Manager, and there are no limits on the Investment Manager's investment discretion that require diversification by issuer, industry or market or that impose position size limitations.

At any given time, it is therefore possible that the Investment Manager may select positions that are concentrated in a particular market or industry, or in a limited number or type of securities. Limited diversity could expose the Clients to losses disproportionate to general market movements if there are disproportionately greater adverse price movements in those positions.

The SPV's investment strategy is not diversified and is speculative. The SPV's entire investment strategy is to acquire an interest in a non-registered equity of a privately held business. Investors should be willing and able to accept a total loss of their investment in the SPV.

*Diversification.* Since the Clients' portfolio will not necessarily be widely diversified, the investment portfolio of the Clients may be subject to more rapid changes in value than would be the case if the Clients were required to maintain a wide diversification among companies, securities and types of securities.

*Valuations.* From time to time, certain situations affecting the valuation of the Clients' investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Clients) could have an impact on the net asset value of the Clients, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Fund is not required to make retroactive adjustments to prior subscription or withdrawal transactions or management fees or performance allocations based on subsequent valuation data.

*Non-Public Information.* From time to time, the Investment Manager may come into possession of non-public information concerning specific companies. Under applicable securities laws, this may limit the Investment Manager's flexibility to buy or sell portfolio securities issued by such companies. The Fund and SMAs' investment flexibility may be constrained as a consequence of the Investment Manager's inability to use such information for investment purposes.

*Soft Dollars.* The Investment Manager may enter into "soft dollar" arrangements with one or more broker-dealers whereby the Investment Manager will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although the Investment Manager will typically use the research and services in making investment decisions for the Fund and SMAs, the Investment Manager reserves the right to use such research or services for any other accounts or funds. The Fund and SMAs will generally pay more than the lowest available commissions for execution of transactions where there is a "soft dollar" arrangement. The Investment Manager may also enter into "soft dollar" arrangements to cover Fund and SMA expenses or costs and expenses of the Investment Manager to the extent such arrangements are permitted by law and described in the Fund and/or SMA legal and offering documents.

*Absence of Registration.* The Fund and SPV have not and will not register under the Investment Company Act. Accordingly, the provisions of the Investment Company Act which, among other things, require that a fund's board of directors, including a majority of disinterested directors, approve certain of the fund's activities and contractual relationships, prohibit certain trading and investment activities and prohibit the fund from engaging in certain transactions with its affiliates, will not be applicable.

*Regulatory Changes.* The SEC has proposed rules that would significantly overhaul the regulation of the private fund industry. If adopted, these rules would impose new SEC and investor reporting requirements on certain private fund advisers, which will likely include the Investment Manager. The likelihood that such proposed rules or any subsequently proposed rules will be adopted, and their impact on the operations of the Investment Manager is uncertain. The Investment Manager anticipates that, if such proposed rules or any subsequently proposed rules are adopted, the Investment Manager will be required to devote substantial time, attention and resources to complying with such new requirements (which, in turn, would reduce the amount of time, attention and resources that could otherwise be devoted to carrying out the investment activities of its Clients).

*ERISA.* Because it is intended that the Fund and SPV will not hold or be deemed to hold "plan assets" (within the meaning of ERISA), "benefit plan investors," as such term is defined under Section 3(42) of ERISA, may not have the protection of ERISA with respect to the investments and other activities of the Fund. (See "ERISA and Other Regulatory Considerations" in the Fund's private placement memorandum for further information).

*Broker Insolvency Risk.* Transactions entered into by the Fund and SMAs may be executed on various U.S. and non-U.S. exchanges, and may be cleared and settled through various clearing houses, custodians, depositories, broker-dealers and prime brokers throughout the world. While U.S. rules and regulations applicable to these brokers may offer significant protections to the assets of their clients if one of them were to become insolvent, the assets of the Fund and SMAs held at such broker could be at risk. For example, while brokers are required to segregate client assets from their proprietary assets and are required to hold specified amounts of capital in reserve, Fund assets are normally held in pooled client accounts for the benefit of all clients and not specifically in the name of the Fund. Additionally, the broker may be able to transfer client assets out of such client accounts in the ordinary course of its business. The Fund and SMAs could experience losses if the clients' aggregate claims exceeded the amount of client assets such broker actually held at the time of the insolvency. In addition, while the return of client property is designed to occur on an expedited basis (usually by transfer of the accounts to a solvent broker), the Fund and SMAs may be unable to trade the securities that were held by the insolvent broker during this transfer period.

The assets of the Fund also may be held by non-U.S. brokers. Although certain non-U.S. jurisdictions provide similar protections to client assets, there can be no assurance that the Fund will not experience losses in any insolvency of such a non-U.S. broker. The Fund will attempt to execute, clear and settle transactions through entities that the Investment Manager believes to be sound, but there can be no assurance that a failure by any such entity will not lead to a loss to the Fund. In addition, the Securities and Exchange Commission, other regulators, self-regulatory organizations and exchanges in the United States and other countries are authorized to take extraordinary actions in the event of market emergencies. Such actions could lead to a Client's loss as a result of delay in settling transactions or other circumstances.

*Service on Board of Directors.* The SPV may have the right to appoint one or more members to the board of directors of its private company holding. In connection with the foregoing, any person appointed by the SPV to any such governing body may receive equity awards and/or cash payments as consideration for such services (such equity awards and/or cash payments, collectively, "**Board Fees**"). The SPV will receive, or otherwise be entitled to the economic benefit of, all Board Fees that are paid to the Principal or any other affiliate or any partner, member, manager, officer or employee of an affiliate (less any tax liability incurred by such appointee with respect to such Board Fees), but the SPV will not receive, or otherwise be entitled to the economic benefit of, any Board Fees paid to any other appointee. Moreover, any person appointed by the SPV to such governing body may become subject to fiduciary or other duties, which may be contrary to the best interests of the SPV. In that regard, no such person will be required to consult with, or vote in a manner that would necessarily be in the best interests of, the Partnership.



*Cybersecurity.* The Clients, the Investment Manager, their respective service providers and relevant listing exchanges are susceptible to operational, information security and other cybersecurity risks, both directly and through their respective service providers. Similar types of cybersecurity risks are also present for issuers of securities in which the Clients invest, which could result in material adverse consequences for such issuers and may cause the Clients' investment in such portfolio companies to lose value. These risks may not be covered by insurance. In general, cybersecurity incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through hacking or use of malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out without ever obtaining direct access to the targeted systems, such as through a denial-of-service attack which could result in the target's network services becoming unavailable to its intended users. Cybersecurity failures by, or breaches of, the systems of any of the general partners, Investment Manager, Relying Adviser, administrators and other service providers (including, but not limited to, data providers, fund accountants, custodians, transfer agents and attorneys), market makers or the issuers of securities in which the Clients invest, could cause disruptions and impact business operations, potentially resulting in one or more of the following: material financial losses, interference with the Clients' ability to calculate its net asset value, unintended disclosure of confidential trading information, material impediments to trading, submission of erroneous trades or redemption orders, the inability of the Clients or its service providers to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, cyber-attacks may render inaccessible, inaccurate or incomplete any or all of the records of the Clients assets, transactions, ownership of Interests, and other data integral to the functioning of the Clients. Substantial costs may be incurred by the Clients in order to prevent or address cyber-incidents in the future. The Investment Manager and Relying Adviser have established a cybersecurity policy and business continuity procedures to address and mitigate these cybersecurity risks. Despite these efforts, certain risks may not yet have been identified and it is possible that prevention and remediation efforts will be inadequate or unsuccessful. Additionally, because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against the Clients, the Clients may be unable to anticipate these techniques or to implement adequate preventive measures. Furthermore, the Investment Manager and Relying Adviser are unable to directly control the cybersecurity procedures and systems of any service providers or portfolio companies, and any of the Clients and the Limited Partners and/or SMA Investors could be materially and adversely impacted as a result.

*In view of the foregoing considerations, an investment in Interests is suitable only for investors who are capable of bearing the relevant investment risks.*

## **Oil and Gas Risk Factors**

*Market Conditions.* The Clients' performance and financial condition will be highly dependent upon the future prices and demand for oil and natural gas, and other related energy commodity interests. Various factors beyond the control of the Clients affect, and will continue to affect, oil and natural gas prices. Such factors include the worldwide supply of oil and natural gas, the price of foreign imports, the levels of consumer demand, the price and availability of alternative fuels, the availability of pipeline capacity and changes in existing and proposed federal regulation and price controls. Crude oil and natural gas prices can fluctuate widely on a quarter-to-quarter basis in response to a variety of factors that are beyond the control of the Clients. Factors that contribute to price fluctuation include, among others:

- political conditions in major oil producing regions, especially in the Middle East;
- worldwide economic conditions;
- weather conditions;
- the supply and price of domestic and foreign crude oil or natural gas;
- the ability of members of OPEC to agree upon and maintain oil prices and production levels;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the effect of worldwide energy conservation measures; and
- the nature and extent of governmental regulation and taxation.

The Clients' performance and financial condition will depend substantially on prevailing prices for oil and natural gas. Lower oil or natural gas prices also may reduce the amount of oil or natural gas that can be produced. Historically, oil and natural gas prices and markets have been volatile, with prices fluctuating widely, and they are likely to continue to be volatile. It is difficult to predict future crude oil and natural gas price movements, and this reduces the predictability of potential future cash distributions to the Partners. The Investment Manager anticipates minimizing the Fund's risk of volatility in the price of oil and natural gas by utilizing its long/short strategy.

Due to the Clients' lack of industry diversification, adverse developments in the Clients' target markets could create volatility in the performance of the Clients. Due to the lack of diversification in industry type of the Clients' portfolio investments, adverse developments in the oil and natural gas market or the areas of the portfolio investments, including, for example, transportation or treatment capacity constraints, curtailment of production, could have a significantly greater impact on our revenue than if the portfolio investments were more diversified.

*Catastrophe Risk.* The operations of energy companies are subject to many hazards inherent in the exploration for, and development, production, gathering, transportation, processing, storage, refining, distribution, mining or marketing of, coal, natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons, including damage to production equipment, pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism; inadvertent damage from construction or other equipment; leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons; and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage, and might result in the curtailment or suspension of their related operations. Not all energy companies are fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect an energy company's operations and financial condition.

#### **Tax Related Risks**

*Uncertainty and Complexity of Tax Treatment.* The tax aspects of an investment in a partnership, such as the Fund and SPV, are complicated and complex and, in many cases, uncertain. Statutory provisions and administrative regulations have been interpreted inconsistently by the courts. Additionally, some statutory provisions remain to be interpreted by administrative regulations. Investors may therefore be subject to uncertainty with respect to the tax consequences associated with certain aspects of an investment in the Fund. Each prospective investor should have the tax aspects of an investment in the Fund reviewed by professional advisors familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles. Prospective investors are strongly urged to review the discussion under "Tax Considerations" and "ERISA and Other Regulatory Considerations" in the Fund's or SPV's private placement memorandum for a discussion of certain of the tax uncertainties inherent in the acquisition of Interests and to consult their own independent tax advisors.

*Risk of Adverse Determination.* There can be no assurance that the summaries set forth in the Fund and SPV's offering documents will not be challenged successfully by the Internal Revenue Service (the "IRS"), or significantly modified by new legislation or regulations, changes in the IRS's positions or court decisions. The Fund and SPV have not applied for, nor do they expect to apply for, any advance rulings from the IRS with respect to any of the federal income tax consequences described herein or within the Fund's or SPV's legal and offering documents. No representation or warranty of any kind is made by the general partner with respect to the federal income tax consequences relating to an investment in the Fund or SPV. The Fund and SPV may take positions with respect to certain tax issues which depend on legal conclusions not yet resolved by the courts. Should any such positions be successfully challenged by the IRS or other applicable taxing authority, there could be a materially adverse effect on the Fund and/or SPV, and a limited partner may have a different tax liability for that year than that reported on its income tax returns.

*Risk of Tax Audit.* An audit of the Fund or SPV by the IRS or another taxing authority could result in adjustments to the tax consequences initially reported by the Fund and/or SPV and may result in an audit of the returns of some or all of the limited partners, which examination could affect items not related to a limited partner's investment in the Fund or SPV. If audit adjustments result in an increase in a limited partner's income tax liability for any year, such limited partner may also be liable for interest (and, potentially, penalties) with respect to the amount of the underpayment, if any. The legal and accounting costs incurred in connection with any audit of the Fund's or SPV's tax returns, which as the case may be, may be significant, will be borne by, and treated as expenses of, the applicable Fund or SPV. The cost of any audit of a limited partner's tax return will be borne solely by that limited partner.

*Payment of Audit Adjustments.* Pursuant to the Bipartisan Budget Act of 2015, if an audit of the Fund or SPV by the IRS results in an imputed underpayment, the Fund or SPV may pay any resulting taxes, penalties and interest directly. Generally, the Fund or SPV may elect to shift such tax liability to the partners, but there can be no assurance that the Fund or SPV would make such election under all circumstances. If the Fund or SPV is required to make payments of taxes, penalties and interest resulting from audit adjustments, its cash available for distribution or investment may be substantially reduced.

*Tax Considerations Taken into Account.* The general partner may take tax considerations into account in determining when the Clients' investments should be sold or otherwise disposed of. The Clients may take on certain market risk and incur certain expenses in this regard in an attempt to achieve a form of tax treatment with respect to a transaction.

Pursuant to the Tax Cuts and Jobs Act, passed on December 20, 2017, the holding period of a capital asset must exceed three years for gain from the disposition of such asset to be treated as long-term capital gain (and subject to preferential tax rates) with respect to certain partnership interests. Typically, for limited partners the holding period must only exceed one year for gain to be treated as long-term capital gain. It is expected that the interests of the general partner's affiliate receiving the performance allocation or carried interest, will be subject to the three-year holding period rules. This would result in a conflict of interest between the general partner and the limited partners and SMA Investors with respect to certain investments. The general partner will endeavor to utilize a uniform investment strategy which determines the timing of the disposition of investments based on valuations, industry trends and market opportunities. However, there can be no assurances that this potential conflict of interest will not result in the Clients taking on market risk with respect to the timing of the disposition of certain investments.

The Investment Manager will not take the SMA Investor's tax status and potential tax liability into account while attempting to achieve the investment objective. Similarly, the SMA Investors are responsible for preparation and submission of its tax forms with the government and any other agencies. SMA Investors will bear all costs associated with the SMA Accounts' tax preparation.

*Tax Liabilities Without Distributions.* Each limited partner and SMA Investor, in computing its federal income tax liability for a taxable year, is required to take into account its distributive share of the Clients' items of income, deduction, gain, loss, and credit for the taxable year of the Clients ending within or with the taxable year of the limited partner (in accordance with the allocations set forth in the applicable partnership agreement) or SMA Investor regardless of whether the limited partner or SMA Investor has received or will receive corresponding distributions from the Clients. Because the general partner anticipates that there will be no cash (or property) distributions to the Fund limited partners or SMA Investors prior to their withdrawals, an investor may incur tax liability with respect to activities of the Fund or SMAs without receiving sufficient distributions from the Fund or SMA to defray such tax liabilities. In order to satisfy its tax liability in such a case, a Fund limited partner and SMA Investors will need sufficient funds from other sources. Furthermore, the Clients may make investments with respect to which the Clients may recognize income for U.S. federal income tax purposes prior to receiving cash (or property) therefrom. In addition, the Clients may, in one or more taxable years, recognize income for U.S. federal income tax purposes that does not reflect its income as an economic matter. Such recognition of income prior to receipt of an economic benefit, if any, may result in increased tax liability for the partners or SMA Investors in one or more taxable years.

*Unrelated Business Taxable Income.* The Investment Manager does not anticipate for the Fund or SMAs to make investments or engage in activities, including utilizing leverage to acquire investments, that will give rise to unrelated business taxable income (“UBTI”). The Investment Manager does not anticipate utilizing leverage that would generate UBTI. It is anticipated that the SPV’s investment will generate UBTI. To the extent the Clients do make investments that generate UBTI, an investment in the Fund, SPV or SMA may be less desirable for tax-exempt investors. The Fund, SPV or SMAs may participate in investments that give rise to UBTI through entities that are treated as partnerships for U.S. federal income tax purposes.

Because of the “flow-through” principles applicable to partnerships, if UBTI is earned by the Fund or SPV, a tax-exempt investor will realize UBTI. Because of the general partner’s objective of maximizing the pre-tax returns of all the limited partners, the general partner may be required to make certain decisions to maximize pre-tax returns that result in Tax-Exempt U.S. Investors (as defined below) recognizing more UBTI than might otherwise be the case. In some cases, the general partner may forego actions with regard to the acquisition, financing, management and disposition of assets that would reduce UBTI because such actions would reduce the overall pre-tax returns to all the limited partners.

*Non-U.S. Investments and Emerging Markets.* Certain investments made by the Clients may be subject to foreign taxes, including brokerage, stamp, withholding or other taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. All distributions to the Clients will be made net of any taxes payable on those distributions or on amounts out of which they are distributed (including any corporate, foreign, local and withholding taxes). In addition, if the Clients invests in foreign entities that are treated as “passive foreign investment companies” or “controlled foreign corporations” for U.S. federal tax purposes, limited partners and SMA Investors may have adverse tax consequences from their indirect interests in those entities through the Clients. Investing in the securities of companies located outside the U.S. involves certain tax considerations not usually associated with investing in securities of U.S. companies. With respect to certain countries, there is a possibility of confiscatory taxation, the imposition of withholding or other taxes on dividends, interest, capital gains or other income and less favorable tax provisions. In addition, an issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. Some of these risks do not apply equally to issuers in larger, more developed countries. These risks are more pronounced in investments in issuers in countries with emerging markets or if the Clients invest significantly in a particular country.

*Tax Changes.* Investors will be subject to the risk that changes to the tax law may adversely affect the federal income tax consequences of their investment in the Clients. Changes in existing tax laws, rules, or regulations, and/or interpretations of them, may be enacted after the date of this Memorandum, possibly with retroactive effect, and could alter the income tax consequences of an investment in the Clients. Certain provisions of the Internal Revenue Code, as amended, may be further amended or interpreted in a manner adverse to the Clients, in which event any benefits derived from an investment in the Clients may be adversely affected. In addition, significant legislative and budgetary proposals affecting tax laws have been made, and may continue to be made, by the legislative and executive branches of the U.S. federal government. The likelihood of enactment of any such proposals, or any similar proposals, into law is uncertain. The enactment of any such proposals, including subsequent proposals, into law could have material adverse effects on the Clients and/or the Limited Partners or SMA Investors. Enactment of such legislation, or similar legislation, could require significant restructuring of the Fund in order to mitigate such effects.

*Delayed Schedules K-1.* The Fund and SPV will provide Schedules K-1 as soon as practical after receipt of all of the necessary information. However, the Fund and SPV may be unable to provide final Schedules K-1 to limited partners for any given tax year until significantly after April 15 of the following year. The general partners will endeavor to provide limited partners with estimates of the taxable income or loss allocated to their investment in the partnership on or before such date, but final Schedules K-1 may not be available until completion of the partnership’s annual audit. Limited partners should be prepared to obtain extensions of the filing date for their income tax returns at the federal, state and local levels.

### **Additional private equity specific risks relevant to an SPV**

*Limited Control.* The SPV may not have ultimate control over the management and day-to-day operations of the holding company and/or the portfolio companies. Managerial mistakes can be very costly, and the SPV will have a limited ability to prevent such mistakes. In addition, the SPV's interests in the holding company may be subject to voting restrictions set forth in certain governing documents, including the certificate of formation, operating agreement and voting agreements. The general partner will provide copies of these governing documents to any prospective investor upon written request.

*Holding Company Valuation May Be Overstated.* The current valuation of the holding company is based on information obtained and assumptions regarding future events, which are subject to uncertainties beyond the SPV's control, including, without limitation, the economy in the market in which the portfolio companies currently operate and anticipate expanding into, economic conditions generally, the state of the industry, the effects of competition and the legal and regulatory environment. The holding company may not be able to grow into such valuation or provide a meaningful return. The current valuation of the holding company is not intended and should not be taken as assurance that the projected results will be obtained by the holding company. Future results of operations will vary and such variations could be materially adverse. If the actual financial performance of the holding company is materially worse than the performance anticipated by the current valuation, the SPV could lose all or a significant portion of its investment in the holding company.

*Holding Company/Portfolio Company Debt.* To the extent that the holding company and/or any of the portfolio companies have entered into, or may in the future enter into, credit facilities that contain financial covenants or other covenants restricting, among other things, the ability to incur liens and indebtedness, sell assets and make certain types of investments, a breach of any such covenant or the inability to comply with any required financial ratios could result in a default under such credit facilities. The holding company and/or the portfolio companies may not be able to obtain the necessary waivers or amendments from their lenders to remedy any default. In the event of any default not cured or waived, the lenders will likely not be obligated to provide funding or issue letters of credit and could declare any outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable, thus requiring the holding company and or the applicable portfolio companies to apply available cash to repay any borrowings then outstanding. If any indebtedness under any such credit facility is accelerated, the holding company and the portfolio companies cannot provide assurances that their assets would be sufficient to repay such indebtedness in full.

The ability of the holding company and/or the portfolio companies to make payments on, and to refinance, their indebtedness (if any), as well as any future indebtedness that they may incur, will depend upon the level of cash flows generated by their operations, ability to sell assets, availability under revolving credit facilities and the ability to access the capital markets and/or other sources of financing. And their ability to generate cash is subject to general economic, industry, financial, competitive, legislative, regulatory and other factors that are beyond their control. If the holding company and/or the portfolio companies are not able to repay or refinance their indebtedness as it becomes due, they may be forced to sell assets or take other disadvantageous actions, including (i) reducing financing in the future for working capital, capital expenditures, acquisitions and general corporate purposes or (ii) dedicating an unsustainable level of cash flow from operations to the payment of principal and interest on the indebtedness. In addition, the ability of the holding company and/or the portfolio companies to withstand competitive pressures and to react to changes in the oil and gas industry could be impaired.

*Capital Raise Risk.* The holding company may need to raise additional capital to fund its operations and/or the operations of the portfolio companies following the SPV's investment in the holding company. The SPV may not be able to fund some or all of such amounts, and such amounts may not be available from third parties on acceptable terms, if at all. The general partner cannot be certain that the holding company or portfolio companies will be able to obtain additional financing on favorable or acceptable terms. Because the SPV's resources and its ability to raise capital are not unlimited, the SPV may not be able to, or may not desire to, provide additional funding to the holding company and/or the portfolio companies. General economic disruptions and downturns may also negatively affect the ability of the holding company or portfolio companies to fund their respective operations from other capital sources.

The SPV also may fail to accurately project the capital needs of the holding company and the portfolio companies. If the holding company and/or the portfolio companies need, but are not able, to raise capital from the SPV or other outside sources, then the holding company and/or the portfolio companies may need to cease or scale back operations. In such event, the SPV's interest in the holding company will lose some or all of its value. Further, the holding company raising additional capital from subsequent offerings could cause dilution in ownership to existing members of the holding company, including the SPV.

*Customer Credit Risk.* The majority of the portfolio companies' customers are oil and gas companies that may face liquidity constraints during adverse commodity price environments. These customers may also be affected by prolonged changes in economic and industry conditions such as the COVID-19 pandemic, volatility in oil and gas prices as a result of associated changes in demand for such commodities, and continuing inflationary pressures, including increased interest rates and cost of credit. If a significant number of customers experience prolonged business declines, disruptions, or bankruptcies, the portfolio companies may incur increased exposure to credit risk and losses from bad debts.

*Foreign Tariffs.* A significant portion of the portfolio companies' parts supply may come from suppliers located outside of the United States. The United States and other countries have levied tariffs and taxes on certain goods from other countries. If the United States were to impose current or additional tariffs on components that the portfolio companies source from suppliers in other countries, the cost for such components would increase. The portfolio companies may also incur increases in costs and supply chain risks due to their efforts to mitigate the impact of tariffs on our operations.

The Investment Manager and the portfolio companies cannot predict what further actions may ultimately be taken with respect to tariffs or trade relations between the United States and other countries, what products may be subject to such actions, or what actions may be taken by other countries in retaliation. Further changes in trade policy, tariffs, additional taxes, restrictions on exports or other trade barriers, or restrictions on supplies, may limit the ability to produce products, increase selling costs, decrease margins, reduce the competitiveness of products, or inhibit the ability to sell products or purchase necessary equipment and supplies, which could have a material adverse effect on business, results of operations, or financial condition.

*Overall inflation growth.* Cost inflation including significant increases in wholesale product costs, labor rates, and domestic transportation costs have and could continue to impact profitability. In addition, customers are also affected by inflation and the rising costs of goods and services used in their businesses, which could negatively impact their ability to purchase the portfolio companies' products, which could adversely impact revenue and profitability. There is no guarantee that the portfolio companies can increase selling prices, replace lost revenue, or reduce costs to fully mitigate the effect of inflation on costs and business, which may adversely impact sales margins and profitability.

***The foregoing is a summary of some of the important risks and considerations affecting the limited partners, SMA Investors, the Clients and the Clients' proposed operations. This summary does not purport to be a complete list of all relevant risks and considerations.***

### **Item 9: Disciplinary Information**

This section requires registered investment advisers and management personnel to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of our advisory business or the integrity of our management. The Investment Manager and its management personnel have no legal or disciplinary events to disclose in response to this Item.

## Item 10: Other Financial Industry Activities and Affiliations

### MATERIAL RELATIONSHIPS WITH OTHER PERSONS

#### AFFILIATES

Webs Creek Capital SLP LP is an affiliate of the Investment Manager and is entitled to receive the performance-based allocation from the Fund as described earlier in the brochure. WCPS SLP I LP is an affiliate of the Investment Manager and is entitled to receive the carried interest from the SPV as described earlier in the brochure. **See Item 5 and 6 above.** These entities have overlapping ownership with the Investment Manager.

As stated in Item 4, the Investment Manager's general partner is Webs Creek CM GenPar LLC, which is wholly owned and controlled by M. Stephen Thomas, the Investment Manager's Principal.

Also discussed in Item 4, Webs Creek Private Strategies LLC is a relying adviser of the Investment Manager. The Investment Manager is its sole member.

#### ARRANGEMENT WITH STRATEGIC INVESTOR

The SPV, its general partner, the Investment Manager, the Relying Adviser and its affiliates have entered into an agreement with a strategic investor whereby the strategic investor made a significant investment into the SPV in exchange for certain rights. The strategic investor does not owe any fiduciary duties or other special duties or obligations to the SPV or any of the other investors and may have interests that conflict with the SPV and the other investors. For more information regarding this arrangement, please see the SPV offering documents.

#### OTHER REGISTRATIONS

Neither the Investment Manager, any affiliate, nor any management person is registered, or has an application pending to register as a securities broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator or commodity trading advisor.



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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is designed to educate all employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address material conflicts of interest that arise from personal trading. Subject to the terms of the code of ethics, we impose restrictions on employees relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. We have adopted the policy of prohibiting employees (and accounts of certain affiliated persons) from personal trading in energy company single name common or preferred stocks, bonds, options, derivatives on single name energy company financial instruments or similar investment. If an employee is hired that already has energy company single name investments, he/she will not be restricted from holding such positions or liquidating once ready (following standard pre-trade approval process). We in our sole discretion will determine if a company is classified as an energy company. Employees must seek prior approval from the Chief Compliance Officer before buying or selling covered securities, as defined in the code of ethics, in personal accounts. In addition, all employees are required to submit (i) initial and annual reports of their personal securities holdings and (ii) quarterly reports of all of their personal securities transactions within 30 days after the close of each calendar quarter. Employees are requested to have duplicate copies of account statements sent directly to the company.

We also maintain certain policies and procedures designed to prevent employees from misusing material non-public information and to address certain actual and potential conflicts of interest that may arise when employees engage in outside business activities or accept, provide, offer or give gifts or entertainment events. We will furnish a copy of our code of ethics to investors upon request.

The code of ethics is distributed to each employee at the time of hire, when a material change to a policy impacting an employee is made, and annually. It is available to all employees at any time. We supplement the code of ethics with training upon hire and annually thereafter.

### **TRANSACTIONS INVOLVING CONFLICTS OF INTEREST**

We may cause the Clients to enter into transactions and arrangements involving actual or potential conflicts of interest. We will review any transactions involving material conflicts of interest and take such actions as we deem necessary or appropriate in an attempt to ensure that the terms of such transactions are fair and reasonable under the circumstances. Consistent with our fiduciary duties, our policy is to use the utmost care when making and implementing investment decisions with respect to client accounts.

We and/or our affiliates may come into possession of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, in such case, we and/or our affiliates would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of ours. Accordingly, should we or any of our affiliates come into possession of material nonpublic or other confidential information with respect to any public company, we would be prohibited from communicating such information to clients, and we will have no responsibility or liability for failing to disclose such information to clients as a result of following policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of our personnel serving as directors of private and/or public companies and have the potential to restrict trading on behalf of clients, including the Clients.

It is our policy to require that all trades be allocated in a manner that treats each account fairly. If the Investment Adviser has determined to invest in the same direction in the same security at the same time for more than one fund or client, the Investment Adviser will place orders for all such accounts simultaneously. If all such orders are not filled at the same price, we will, to the greatest extent possible, allocate the trades such that the order for each account is filled at the same average price. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, we will allocate the trades among the different accounts on a basis that it considers equitable. The Company will document allocation instructions for all trades. Allocations will be documented in the order management system and generally should be communicated to brokers promptly after the trade is executed.

Any fund and client with the same strategy will participate in investment opportunities pari passu. For fund or client strategies that differ (e.g. long only strategy), other factors impact the allocation of investment opportunities and position sizing. Those factors include, but are not limited to:

- Differing investment time horizons
- Differing risk management considerations where, for example, one client can offset exposure risks (e.g. with short positions) and another client's strategy may prohibit certain risk management procedures (e.g. long only client whose mandate does not include hedging out risks with short positions)
- Differing investment objectives as described in the clients' applicable legal and governing documents
- Differing prohibited securities or asset types (if any) as outlined in applicable legal and governing documents

Ultimately the Company, as fiduciary for all its clients, will act in a manner which it reasonably believes treats each account fairly. The CCO will monitor trade allocations and review client returns to test for inappropriate trade allocations between client accounts on a regular basis.

The SPV's general partner is in the process of forming a LP advisory committee to provide guidance regarding matters that may involve a conflict of interest between the general partner and its affiliates on the one hand and the SPV limited partners on the other.

The Company has established policies and procedures around the allocation of investments and co-investment opportunities, which it makes readily available to any current or potential investor upon request.

## Item 12: Brokerage Practices

### **BROKER SELECTION AND BEST EXECUTION**

We have authority to select the brokers and other counterparties to be used for the Fund's and SMAs' transactions and negotiate commission rates and other compensation paid by the Fund and SMAs to such brokers and counterparties. We select broker-dealers and other counterparties on the basis of best execution and in consideration of the broker's ability to effect the transactions; its facilities, reliability and financial responsibility; the provision or payment by the broker of the costs of research and research-related services which are of benefit to the Fund, SMAs, and us; and such other factors as we deem appropriate and consistent with applicable law. We may cause the Fund and SMAs to pay higher commissions to brokers believed to offer superior service under the circumstances, including brokers that provide investment research and analysis to their clients, including the Fund and SMAs. Accordingly, when we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the overall services provided to the Fund and SMAs, including internally-developed research and other services provided by such broker, we may cause the Fund and SMAs to pay commissions to such broker in an amount greater than the amount another broker might charge.

To the extent in the future the SPV needs to hire a broker, we will have the authority to make the selection and negotiate the commission rates and/or other compensation paid by the SPV.

We have adopted policies and procedures that we believe are reasonably designed to ensure that the Clients achieve best execution and that brokers utilized have been selected based on the Clients best interests.

### **SOFT DOLLAR PRACTICES**

We may use soft dollars generated by client accounts to pay for certain research and/or related services provided by brokers described above. The term "soft dollars" refers to the receipt by an investment manager of products and services (including research) provided by brokers without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between our clients and us. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of clients that paid the commissions and that may primarily or exclusively benefit us. If we are able to acquire these products and services without expending our own resources (including management fees paid by clients), our use of soft dollars would tend to increase our profitability. Furthermore, we may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving lowest-cost execution. We may cause clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits. Although the Investment Manager will typically use the research and services in making investment decisions for the Clients, the Investment Manager reserves the right to use such research or services for any other accounts or funds.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a safe harbor to advisers who use soft dollars generated by client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of investment decision-making responsibilities. We intend that any soft dollars that we receive in connection with client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act.

As of the date hereof, we have not entered into any formal soft dollar or commission sharing arrangements. However, during the last fiscal year, we obtained investment research from our broker-dealers. No soft dollars were received that were outside of Section 28(e).

## **BROKERAGE FOR CLIENT REFERRALS**

Many brokers we transact with also provide introductions to prospective Fund investors. This gives us an incentive to select or recommend brokers based on our interest in referrals rather than on our clients' interest in receiving lowest-cost execution. However, we do not have any formal arrangements to compensate brokers for client or investor referrals, and we select broker-dealers and other counterparties on the basis of best execution and in consideration of the broker's ability to effect transactions. We do not direct trades in return for capital introduction services.

## **DIRECTED BROKERAGE**

We do not routinely recommend, request or require that the Clients, or third-party investors in the Fund, direct us to execute transactions through a specified broker-dealer. We also do not permit Clients, or third-party investors in the Fund, to direct brokerage for order execution purposes.

## **TRADE ERRORS**

We have adopted policies and procedures regarding handling and resolution of trade errors in our compliance manual. Consistent with our fiduciary duties, our policy is to use the utmost care in making and implementing investment decisions with respect to client accounts. To the extent trading errors occur, we seek to ensure that our clients' best interests are served. Consistent with provisions in Client legal documents, the Client generally will be responsible for trade errors (except for errors caused by the bad faith, willful misconduct or gross negligence of the Investment Manager, any of our employees, or any of our affiliates). We will furnish a copy of our compliance manual to investors upon request.

## **PRIME BROKER SOFTWARE**

We utilize software provided by our prime brokers and custodians. We do not pay a separate fee for such software and systems, as they are provided as part of the prime brokerage and custodian offerings, which is covered by commissions, financing, and markups paid to the prime brokers in connection with Fund and SMAs trading activity.

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

#### **REVIEWS OF ACCOUNTS**

We conduct reviews of the Fund's and SMAs' portfolios on a daily basis. M. Stephen Thomas and our Chief Financial Officer are primarily responsible for reviewing the portfolios and their investment activities. With respect to accounting matters, we have engaged PricewaterhouseCoopers to conduct annual audits of the Fund's financial statements.

We routinely review the SPV's investment and monitor the holding company in which it invests. We are engaging a public accounting firm to conduct annual audits of the SPV's financial statements.

We invest the Clients' assets in securities and other financial instruments. In monitoring the performance of the investments, we perform various levels of review. Among other items, we and the Fund's independent administrator price portfolio investments using industry standard third-party sources. If deemed necessary, we may use a valuation agent to help determine the fair value of the SPV's investment.

#### **REPORTS TO INVESTORS**

The Fund's and SPV's administrator provides to investors as soon as reasonably practicable after the end of each fiscal year (or as otherwise required by law) annual reports containing financial statements audited by the Fund's and SPV's independent auditor and any other tax information required by law or reasonably requested by an investor. We also provide Fund investors with monthly performance updates, quarterly investor letters, and may provide other periodic notices and reports relating to the performance and activities of the Fund. The Fund's administrator also provides monthly capital account statements. The SPV's administrator provides quarterly capital account statements and we will provide periodic updates on the holding company in which it invests. All such statements and reports are written.

We may provide certain information and documentation with respect to the Fund and/or SPV to certain investors that are not normally distributed to other investors but would be available upon request. Such investors may make investment decisions (including withdrawal requests) with respect to their investments in the Fund and/or the SPV based upon such information.

SMA Investors receive reports from its Custodians and service providers (if any) on as frequent as a basis as negotiated with those parties independently.

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

##### **THIRD PARTY COMPENSATION**

Except as otherwise disclosed herein, we currently do not receive any economic benefit from any person who is not a client for providing investment advice or other advisory services to our clients.

##### **REFERRALS**

We currently do not compensate any third party for Fund or SMA client or investor referrals. We may participate in events hosted by third-party financial institutions to promote awareness of the hedge fund industry, including funds managed by or strategies traded by us. However, such third-party financial institutions are not compensated by us, nor act as agent on our behalf, with respect to such events.

The SPV has engaged a third-party placement agent which the Relying Adviser compensates for SPV investor referrals. Such investments in the SPV will be subject to the SPV's standard terms and conditions and will not be subject to any incremental fees or allocations payable to the Investment Manager or any affiliate as a result of such solicitation agreement.

### **Item 15: Custody**

We have, or may be deemed to have, custody of the Fund's and SPV's cash and securities. To the extent required by Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Fund's and SPV's cash and securities are held with one or more qualified custodians unaffiliated with us. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. The current qualified custodians that hold cash and securities for the Fund are disclosed in Section 7.B(1) of Schedule D of Form ADV Part 1A. We have engaged PricewaterhouseCoopers to conduct the Fund's annual audit and are in the process of appointing a public accounting firm to conduct the SPV's annual audit, and audited financial statements (prepared in accordance with U.S. generally accepted accounting principles) are provided to investors on an annual basis. We attempt to provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors.

The Investment Manager generally structures SMAs so as to avoid being deemed to have custody of the cash or securities of such client for purposes of Rule 206(4)-2 under the Advisers Act.

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

We have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of the Clients. In addition, we generally have authority to determine the broker-dealer or other counterparty to be used for Clients transactions and the negotiation of commission rates and other consideration to be paid by the Clients.

### **LIMITED POWER OF ATTORNEY**

Each investor in the Fund and SPV generally grants us or our affiliate a limited power of attorney to enable us or our affiliate to execute the applicable partnership agreement on the investor's behalf. We have authority to conduct authorized trading on behalf of the Clients.



### Item 17: Voting Client Securities

We have voting authority with respect to securities that are owned directly by the Clients. Rule 206(4)-6 under the Advisers Act requires registered investment advisers that exercise or have voting authority over client securities to implement proxy voting policies and procedures. In accordance with the rule, we have adopted proxy voting policies and procedures in our compliance manual. Our policy is to vote (or refrain from voting) proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of each Client, as determined in our discretion, taking into account various factors. We may take no action with respect to a proxy if we reasonably determine that it is in the best interest of a client not to vote the proxy, such as if the costs, including the opportunity costs, of voting to the client would, in our view, exceed the expected benefits of voting to the client. Our proxy voting policies and procedures do not address all potential issues. We may vote in a manner that deviates from our policies and procedures if, after a review of the matter, we believe that the best interests of the client would be served by, or applicable legal and fiduciary standards require, such a vote. Investors in the Clients generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation.

The portfolio manager will review proxy materials to identify potential conflicts of interest. A conflict of interest will be considered material to the extent that such conflict has the potential to influence our decision-making in voting a proxy. If a material conflict of interest is identified, we may abstain from voting or use other methods to resolve or otherwise mitigate such conflict, which may include engaging a third party to recommend a vote on the proxy based on our proxy voting guidelines, or such other method as is deemed appropriate under the circumstances, given the nature of the conflict. We will maintain a written record of the method used to resolve or otherwise mitigate any material conflict of interest.

In the event that our proxy voting policies and procedures are not implemented precisely as we intend because of the actions or omissions of any custodian or sub-custodian, or other agent, or any such person experiences any irregularities (e.g., misvotes or missed votes), then such instances will not necessarily be deemed by the Investment Manager as a breach of the proxy voting policies and procedures. In certain instances, we may not be able to exercise voting rights because proxies or other documentation for a vote are not received in a timely fashion.

Investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

We expect to follow the above procedures for all our Clients as part of a “uniform voting policy,” but we will consider if that is not in the best interest of all our Clients on a case-by-case basis.

### **Item 18: Financial Information**

We do not have any financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients, nor have we been the subject of any bankruptcy proceeding.

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

**NOT APPLICABLE**