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

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**March 18, 2019**

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This brochure provides information about the qualifications and business practices of First Infrastructure Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (713) 337-7980. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

First Infrastructure Capital Advisors, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about First Infrastructure Capital Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 - Material Changes**

The Adviser filed its last annual amendment of this brochure on March 30, 2018. There were no material changes to this brochure since the date of its last annual update.

Pursuant to SEC rules, the Adviser will ensure that its clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of its business fiscal year. The Adviser may further provide other ongoing disclosure information about material changes as necessary.

Currently, the brochure may be requested by contacting Mr. Daniel J. Shapiro, the Adviser's Chief Compliance Officer at (713) 337-7980.

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

- A. The Adviser is an investment advisory firm located in Houston, Texas that commenced business in the first quarter of 2017 and that specializes in advising on and facilitating the making of investments in energy infrastructure and related assets. The Adviser's investment focus is on assets that the Adviser believes can deliver appropriate risk-adjusted returns through incremental asset growth, capital appreciation and certain stable cash flows and/or contractual capital return obligations. In addition, the Adviser may advise and facilitate the making of investments in other synergistic or related real estate, energy infrastructure and related opportunities that are associated with other infrastructure investments.

The Adviser is an indirect, wholly owned subsidiary of Quanta Services, Inc. ("Quanta"), a public company. Quanta is one of North America's leading providers of services to the energy infrastructure sector. The Adviser expects to leverage Quanta's size, reputation and experience in order to gain access to investment opportunities that may arise through Quanta's internal network of businesses. As a result of the Priority Arrangements (as defined below), the Partnership (as defined below) will be the primary beneficiary of this access within the Partnership's designated investment guidelines. This stream of proprietary investment opportunities comes with certain attendant conflicts of interest that are inherent in the selection, management and exit processes of the Partnership, including, without limitation: (a) Quanta or its affiliates may establish special purpose vehicles ("Project Cos") in order to develop potential investments and the Partnership may acquire interests in such Project Cos; (b) Quanta or its affiliates may co-invest alongside the Partnership; and (c) Quanta, through its services businesses, may have significant involvement, and benefit, from providing engineering, procurement and construction ("EPC") services in relation to projects in which the Partnership may invest. The Partnership's governing documents set out specific rights and obligations in respect of the Partnership investors, including without limitation disclosure obligations, approval rights, opt-out rights and step-in rights and significant exit and purchase privileges which the Adviser believes will help enable sophisticated, eligible investors in the Partnership to evaluate and manage, as each sees fit, the risks arising from these conflicts. The Adviser will also provide investment advisory services to an affiliated entity, Quanta Capital Solutions, Inc. ("Quanta Capital"), which is also an indirect, wholly owned subsidiary of Quanta Services, Inc.

These conflicts of interest, and other actual and potential conflicts of interests and risks that arise from the relationship between the Adviser and Quanta, are discussed more fully in Item 8.

- B. The Adviser provides investment advisory services to Quanta Capital and to First Infrastructure Capital, L.P. (a pooled investment vehicle into which certain institutional investors have made certain commitments to make investments, herein referred to as the "Partnership"). The Adviser may also in certain respects provide investment advisory services to corporations and institutional investors, including those invested in the Partnership (such corporation and institutional investors, together with Quanta Capital and the Partnership, each in its capacity as a client, a "Client," and collectively, the "Clients"). The governing documents of the Partnership also provide for the establishment of parallel or other alternative investment vehicles in certain circumstances. Partnership investors may participate in such vehicles for the purposes of certain investments, and if formed, such vehicles would also become Clients of the Adviser. In this brochure, because it is uncertain whether such additional parallel or alternative investment vehicles will be classified as clients of the Adviser, when we refer to the Partnership, we are referring to the Partnership and any such additional parallel or alternative investment vehicles, if any.

Investment advisory services provided by the Adviser to each of its Clients focus on investments in energy infrastructure and related assets and investments in other synergistic or related real estate, energy infrastructure and related opportunities that are associated with other infrastructure investments. Each Client's portfolio is or will be managed pursuant to an investment management agreement with such Client, an agreement of limited partnership (if applicable), any investment guidelines attached thereto, the Client's investment policy, and/or other governing documentation that may be entered into from time to time, and any applicable regulations.

- C. While each of its Clients generally follows the strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client to the individual investment strategy of that Client. In addition, the Adviser and its affiliates will provide the Partnership with access to investments in energy infrastructure assets in priority to the Adviser's other clients, to the extent that such assets would fall within the investment strategy of the Partnership, and subject to certain other limitations as set forth in the Partnership's governing documentation (the "Priority Arrangements"). Furthermore, pursuant to the terms of the governing documents of the Partnership, investors in the Partnership have the right to opt-out of investment opportunities presented by the Adviser. As a result of this opt-out mechanism, not all Partnership investors will participate in all investment opportunities and may not have the same or similar investment return profiles. Furthermore, if only one Partnership investor has opted-in to an investment opportunity (or has been deemed to have opted in pursuant to the terms of the Partnership's governing documents) the Partnership will not proceed with such investment opportunity, and the Adviser may proceed with such investment opportunity outside the Partnership with such other party as the Adviser may determine including with Quanta, any of the Partnership investors or with one or more third parties. In addition, the Partnership investors may, in certain limited circumstances, impose restrictions on investing in certain securities or types of securities, for example in connection with regulatory or compliance reasons.
- D. The Adviser does not participate in wrap fee programs.
- E. As of December 31, 2018, the Adviser manages \$982,007,214 in discretionary regulatory assets under management and \$226,200,000 in non-discretionary regulatory assets under management, for a total of \$1,208,207,214 discretionary and non-discretionary regulatory assets under management. In addition, the Adviser has received non-binding indications of interest in participating in co-investments alongside the Partnership in an aggregate amount of up to an additional \$2,000,000,000.

## Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to its Clients. The Adviser has entered into and may in the future enter into different fee arrangements on a Client by Client basis. It is critical that all Clients, and investors in all Clients, refer to the applicable Client's governing documents for a complete understanding of how the Adviser and its affiliates are compensated for advisory services. The information contained herein is a summary only and is qualified in its entirety by each applicable Client's governing documents.

*Compensation with Respect to Advisory Services Provided to the Partnership and Partnership Investors.* The Adviser is entitled to receive an annual monitoring fee from the Partnership (the "Monitoring Fee") payable quarterly in advance for all periods during the life of the Partnership. The Monitoring Fee is initially, during the Investment Period (as defined in the Partnership's governing documentation), calculated as a per annum percentage of commitments to the Partnership; after the Investment Period, the Monitoring Fee is calculated as a percentage of the cost of investments held by the Partnership. The Adviser will have the right, in its sole discretion, to waive or reduce all or part of the Monitoring Fees payable with respect to the Adviser, the General Partner (as defined below), Quanta or its affiliates, without waiving or reducing the Monitoring Fees that are payable with respect to other investors. The Adviser also has the right to waive or reduce all or part of any future installment of the Monitoring Fee.

Additionally, the general partner of the Partnership, or other affiliate of the Adviser, (the "General Partner") may be eligible to receive an incentive or performance allocation from the Partnership based on a percentage of investment proceeds on distributions (the "Carried Interest"). Distributions are split between Partnership investors and the General Partner as set forth in the Partnership's governing documents.

*Compensation with Respect to Advisory Services Provided to Corporate Clients.* For its investment advisory services to Clients which are corporations (including Quanta Capital), the Adviser expects to charge an investment advisory fee or similar fee which is calculated and payable on a "cost plus compensation" basis or in such other manner reflecting market practice at the time as may be agreed with the relevant Client (the "Advisory Fee").

Lower fees for comparable services may be available from other sources.

- B. The Adviser neither deducts fees from the Partnership's assets nor bills the Partnership directly. Monitoring Fees are payable by the Partnership to the Adviser and Carried Interest is distributed by the Partnership to the General Partner, in each case on the terms provided for in the Partnership's governing documentation. The General Partner may draw-down capital commitments from the investors in the Partnership, or may use amounts that would otherwise be available for distribution to such investors, in order to meet the obligation to pay the Monitoring Fee. Advisory Fees for other Clients are generally billed directly to those Clients and such fees may be paid by the Client's custodian on the approval of the Client.
- C. With respect to the Partnership, and as more fully described in the Partnership's governing documents, the Partnership bears costs and expenses relating to its organization and formation (subject to a cap as provided in the Partnership's governing documents), continuation, and business. Such expenses include, but are not limited to: (i) all expenses incurred in connection with the operation of the Partnership, including but not limited to, all expenses incurred with the diligence, acquisition, financing, management, operation and disposition of any portfolio investment,

including without limitation, all travel expenses, long distance telephone expenses, data and market research expenses, expenses incurred in the preparation and distribution of reports and memoranda (including, but not limited to, reports and memoranda required by investment decision gates), all expenses related to ROFO Rights (as defined in the Partnership's governing documents)<sup>1</sup> (including, without limitation, any independent valuations the General Partner may obtain), accounting expenses, legal fees and disbursements, transfer agent fees and expenses, expenses of other service providers, advisers and consultants, and, subject to Advisory Committee (as defined below) approval, a pro-rated portion of internal costs of expert or other personnel otherwise employed by the Adviser or an affiliate to the extent such personnel are active on Partnership business (which amount is consistent with the amount that would be reasonably expected to be paid to a third-party service provider, as determined by the General Partner in its good faith); (ii) Development Expenses; (iii) Monitoring Fees; (iv) all out-of-pocket expenses incurred in connection with the preparation or delivery of or otherwise relating to reports made to the Partnership investors, including, without limitation, audit costs; (v) the Partnership's costs incurred in connection with the preparation of or relating to reports required to be filed in connection with the business of the Partnership with any governmental authority, including, without limitation, any taxing authority (including, but not limited to, Form PF); (vi) all costs related to litigation, dispute resolution or settlement involving the Partnership, the General Partner, the Adviser or their affiliates, or any portfolio investment, including, without limitation, attorneys' fees incurred in connection therewith; (vii) all costs related to the Partnership's indemnification and exculpation of the General Partner, the Adviser, the Key Principals, their affiliates and the members of the Advisory Committee; (viii) the costs of any litigation, director and officer liability or other insurance (including allocated costs thereof incurred by the Adviser) and indemnification, exculpation or extraordinary expense or liability relating to the affairs of the Partnership; (ix) interest on and fees and expenses arising out of all permitted borrowings made by the Partnership; (x) expenses of the Advisory Committee including those relating to its organization and its activities; (xi) all unreimbursed out-of-pocket expenses relating to transactions, including legal, accounting, investment banking, advisory, financing and consulting fees, and all professional fees incurred in connection with the business or management of the Partnership; (xii) all extraordinary professional fees incurred in connection with the business or management of the Partnership; (xiii) subject to Advisory Committee approval, costs associated with any services provided by affiliates of the Adviser that could otherwise be provided by third parties (which amount is consistent with the amount that would be reasonably expected to be paid to a third-party service provider, as determined by the General Partner in its good faith); (xiv) the Partnership's allocable share of all reasonable fees and expenses incurred in connection with the Partnership's annual or other periodic meetings; (xv) any taxes, fees or other governmental charges levied against the Partnership or any subsidiaries (including without limitation withholding and similar taxes imposed on payments by or to the Partnership or subsidiaries thereof) and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Partnership; and (xvi) all expenses of liquidating and winding-up any investment holding entities or other investment vehicles or the Partnership.

Partnership investors who opt out of specific investment opportunities, as described in Item 4 above, are not be responsible for specific expenses directly related to such investments. The General Partner allocates such expenses to Partnership investors and third-party investors, if any, on a pro-rata basis by reference to their participation in the relevant investment opportunity.

With respect to formation and organization expenses in excess of the agreed upon amount stated in the Partnership's governing documents, such expenses are borne by the Adviser or an affiliate,

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<sup>1</sup> All capitalized terms not defined in this brochure shall have meanings assigned to them by the Partnership's governing documents.

although the Adviser may elect to have such excess expenses advanced by the Partnership in which case there will be a corresponding reduction to Monitoring Fees (but not below zero) amortized over the term of the Partnership.

Additionally, the Adviser, the General Partner and/or their respective principals, directors, employees and affiliates may receive, with respect to a portfolio investment, certain investment banking fees, closing fees (including up-front investment transaction closing fees), investment consummation fees, up-front syndication fees, break-up fees, consulting fees, annual director's or trustee's retainers or fees, management or monitoring fees and other similar fees in connection with any proposed or actual investment by the Partnership. Such fees will offset the amount of the Monitoring Fee payable by the Partnership.

As noted above, Quanta, or its affiliates, may provide EPC services, or other services in relation to portfolio investments of the Partnership, or other Clients, and may receive compensation for such services. All such fees and expenses paid to Quanta by an entity in which the Partnership invests will be for the account of Quanta and will not reduce the amount of the Monitoring Fee. The Adviser anticipates that similar arrangements will apply in relation to other Clients and the Adviser does not intend to offset any fees received by Quanta in such circumstances against the fees that may be payable by such Clients. As noted in Item 4, these arrangements will give rise to certain actual or potential conflicts of interest. These conflicts of interest and the Adviser's approach to them are described more fully in Item 8.

In connection with distributions in kind, a Client may have rights to request that the Adviser effectuate a sale of the relevant assets in lieu of such distributions, in which case the Client will bear the costs and expenses of such sale.

Client accounts may be subject to other third-party fees and/or expenses, which may vary based on the amount of assets managed and the types of investments in the Client's account. These fees may include certain custodial fees and transaction fees.

The Adviser does not maintain any trading accounts and does not use "soft" dollars. Please refer to Item 12, Brokerage Practices, for more information.

- D. The Monitoring Fees described above are payable quarterly in advance. The Monitoring Fee obligation of the Partnership, and its investors, may only be terminated or modified as provided by the Partnership's governing documents and the investment management agreement between the Adviser and the Partnership. The Monitoring Fee is calculated on an annual basis, and is pro-rated for partial periods.
- E. Other than as described above, neither the Adviser nor any of its supervised persons receive any compensation from the sale of securities or other investment products.



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

As stated in Item 5 above, the Adviser or its affiliates may receive performance-based fees or allocations from certain Clients, but will not receive such fees or allocations from all Clients. These payments, to the extent received, are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Although there could also be an incentive, in general terms, for the Adviser to favor higher fee paying clients over other clients in the allocation of investment opportunities, the Priority Arrangements, as described in Item 4 above, are designed to specifically address this type of conflict and risk with respect to the Partnership.

Clients and Partnership investors, as applicable, are provided with disclosure in the respective governing documents of each Client as to how investment opportunities are allocated and, in the case of the Partnership, how performance-based compensation is charged and the risks associated with such performance-based compensation, prior to making capital commitments to the Partnership.

In addition, the Adviser employs policies and procedures governing the identification, assessment and monitoring of conflicts of interest. To the extent conflicts of interest arise in respect of the Partnership or the investments the Partnership makes, the Adviser is under an obligation to make certain disclosures to the Partnership investors and, in certain circumstances, to seek consent or approval from those investors.

**Item 7 - Types of Clients**

As described in Item 4, the Adviser provides investment advisory services only to Quanta Capital and the Partnership, which is an investment partnership and is exempt from registration under the Investment Company Act of 1940, as amended. In certain respects the Investment Adviser may also provide investment advisory services to corporations and institutional investors, including those invested in the Partnership. Also, as described in Item 4, investors in the Partnership may participate in the Partnership's investments through parallel vehicles or alternative investment vehicles in accordance with the governing documentation of the Partnership. Such vehicles may also be Clients of the Adviser. Each investor in the Partnership must be a "qualified purchaser" for Investment Company Act purposes and a "qualified client" for Advisers Act purposes.

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

- A. The Adviser's investment strategy is primarily focused on pursuing investment opportunities in energy infrastructure and related assets in North America and Australia and, as noted in Item 4, the Adviser seeks to leverage Quanta's size, reputation, and experience in order to access investment opportunities in these sectors. As one of the largest specialty contractors focused on providing engineering, procurement, construction, consulting, and other specialty services, including turnkey EPC services, to the electric power, oil, and natural gas industries of North America and Australia, Quanta has developed strong, long-term relationships with the majority of U.S. investor-owned utilities and Canadian utilities, as well as many of the major pipeline and other energy infrastructure companies in North America. The General Partner expects Clients to benefit from relationships developed among Quanta and its customers along with the knowledge and experience that Quanta has gained by successfully completing numerous investments, mergers, and acquisitions.

The Adviser seeks to expand upon the tradition of investing in energy infrastructure assets performed by Quanta Capital (a wholly owned subsidiary of Quanta that sources funding and/or structures investments in projects to which Quanta expects to provide a variety of services, including engineering, procurement, construction, consulting, and/or other specialty services). The Adviser's core management team is comprised of professionals who have been employed by Quanta Capital and have been historically responsible for executing and implementing Quanta Capital's sourcing, structuring, and portfolio management services. The Adviser draws upon the knowledge and experience of these individuals in the energy infrastructure industry to formulate, develop and determine the merits of potential investment opportunities for the benefit of the Adviser's Clients.

As described in Item 4, each of the Adviser's Clients has an individual investment strategy which is set forth in the governing documentation between the Adviser and that Client.

Pursuant to the Priority Arrangements, the Adviser provides the Partnership with access to investment opportunities that are within the Partnership's investment strategy (as further described in the Partnership's governing documentation) in priority to the Adviser's other Clients. In addition, the Adviser has entered into a sourcing agreement with Quanta and the General Partner, pursuant to which Quanta directs, and it uses reasonable efforts to procure that each of Quanta's affiliates directs, to the attention of the General Partner and the Adviser all potential investment opportunities that are identified or presented to Quanta or such affiliate as an available potential investment opportunity, on a Priority basis (as defined in the Partnership's governing document).

The investment objective and strategy of the Partnership is to seek to invest, directly or indirectly through investments in greenfield projects, existing assets or existing companies with developmental components, in energy infrastructure assets (such as power generation and storage facilities; electric power transmission and distribution assets; substation facilities; renewable energy facilities; midstream oil and gas assets; pipeline transmission and distribution system and facilities; and fiber optic and telecommunications infrastructure) that the Adviser believes can deliver appropriate leveraged risk-adjusted returns through contracted cash flows expected to return capital, and which may also deliver such returns through incremental asset growth and/or capital appreciation. In addition, the Partnership targets investments that are expected to offer capital returns driven by (i) designated levels of minimum contracted revenues, or (ii) volume commitments. The Partnership may also invest to a limited degree in other synergistic or related real estate and energy infrastructure opportunities if the Adviser determines, in its sole discretion, that such investments may be expected to offer synergies for the Partnership and/or its portfolio

investments. Before the Partnership participates in any investment opportunity, the relevant investment opportunity must pass through a two-step investment decision process, which provides Partnership investors with both information and a chance to inquire and have questions answered prior to committing to participate in the relevant investment opportunity.

B. Risks Involved with an Investment in the Partnership

The risks described in this section are specific to the Partnership and the negotiated arrangements entered into in relation thereto. Depending on the terms of the arrangements with any other Clients, some or all of these risks may also be applicable to such other Clients. Accordingly, Partnership investors and Clients should carefully consider and review the following risk factors with their financial, tax and legal advisors.

Partnership investors should be aware that an investment in the interests offered by the Partnership or any co-investment associated with the Partnership is speculative and involves a high degree of risk. Prospective Partnership investors should carefully consider, among other factors, the matters described below, as well as those disclosed in Quanta's Form 10-K (see [http://investors.quantaservices.com/sec\\_filings?s=127&year=&cat=1](http://investors.quantaservices.com/sec_filings?s=127&year=&cat=1)), each of which could have an adverse effect on the value of interests in the Partnership, including complete loss of capital. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Partnership will meet its investment objectives or otherwise be able to successfully carry out its investment program. The Partnership's returns may be unpredictable and, accordingly, the Partnership's investment program is not suitable as the sole investment for an investor or suitable even in conjunction with any particular diversified or undiversified portfolio. A prospective investor should only invest in the Partnership as part of an overall investment strategy. Based on, among others, the factors described below, the possibility of partial or total loss of capital exists and prospective investors should not subscribe unless they can readily bear the consequences of such a total loss.

Potential Conflicts of Interest and Certain Investment Considerations

There can be no assurance that the conflicts described below or other conflicts of interest with the potential for adverse effects on the Partnership and Partnership investors will not arise. By acquiring an interest, each Partnership investor is deemed to have acknowledged the existence of, and to have consented to, the actual and potential conflicts of interest between the Partnership, the General Partner, the Adviser, Quanta Capital and Quanta, and to have waived any claim with respect to the existence of any such conflict of interest, regardless of when it may arise.

*General.* The General Partner and the Adviser intend to act in good faith in a manner consistent with their respective duties to clients under applicable law. However, the General Partner and the Adviser are subject to various conflicts of interest arising from their relationships with Quanta and Quanta Capital. Quanta engages in a broad spectrum of activities, including construction of and direct investments into energy and telecommunications infrastructure and related assets. Quanta Capital may participate in such investments or others. Such activities may from time to time conflict or compete with the Partnership's investment activities and Quanta Capital, the General Partner, Adviser and the Partnership's interests may not align with those of Quanta. The particular circumstances described under the following headings further illustrate some of the conflicts of interest that may arise. However, there can be no assurance that other conflicts of interest with the potential for adverse effects on the Partnership will not arise. Furthermore, there is no guarantee that the policies and procedures adopted by Quanta, Quanta Capital, the General Partner, and the

Adviser will be able to identify or mitigate any conflicts of interest that arise among them or their affiliates.

*An Investment in the Partnership Involves Significant Inherent Conflicts.* The unique opportunity presented by the Partnership is accompanied by a number of significant, inherent conflicts of interest. While the presence of such conflicts are linked to the presence of the Partnership's potential for a significant value creation opportunity, there is also a range of different types of risk and potential investors should be aware of each of these types of risks and be prepared to bear them in full. It is impossible to summarize all conflicts of interests and associated risks that may arise in connection with an investment in the Partnership, but prospective investors should be mindful of and be ready to bear in full, in addition to the conflict related risks that are referenced elsewhere herein, the effects of the conflicts noted in this section.

*Overview of Certain Core Risks.* The presence of significant divergent business objectives between Quanta, on one hand, and prospective investors, the Partnership, the General Partner the Adviser, or the Partnership investors, on the other (or between any or all of them) gives rise to a range of risks to the performance and ability of the Partnership to achieve its objectives, as further outlined in subsection B below. The highly negotiated nature of the governing documentation reflects the response of sophisticated investors to secure certain protections in the context of such conflicts. Nevertheless, the negotiated provisions themselves are novel and untested, and generate risks by being unproven and complex. These types of risks are referenced in subsection A below. In addition, a range of the negotiated protections referenced herein were determined by reference to the current objectives and operations of Quanta. Quanta is a dynamic, growing publicly traded entity and its board of directors and officers have duties to shareholders, and it is expected that in attending to such duties, and in seeking to protect its competitive interests, its strategic interests, and other core interests, additional conflicts, including significant conflicts, may be expected to arise. Some of these risks are referenced in subsection C below. Notwithstanding the risk-responsive governance and other arrangements instituted as part of the negotiated arrangements with prospective investors that allow Partnership investors to better identify, consider, and appreciate how best to exercise their rights in the hope to manage risk, the risks are inherent and are not necessarily reduced or eliminated by the presence of such risk-responsive arrangements. As referenced above, certain core conflicts and related risks are noted in subsection B, and are in addition to core, conflict related risks noted elsewhere herein.

#### *A. Certain Risk-Responsive Terms and Risks Related Thereto*

The governing documentation of the Partnership includes highly negotiated and complex governance terms that seek to mitigate the impact of conflicts. However, these terms and arrangements are newly created and have not been implemented previously by the Adviser or in the wider marketplace. Accordingly, each of the Adviser, the General Partner, and the Partnership investors may find the arrangements to be complex, unworkable, burdensome, and otherwise challenging in a manner that undercuts the best interests of the Partnership investors and the performance of the Partnership. In addition, there can be no assurance that the terms and arrangements will be effective in mitigating conflicts, or be suited for the many possible outcomes and scenarios that may occur in the future. It is also possible that these terms and arrangements may result in adverse consequences or unintended incentives for Partnership investors. For example, as noted above, the presence of the opt out termination mechanics could incentivize a Partnership investor to opt in to investments that it would seek to avoid in the absence of such mechanics.

## *B. Ongoing Presence of Divergent Interests and Conflicts*

While the Partnership has traditional and some novel structures designed to align the interests of the Partnership investors and the General Partner, and the inclusion of more complex governance terms may be expected to cause stresses to such alignment, even in the presence of successful mitigating effects of such arrangements, it is important to note that notwithstanding the risk-responsive governance and other arrangements instituted as part of the negotiated arrangements with prospective investors that allow Partnership investors to better identify, consider, and appreciate how best to exercise their rights in the hope to manage risk, the risks are inherent and are not necessarily reduced or eliminated by the presence of such risk-responsive arrangements. Those risks should be expected to remain and prospective investors should be prepared to bear the burden of their ongoing presence. The following are examples of some of the notable divergent interests and conflicts inherent for various parties to the documentation related to the Partnership:

### *Partnership Investors.*

- As a result of the opt out mechanism, not all Partnership investors will participate in all portfolio investments. This may result in each Partnership investor becoming fully-drawn, or realizing their interests in the Partnership at different times and consequently, Partnership investors may have different incentives and objectives when making decisions in relation to the Partnership as a whole (for example, whether to approve an extension to the term of the Partnership).
- Also, while Partnership investors may generally seek to maximize their returns from an investment, some Partnership investors may have conflicting incentives when engaging in the ROFO Process - one or more Partnership investors may wish to seek continued management of a portfolio investment, while other Partnership investors may wish to realize the same investment sooner.
- Certain Partnership investors may also have a greater desire to participate in co-investment, resulting in an incentive to direct some or all of a potential investment outside of the Partnership.
- Certain Partnership investors may seek ongoing management of assets at the end of the life of the Partnership and this may conflict with and undermine the effectiveness of the ROFO to secure exits and acquisitions for the benefit of other investors.

### *The General Partner, the Adviser and the Management Team.*

- The inclusion of carried interest is frequently perceived to align the interests of the General Partner, the Adviser and the management team with the interests of the investors, however it may also serve as an incentive for such persons to seek realization of investments sooner than may be optimal, including for all investors who may have longer term hold objectives.
- The Adviser and the General Partner are subsidiaries of Quanta and will have an interest in maintaining the quality and substance of their relationship with Quanta. This relationship is a key factor in relation to the Partnership's access to investment opportunities, however it may also result in the General Partner, the Adviser and the management team seeking to ensure that Quanta benefits from the activities of the Partnership as well as the Partnership itself. There can be no assurance that the performance of the Partnership will not be diminished by the close relationship and incentive dynamic due to affiliation with Quanta. In particular, Quanta Capital will remain a client of the Adviser and in the course of services for Quanta Capital, the Adviser may be required to

address needs and objectives that alter the time, attention, focus and devotion that may otherwise be available if the Partnership were the sole client of the Adviser.

Quanta.

- Quanta's investment in the Partnership will, to a certain extent, align its interests with those of the investors; however, Quanta is also incentivized to protect and maintain the Quanta Core Activities, including the protection of its client relationships and its reputation.
- Quanta may also conduct investment activity outside of the Partnership in the circumstances provided for in the partnership agreement and such investment activity could potentially conflict with the activities of the Partnership.

*C. Quanta as a Dynamic Entity with a Range of Interests*

Quanta is a dynamic, growing publicly traded entity and its board of directors and officers have duties to shareholders, and it is expected that in attending to such duties, and in seeking to protect its competitive interests, its strategic interests, and other core interests, additional conflicts, including significant conflicts, may be expected to arise. Quanta may be expected to regularly need to make strategic decisions that benefit the Quanta business, for example the acquisition or sale of operating units. There can be no assurance that such decisions will always be consistent with the best interests of the Partnership or will not have a negative impact on the Partnership's access to investment opportunities. In addition, the risk mitigation contemplated by the risk-responsive arrangements noted in subsection A above were developed in view of Quanta today. There can be no assurance that the benefits those arrangements are intended to secure will be achievable in the context of the evolving needs of Quanta. The flow of investment opportunities and the subsequent transaction activity of the Partnership will be dependent on these arrangements appropriately incentivizing the parties to identify, develop, and execute potential investments that are suitable for the Partnership and that provide the desired risk-adjusted returns sought by the investors. Given the presence of so many significant conflicts, there can be no assurance that these objectives will be achieved.

*Allocating Investment Opportunities among Quanta, the Partnership and Affiliates.* The General Partner will use reasonable efforts to procure that all potential investments are presented to the Partnership in priority to third-party entities and to Quanta and its affiliates, except where (i) such investment opportunity, in the good faith determination of Quanta, is within the Quanta Core Business; (ii) Quanta is constrained from providing such investment opportunities to the Partnership as a result of an express request, whether oral or written, by one or more third-party investors in the relevant project that the Partnership not participate in any such investment opportunity; or (iii) such investment opportunity is a Restricted Fiber Optic Investment. While the investment committee of the Adviser will determine whether to approve or reject such opportunities, determinations by Quanta with respect to clause (i) of the preceding sentence shall be made by Quanta in its sole discretion. The General Partner is not obligated to provide the Partnership with access to investment opportunities that are subject to a Specified Arrangement, as determined on an investment by investment basis. There can be no assurance that such determinations by Quanta will not have an adverse effect on the Partnership, its deal flow or its returns.

Allocations of investment opportunities will be made in accordance with the terms of the partnership agreement and will be subject to the discretion of the General Partner. There can be no

assurance that the General Partner will be able to identify or mitigate any conflicts of interest that arise in connection with its exercise of such discretion.

*Investing Along with Quanta.* Additional conflicts of interest may arise as a result of the overlapping investment programs of the Partnership and Quanta.

- *Concurrent Co-investing.* Quanta, its affiliates or others may, subject to the restrictions in the partnership agreement, co-invest in a particular portfolio investment alongside the Partnership. Co-investments by third parties may be made through a new investment vehicle, which may result in significant differences in terms, amount of leverage (if any) and associated transaction costs.

- *Commonly-Held Portfolio Investments.* Where the Partnership and Quanta hold interests in the same investment or asset, the differing investment objectives of the Partnership and Quanta, as well as other factors applicable to the specific situation (including the Partnership and Quanta's differing liquidity requirements), may result in a determination to dispose of or retain all or a portion of an investment on behalf of the Partnership at a different time than such investment or portion thereof is being disposed of or retained by Quanta.

- *Risks and Restrictions Arising from Quanta's Activities.* Quanta regularly acquires confidential information and may enter into confidentiality, non-solicitation, non-circumvention, exclusivity and/or "standstill agreements" when assessing investment opportunities. Quanta may also enter into non-compete agreements in connection with certain transactions related to the Quanta Core Business. These activities could limit the Partnership's investment activities in ways that may not be foreseeable.

- *Investing in Different Levels of the Capital Structure.* The Partnership may invest in an entity in which Quanta or one of its affiliates holds interests of a different class or type than the Partnership proposes to hold. In such a scenario, Quanta or its affiliate may benefit from developments adverse to the Partnership.

*Quanta as a Service Provider.* It is expected that, as part of the Quanta Core Activities, Quanta and/or its affiliates will provide EPC and other services to portfolio investments of the Partnership. Quanta expects to earn a profit on its Quanta Core Activities, which profits are not for the account of the investors. While such activities may provide synergies with respect to the operations and performance of Quanta, the Sponsor (any and all of Quanta, the General Partner, and the Adviser), the Partnership, and their affiliates, there are inherent conflicts of interest in such arrangements. When Quanta and/or its affiliates acts as counterparty with respect to any interest, investment, or portfolio company of the Partnership, it is expected that any commissions, fees, compensation, and other terms and conditions charged by Quanta and/or its affiliates will be, in the view of the Sponsor, commercially reasonable, and while certain related party agreements may be subject to approval by the Advisory Committee, Quanta, and/or its affiliates nevertheless will have an interest in obtaining compensation and other terms that are favorable to Quanta and/or its affiliates. There can be no assurance that such conflicts will not adversely affect the performance of the Partnership's portfolio investments or the returns generated by the Partnership.

*Adequacy of Services.* Many or all of the Partnership's portfolio investments may depend on Quanta or one of its affiliates as a provider of EPC or other services. The General Partner and the Adviser cannot guarantee the sufficiency or ensure the quality of such services provided. Any failure by Quanta or one of its affiliates to adequately provide contracted services with respect to a portfolio investment may adversely affect the Partnership and its returns.



*Quanta's Activities May Limit Investment Opportunities.* There are various reasons why Quanta's activities could limit the Partnership's investment opportunities. For example, the Sponsor's access to investment opportunities will be influenced and may be wholly dependent upon the success of the Quanta Core Activities. The Sponsor's sourcing of opportunities will depend on origination by Quanta customers requesting EPC and other services from Quanta or one of its affiliates. Accordingly, the Partnership's performance may be exposed to Quanta's reputational risk, and there can be no assurance that a deterioration of Quanta's relationships with its customers or vendors will not adversely affect the Partnership.

*Availability of Financing.* A number of factors may result in the inability of the Partnership to obtain or access financing on attractive terms comparable to that available to Quanta or at all. These factors may include, among others: insufficient diversity of investments; the profile of investors; the size of the Partnership; whether or not the financing is with recourse to the Partnership and how a lender views the value of any recourse provided; the scope of assurances the investors are willing to provide to financing sources; the Partnership's lack of operating history or trading history with counterparties; and the time at which the Partnership seeks financing. Differences in availability and terms of financing resulting from such factors may affect the performance of the Partnership.

*Competitive Environment.* The business of investing in energy and telecommunications infrastructure assets is highly competitive. Market competition for investment opportunities includes traditional energy infrastructure companies, commercial and investment banks, as well as a growing number of non-traditional participants, such as hedge funds, private equity funds, and other private investors. Some of these competitors may have access to greater amounts of capital and/or access to capital that may be committed for longer periods of time or may have different return thresholds than the Partnership, and thus these competitors may have certain advantages not shared by the Partnership. In addition, competitors may have incurred, or may in the future incur, leverage to finance their debt investments at levels or on terms more favorable than those available to the Partnership. Strong competition for investments could result in fewer investment opportunities for the Partnership, as certain of these competitors have established and are establishing investment vehicles that target the same types of investments that the Partnership intends to target. Moreover, identifying attractive investment opportunities is difficult and involves a high degree of uncertainty.

*Services Provided by the Adviser.* The Adviser and/or its affiliates may perform operations and accounting, legal, and other services for the Partnership and asset management services with respect to the Partnership's portfolio investments and, unless paid for by the Adviser or its affiliates, will be reimbursed for these services. The Adviser may have a conflict of interest in determining the respective portions of the costs of such services that will be charged to the Partnership and other affiliates.

*Regulated Industries.* The Partnership may be subject to certain restrictions when considering investments in regulated industries. For example, there may be limits on the aggregate amount of investment by affiliated investors that may not be exceeded in certain regulated industries without the grant of a license or other regulatory or corporate consent or, if exceeded, may cause the Partnership, Quanta and/or their clients to suffer disadvantages or business restrictions. As a result, the General Partner may restrict or limit transactions or exercise of rights for the Partnership, or limit the amount of voting securities purchased for the Partnership or restrict the type of governance rights they acquire or exercise in connection with the Partnership's investments in regulated industries.

*Adviser as a Subsidiary of a Public Company.* The Adviser is an indirect subsidiary of Quanta (NYSE: PWR), a public company. As a public company, Quanta is subject to the risk of examination, inspection, audit, investigation or litigation by regulators or its public shareholders arising from an array of possible claims, including investor dissatisfaction with the performance of its businesses or its share price, allegations of misconduct by its officers and directors or claims that it has inappropriately dealt with conflicts of interest or investment allocations. As Quanta is the indirect parent of the Adviser, any such investigations into or claims brought against Quanta could divert time, attention, and resources away from the Adviser. Additionally, as a public company, Quanta is subject to a number of reporting and regulatory regimes to which the Partnership, the General Partner and the Adviser are not subject, including the Sarbanes-Oxley Act of 2002, certain provisions of the Dodd-Frank Act and the Securities Exchange Act of 1934, as amended. Compliance with such laws similarly requires the time, attention, and resources of Quanta and its executive officers that might otherwise be devoted to the Partnership, which diversion may result in an adverse effect on the Partnership.

*Allocation of Certain Costs, Contingent Costs and Liabilities Relating to Acquisitions.* Either in anticipation of the acquisition of a portfolio investment or otherwise in connection with the Partnership's investments generally, the Partnership may, from time to time, enter into certain transactions designed to hedge against interest rate, currency or other risks related to such acquisition. The costs associated with such hedging transactions can be substantial and, in most cases, are not capped. In addition, the Partnership may enter into certain acquisition agreements that subject it to potential "broken deal" costs and fees and/or other liabilities resulting from the failure of the acquisition to close or other related circumstances. Such "broken deal" costs and fees can be significant and can become payable due to circumstances beyond the control of the General Partner or the Adviser.

*Time and Attention of the Management Team.* The core members of the management team will devote substantially all of their collective business time to the infrastructure investment activities of the Adviser, which are intended to inure to the benefit of the General Partner and the Partnership. However, there can be no assurance, for example, that the management team or such investment professionals will devote any minimum number of hours each week to the affairs of the Partnership or that they will continue to be employed by the Adviser. The Adviser may have other clients than the Partnership, including, without limitation, Quanta, and the Adviser or certain of its employees may devote a substantial amount of their time to the affairs of such other clients and not the Partnership. In the event that members of the management team cease to be actively involved with the Partnership, investors will be required to rely on the ability of the Adviser and the General Partner to identify and retain other investment professionals to conduct the Partnership's business.

*Valuation of Investments.* An active market for most of the assets the Partnership will purchase is not anticipated. In the absence of market comparisons, the Partnership will use other pricing methodologies, including, for example, models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of, or the potential cash flows derived from, an investment. Such methodologies may not prove to be accurate and the Partnership's inability to accurately price assets may result in adverse consequences for the Partnership or investors. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of a private asset depends to a great extent on economic and other conditions beyond the control of the Partnership or the General Partner. Further, valuations do not necessarily represent the price at which a private investment would sell since market prices of private investments can only be determined by negotiation between a willing buyer and seller. If the Partnership were to liquidate a particular

private investment, the realized value may be more or less than the valuation of such asset as carried on the Partnership's books and as used for various purposes under the governing documentation, including for distributions to investors and calculation of the Monitoring Fee.

*Valuation Matters.* In the event that distributions are made in property other than cash, the amount of the distribution will be calculated and accounted for at the fair value of the property as determined by the Adviser or the General Partner in accordance with the valuation policies set forth in the governing documentation. Valuations used by the Adviser could be incorrect, and consequently the value of the property distributed may not correspond to the value attributed to the distribution. Furthermore, there can be no assurance that the value of such distributed property as realized by the investors following distribution thereof will equal the value attributed to the property upon distribution, whether or not correctly attributed.

*In-Kind Distributions.* Certain investments of the Partnership may not be susceptible to sale or other realization by the Partnership before the end of the term of the Partnership. There may be in-kind distributions to investors of interests in these investments, which may be illiquid. Even with respect to those investments for which a liquid market exists or develops, there is no guarantee that such market will be sustained. There can be no assurance that any investor would be able to realize an amount equal to the value attributed by the Adviser to the distribution in accordance with the valuation policies set forth in the governing documentation.

*Investor Base.* The investors may include taxable and tax-exempt entities and may include persons or entities organized in multiple jurisdictions. The various types of investors include the General Partner and its affiliates, who may have conflicting investment, tax, and other interests with respect to their investment in the Partnership. When considering a potential investment, the General Partner will generally consider the investment objectives of the Partnership, as a whole, not the investment objectives of any investor or the Partnership individually. Consequently, the General Partner may make decisions from time to time that may be more beneficial to one type of investor than another.

*Side Letters.* The General Partner has entered into and may in the future enter into a side letter or other similar agreement with a particular investor with respect to the Partnership without the approval of any other investor, which would have the effect of establishing rights under, altering or supplementing, the terms of the partnership agreement and any subscription agreement with respect to such investor in a manner more favorable to such investor than those applicable to other investors.

*Monitoring Fees.* The Partnership will be required to pay the Monitoring Fee regardless of the performance of its investments. The Adviser's entitlement to non-performance-based compensation might reduce its incentive to devote the time and effort of its professionals to seeking profitable opportunities for the Partnership's investments.

*Opt-Outs.* The investment gate decision process and the consequent possibility that investors may opt out of investments, means that investors may not participate in all portfolio investments and may not have the same or similar investment return profiles. In addition, there can be no assurance that all investors will have their whole capital commitment drawn down within the same time frame.

### Certain Risks Relating to an Investment in the Partnership

*Lack of Operating History.* Each of the Partnership, the Adviser and the General Partner are newly formed and have only recently commenced operations. Accordingly, none of the Partnership, the Adviser or the General Partner have an operating history upon which potential investors may evaluate their performance. Quanta has not previously sponsored or managed a partnership or vehicle analogous to the Partnership. The performance and profile of investments and projects by Quanta and Quanta Capital should not be used as an indicator of the likely performance or investment profile of the Partnership.

*Availability of Investment Opportunities.* The Partnership's investment strategy is reliant on the Adviser's ability to access investment opportunities that may be identified or presented to it by third parties or by Quanta and its affiliates. This access is itself reliant in part on the size, reputation and experience of Quanta in the energy infrastructure markets. There can be no assurance that either Quanta, the Adviser or the Partnership will be presented with, or be able to identify, investment opportunities that are suitable for the Partnership or within the Partnership's investment guidelines.

*Reliance on Management Team.* The success of the Partnership will depend in part upon the skill and ability of the management team. The incentive arrangements to be implemented in respect of the management team and other employees of the Adviser should tend to discourage such professionals from withdrawing from participation in the Partnership's investment activities. However, there can be no assurance that such professionals will continue to be associated with the Adviser or involved in the Partnership's activities throughout the life of the Partnership or that any replacement will perform well. Furthermore, the Adviser, as a registered investment adviser, will have certain resource requirements it is required to fulfill, including certain staffing requirements. There can be no assurance that the Adviser will be able to fulfill these requirements throughout the life of the Partnership. The loss of members of the management team, or the inability of the Adviser to maintain its required regulatory resources could have a negative impact on the ability of the Adviser to provide investment management services to the Partnership and consequently on the performance of the Partnership.

*Reliance on Quanta.* The success of the Partnership, and in particular its access to Quanta Network Opportunities, will depend in part, on Quanta and the privileged access it has in the energy infrastructure markets. A range of factors or events could disrupt Quanta's access to investment opportunities. A change in ownership or management of Quanta or changes to Quanta's core business or other strategic elements could result in Quanta ceasing to focus on particular sectors within the energy infrastructure markets. This in turn could limit the range of investment opportunities that are identified or presented to Quanta or its affiliates. Furthermore, safety issues, FCPA issues or events that impact Quanta's reputation within the energy infrastructure market or as between Quanta and its customers or key vendors could also result in fewer investment opportunities being identified or presented to Quanta or its affiliates.

In a competitive market, Quanta is able to utilize its intellectual property as a differentiator from other market participants. Any loss of such intellectual property could diminish Quanta's advantages within the energy infrastructure market, which could consequently reduce the number of investment opportunities that are identified or presented to Quanta or its affiliates.

The Sourcing Agreement is a new arrangement and its successful implementation for the benefit of the Partnership is dependent on the behavior of a significant number of people who are focused on a range of business and activities within Quanta and its affiliates. Such business and activities

may not necessarily be related to the activities of the Partnership such persons may not be directly incentivized (or accustomed, even if incentives apply) to direct investment opportunities to the Adviser and the General Partner. In light of the inherent difficulty in implementing an arrangement such as the Sourcing Agreement into a group of companies such as Quanta and its affiliates, there can be no assurance that the Sourcing Agreement will provide a satisfactory level of deal flow.

*Disruptive Technologies.* The deployment and commercialization of potentially disruptive technologies, like distributed generation, which has the potential to change the nature of the power supply industry or result in the obsolescence of certain electric power infrastructure, could impair materially the value of investments in infrastructure assets or reduce the availability of investment opportunities.

*Complex Governance Arrangements.* The Partnership contains complex governance arrangements that have been heavily negotiated between and among the Partnership investors and the General Partner. These customized governance structures have not previously been used by the Partnership or the General Partner, or in the marketplace generally, and attributes include pooling of capital, options to opt out and forfeit rights and the Partnership investors' right of first offer, among other arrangements contemplated by the partnership agreement. There can be no guarantee that the execution of these arrangements will not have adverse unforeseen consequences for investors. Investors should not rely solely on these protections and arrangements when evaluating a decision to invest in the Partnership.

*Limited Number of Partnership Investors.* The Partnership is reliant on the capital commitments of a small group of investors. Investors may opt out of investments made by the Partnership for certain reasons or in certain circumstances permitted by the Partnership's terms. If an investor chooses to opt out of a portfolio investment, whether or not such opt-out is formally classified as such, the investor will lose any right to participate in that portfolio investment and any benefits or any returns that may result from such portfolio investment. Moreover, the investor will forfeit its right to vote on any matter relating to such portfolio investment. Because the Partnership may only make a limited number of investments and because many of the investments may involve a high degree of risk, poor performance by a few investments might be amplified by an investor's decision to opt out and such forfeit may substantially affect the aggregate return to the investor. Adverse results may include an investor receiving a smaller return on its investment in the Partnership than the investors who participated in such portfolio investment. Opt-outs could have other unintended consequences, including delays, which might impact the Partnership's success in pursuing a potential investment. In the event a Partnership investor opts out of an investment pursuant to the terms of the partnership agreement, other investors may contribute capital, which might result in a significant increase in their risk exposure as relates to a particular asset. Such contribution may make them more susceptible to risk of loss. In the event an investor opts out of an investment pursuant to the terms of the partnership agreement, other investors may contribute capital, which might result in a significant increase in their risk exposure as relates to a particular asset. Such contribution may result in overall higher risk.

In the event a Partnership investor opts out enough times to be deemed an Opt-Out Investor, it forfeits all of its Partnership governance rights attributed to it by virtue of its status as a Partnership investor and, other than with regard to its ongoing investments, it will become a passive investor in the operations of the Partnership. These opt-out rules may incentivize a Partnership investor to participate in one or more investments it would otherwise not choose to, potentially leading to higher risk exposure.

*Right of First Offer.* Each Partnership investor will benefit from a right of first offer in relation to the portfolio investments in which it participates, to acquire all or a portion of Partnership assets in the event the Partnership proposes to dispose of such assets. Partnership investors wishing to exercise such right will have to determine an appropriate bid price based on the information available to them. There can be no guarantee that such price will reflect the fair market value of the asset and the General Partner is not under any obligation to provide such a guarantee or any assurance. When determining which offer to accept in a disposition process, the General Partner may consider terms other than price and is not obligated to accept the bid with the highest price from a Partnership investor or a group of Partnership investors. Upon entering into an agreement to dispose of an asset, the General Partner cannot ensure that the transaction documents during the right of first offer process pursuant to an asset's disposition will be sufficient or adequate for the transaction. The Partnership investors should be aware of, and will be responsible for, the risks and potential consequences arising from submitting a bid to acquire Partnership assets.

*Lack of Liquidity of the Interests.* An investment in the Partnership is suitable only for certain sophisticated investors who have no need for liquidity at all, including over very long periods, in this investment. An investment in the Partnership provides limited liquidity because the interests in the Partnership are not freely transferable and are not redeemable and the underlying Assets are highly illiquid. There is no public market for interests in the Partnership and none is expected to develop.

*Nature of Investment.* An investment in the Partnership requires a long-term commitment with no certainty of any return. Although investments are generally expected ultimately to generate cash flow, there may be little or no near-term cash flow available to investors. Since the Partnership may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total return to investors.

*Conflicts of Interest.* Quanta benefits from a core services business, which will be excluded from the Partnership's investment and operating strategy, but the interests of the Quanta Core Activities could conflict with the interests of the Partnership. In specified circumstances, Quanta may (to the extent permitted by the governing documentation) decide not to grant priority to participate in suitable investments to the Partnership and may consider such investments and Partnership interests alongside its interests in respect of the traditional, Quanta Core Activities. If Quanta grants priority and early stage access to an investment opportunity, the Partnership could be exposed to conflicts of interest or other risks as a result of any such conflict. There can be no assurance that a conflict of interest will not have a deleterious effect on the Partnership, its assets or the interests of the investors.

*General Risks.* Portfolio Investments made by the Partnership will generally involve a significant degree of financial and/or business risk. The Partnership and its portfolio investments may face intense competition, changing business and economic conditions and other developments that may adversely affect their performance.

Values of asset-based businesses and portfolios are affected by a number of factors, including changes in the general economic climate, local conditions, competition, attractiveness and location of properties, quality of maintenance, insurance and management services, and changes in operating costs. Values of asset-based businesses and asset portfolios are also affected by such factors as government regulations, foreign-exchange rates, interest rate levels, availability of financing, and potential liability under changing environmental and other laws. Additionally, all asset-based businesses and asset portfolios are subject to the risk that a general downturn in the

global, regional, or local economy will depress the value of such businesses and/or portfolios. The Partnership may be unsuccessful in structuring its portfolio investments to minimize any detrimental impact that a recession or other discrete market conditions may have on its portfolio investments and, as a result, the Partnership may suffer significant losses.

Investments in various assets are also subject to a number of risks, which will be dependent in part on the structure of the counterparty (e.g., corporation, partnership, special purpose entity, etc.) and the structure of or type of the investment. The performance of portfolio investments may depend in part on liquidity, market support, and price volatility, among other factors.

*Non-Control Investments.* The Partnership may use a portion of aggregate capital commitments to make portfolio investments of a size that would not permit the General Partner or the Adviser to exercise control over the assets, instruments, or securities in which the Partnership invests. The performance of such non-control oriented portfolio investments will be subject, in part, to the expertise and ability of the party or parties exercising control over such assets, instruments, or securities. Moreover, were the Partnership to co-invest alongside other parties in certain portfolio investments where the Partnership would not control such portfolio investment and any such party were to obtain an interest in such portfolio investments that is large enough to permit it to exercise control over the portfolio investment, the Partnership's investment would be subject to the investment objectives of such other party (which may be different from or adverse to that of the Partnership). There can be no assurance that minority shareholder rights, to the extent obtained by the Partnership, will be available or that such rights will provide sufficient protection of the Partnership's interests.

*Limited Disclosure of Investment Information and Performance Estimates.* Quanta is a publicly-traded company with a class of equity listed on the New York Stock Exchange ("NYSE") and is therefore obligated to comply with applicable securities laws and NYSE regulations. As a result, the General Partner may be restricted from time to time from providing investors with certain non-public information that may be deemed to be material. Quanta may cause the General Partner to request that each investor agree to specific confidentiality and standstill obligations relating to Quanta. In the event that an investor does not agree to such confidentiality and standstill obligations, such investor may receive more limited information concerning the Partnership and its portfolio investments than other investors and may not, for example, be permitted to attend the Partnership's annual meeting for investors. Because Quanta is a publicly-traded company, its compliance obligations and financing strategy may influence its synergies with the Partnership and the manner in which Quanta and the Partnership work together.

*No Assurance of Return of Capital.* The success of the Partnership depends on the ability of the General Partner and the Adviser to identify and select appropriate assets for investment, as well as the Partnership's ability to acquire, manage, and dispose of those assets. Although current returns from investments may vary, prior to partial or complete disposition (which may not be until a number of years after the initial investment is made) there may not be a current return on any portfolio investment. There can be no assurance that the Partnership will achieve its investment or performance objectives, including the identification of suitable investment opportunities and the achievement of targeted returns, or that the Partnership will be able to fully invest its committed capital. Moreover, there can be no assurance that the Partnership will be able to find a suitable third party buyer so that it may make a partial or complete disposition of its assets or investments. The possibility of partial or total loss of the Partnership's invested capital exists.

*Alignment of Interests and Non-Consolidation.* Quanta will be invested in the Partnership alongside other investors for a commitment of at least 8% of total commitments to the Partnership.

Due to the complex governance arrangements and opt-out structure, Quanta's commitment may be drawn down or reserved in its entirety sooner than the capital commitments of the investors. In subsequent investments after Quanta's commitment is drawn down or reserved in its entirety, Quanta shall be under no obligation to continue to contribute its full 8% share of the capital being committed by the Partnership.

Any of these factors could result in reduced alignment of the interests of the General Partner and the investors. Moreover, because the investors may opt out of certain investments, investors, including the General Partner, will not have the same pro rata investments in every portfolio investment and so there can be no assurance that the General Partner's interests will remain aligned with those of the Partnership across all deals or to the same extent. Accordingly, poor performance by one or more investments could affect the aggregate returns to individual investors more than such poor performance affects the returns to the General Partner.

*Investment Decisions and Timing.* The investment memoranda, including, without limitation, any investment opportunity previews and the IPMs provided to the Advisory Committee may be preliminary and may be based on a number of assumptions and estimates. In addition, such investment memoranda, as well as the FIDMs and other documents delivered to the Advisory Committee may not be complete in all situations and may not contain all information that is available to other parties involved in a particular transaction. Further, investors and the Advisory Committee may be required to review such investment memoranda on an expedited basis in order to take advantage of potential investments and to meet the timing requirements prescribed for investment decisions in the partnership agreement. As a result, investors may be given a reduced time frame to evaluate the memoranda and to make an investment decision. Furthermore, information provided in the memoranda may include estimates subject to uncertainty or may omit information that would be helpful to investors in evaluating the opportunity. Investors should not rely on a decision by the Quanta board of directors to invest in an opportunity, as none of Quanta, the General Partner and the Adviser can guarantee that an investment will be profitable, nor should investors seek to rely on other investors in order to make an investment decision. An investor's investment decision must be entirely independent.

*Deemed Opt-Ins.* The Partnership Gates process set forth in the partnership agreement provides that if an investor does not choose to opt-out of a potential investment within the requisite time period following delivery of an IPM or FIDM, that investor will be deemed to have opted-in to the relevant potential investment. Each investor should be aware that, as a result of this governance mechanism, it may be obligated to participate in portfolio investments that it did not expressly opt into.

*Potential Lack of Diversification.* Subject to limited conditions contained in the governing documentation, the General Partner is under no obligation to diversify the Partnership's investments by sector, sub-sector, investment type, or geographical region. To the extent the Partnership concentrates portfolio investments in a particular sector, sub-sector, investment type or geographic region, its portfolio will become more susceptible to fluctuations in value resulting from adverse economic, political or business conditions with respect thereto. In addition, as a result of the investor's opt-out rights, each investor will, in part, be responsible for the diversification of investments that it is exposed to through its participation in the Partnership. Further, any particular investor may be exposed to a larger share of the risk of loss on any particular portfolio investment due to, among other things, opt-outs or defaults by other investors or the exclusion of another investor from a portfolio investment. Moreover, the participation of an investor in a successor fund or co-investment fund that invests in the same portfolio investment may expose that investor to a greater share of the risk of loss on such portfolio investment than it might otherwise expect.



Accordingly, poor performance by one or more investments could substantially affect the aggregate returns to individual investors.

*No Guarantee of Current Net Income.* The Partnership may, in certain cases, pay out a portion of current net income as distributions to investors. The Partnership's ability to pay distributions, if any, will depend on, among other factors, the Partnership's gross equity returns, legal restrictions on the payment of distributions, structural limitations, tax considerations, and other factors that the General Partner may deem relevant. There can be no assurance that the Partnership will generate sufficient gross equity returns to make any distributions to investors.

*Committee Input and Influence.* The ongoing operations of the Partnership and portfolio investments will be subject to decision-making powers of the Advisory Committee in various circumstances that are vital to the continued functions of the Partnership. Though unanimity among the members is not required in all circumstances, the Partnership is reliant on the ability of the Advisory Committee members to collaborate on questions brought to the Advisory Committee and come to a consensus on appropriate courses of action. There can be no assurance that the members will work cooperatively and in an expedient manner relative to the questions at issue. Failure to act could have a harmful effect on the Partnership, the portfolio investments and the interests of the investors.

*Exculpation and Indemnification.* Certain exculpation provisions contained in the governing documentation may limit the rights of action otherwise available to investors against the General Partner, the Adviser, Quanta, Quanta Capital and their respective affiliates absent such limitations. The Partnership is also responsible for indemnifying the General Partner, the Adviser, Quanta, Quanta Capital, each of their respective principals, directors, officers, employees, and affiliates and certain other persons and members of the Advisory Committee and any investor in its capacity as an appointor of a member of the Advisory Committee for any losses or damages incurred by any of them except for damages that are found in a final and binding judgment by a court of competent jurisdiction, not subject to any further appeal, to have resulted primarily from (i) the intentional misconduct of, or a knowing violation of law by, the person seeking indemnification, or (ii) in the case of any such person other than a member of the Advisory Committee, the commission of actual fraud, gross negligence (as determined in accordance with the laws of the State of Delaware), bad faith or willful misconduct of, or material breach of the partnership agreement or the management agreement by, such person. Liabilities arising from such indemnification obligations may be material. Any such indemnification obligations of the Partnership would be payable out of the capital commitments of investors and/or distributions previously made to investors. In general, an investor may be required to return distributions previously received under certain circumstances.

*Recourse to the Partnership's Assets.* The Partnership's assets, including any investments made by the Partnership and any cash or cash equivalents held by the Partnership and any assets or investments held through parallel or alternative investment vehicles, will generally be available to satisfy all liabilities and other obligations of the Partnership. If the Partnership becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Partnership's (or such parallel or alternative vehicle's) assets generally and may not be limited to any particular asset, such as the asset giving rise to the liability. To the extent the General Partner chooses to use special purpose entities for individual transactions to reduce recourse risk (and it may, but will be under no obligation to do so), the bona fides of such entities may be subject to later challenge based on a number of theories, including veil piercing, substantive consolidation, and other grounds.

*Lack of Management Rights.* The management, financing, leasing, and disposition of investments of the Partnership and its general policies with respect to certain other activities, including its

operating policies, are determined by the General Partner and/or the Adviser. These policies may be changed from time to time at the sole discretion of the General Partner without a vote of the investors. Investors will have no opportunity to control the day to day operation, including investment and disposition decisions, of the Partnership.

*Multiple Vehicles.* The General Partner may, in its discretion, form alternative, feeder and/or parallel vehicles that would invest alongside the Partnership to accommodate tax, regulatory and other issues applicable to certain types of investors or investments. The General Partner may, for a variety of reasons, including but not limited to applicable U.S. or non-U.S. regulatory, tax and other legal considerations, determine that certain investments are most beneficial for one or more alternative, feeder or parallel vehicles, or that different investment structures and/or terms and conditions are appropriate for one or more of the alternative, feeder or parallel vehicles in light of such tax, regulatory or other considerations. As a result of the foregoing, the performance of the Partnership and any such parallel vehicles may differ, and such difference may be material. Although the General Partner may, for a variety of reasons, including but not limited to applicable U.S. or non-U.S. regulatory, tax, and other legal considerations, or as a result of investor's electing to opt-out of an investment, determine, in its discretion, that certain investments are for the benefit of one or more investors, there can be no guarantee that the investment structure will achieve an optimal result for all of the Partnership investors, and this could result in certain investors receiving asymmetrical benefits relative to their co-investors. To the extent the General Partner forms alternative, feeder and/or parallel vehicles, the ability to move capital and/or achieve the same economic results between or among such vehicles may be limited. This restriction may have a detrimental impact on the Sponsor's ability to manage any necessary clawback and may have an adverse effect on the Partnership and the investors.

While the General Partner will seek to use alternative investment vehicles to achieve a tax efficient holding structure, there can be no assurance that such structures will operate in the manner intended. Further, the terms of and conditions of the governing documentation do not ensure that any alternative investment vehicles will achieve an optimal structure.

*Restrictions on Transfer and Withdrawal.* Investors may not withdraw capital from the Partnership. An investor may not, directly or indirectly, sell, transfer, assign, hypothecate, pledge, attach or otherwise dispose of or encumber all or any part of such investor's interest (including, without limitation, any right to receive distributions or allocations in respect of such interest and whether voluntarily, involuntarily or by operation of law) without the prior written consent of the General Partner, the granting or denial of which shall be in the General Partner's discretion, subject to certain permitted affiliate transfers and the terms of any side letter. The interests in the Partnership will not be registered under the 1933 Act or any other securities law and may not be offered, sold or transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and applicable state securities laws. There is no public market for interests in the Partnership and none is expected to develop. Therefore, each prospective investor must consider its investment in interests in the Partnership to be illiquid.

*No Entitlement to Performance, Profits and other Benefits of Investments Pursued Outside the Partnership.* Although investors shall have priority access to investments cultivated by the Adviser, in the event that an investment is rejected by the Advisory Committee, Quanta may proceed with such investment apart from the Partnership and on separate terms. If the investment results in a profitable return, the investors will not participate in any distributable returns through their investment in the Partnership in the event such investment is profitable.

*Exposure to Marketable Information.* Due to its rights and exposure to information as a former investor, an Opt-Out Investor may have knowledge of non-public information. Such Opt-Out Investor is subject to the confidentiality restrictions set forth in the partnership agreement and has agreed that it will not trade based on such non-public information, although there can be no guarantee that such information will not be used for investment opportunities of the kind targeted by the Partnership. This might restrict the Partnership's investment options or have other adverse consequences for the Partnership and its aggregate returns. Furthermore, an Opt-Out Investor may have information regarding future investment opportunities suitable for the Partnership, through the Adviser's pipeline reporting. Although each Opt-Out Investor would be subject to confidentiality restrictions as noted above, there can be no assurance that a competitor to the Partnership would not benefit from such circumstances to the detriment of the Partnership and other investors.

*Liability for Return of Distributions.* The capital contributed by any investor is susceptible to risk of loss as a result of any liability of the Partnership irrespective of whether such liability is attributable to an investment in which such investor participates. In addition, an investor may be required under the governing documentation to return distributions previously received under certain circumstances and may be liable under applicable fraudulent conveyance, bankruptcy or other insolvency laws to return a distribution.

#### Certain Risks Relating to Investments in Energy Infrastructure and Related Assets

The following risks are applicable investments made by the Partnership and also investments that may be made by other Clients.

*Nature of Investments in Energy Infrastructure and Related Assets Generally.* Investment in energy and telecommunications infrastructure assets involves many significant, relatively unique and acute risks. Revenues can be affected by a number of factors, including, without limitation, economic conditions, political events, competition, regulation, and the financial position and business strategy of customers. Unanticipated changes in the availability or price of inputs necessary for the operation of energy and telecommunications infrastructure assets may adversely affect the overall profitability of a portfolio investment. For example, infrastructure assets may be affected by the prevailing prices of related commodities, such as oil, gas, and coal. Events outside the control of a portfolio investment, such as political action (including but not limited to the United States presidential election outcome and BREXIT risks), governmental regulation, demographic changes, economic growth, increasing fuel prices, government macroeconomic policies, toll, tariff and other fee rates, social stability, natural disasters (such as fire, flood, earthquakes and tornadoes), changes in weather, the spread of disease or illness, changes in demand for products or services, bankruptcy or financial difficulty of a major customer, and acts of war, terrorism or piracy, could significantly reduce the revenues generated or significantly increase the expense of constructing, operating, maintaining, or restoring energy or infrastructure facilities. In turn, this may impair a portfolio investment's returns to the Client or even result in termination of an applicable concession or other agreement. As a general matter, the operation and maintenance of infrastructure assets involve various risks, many of which may not be under the control of the Adviser, including labor issues, failure of technology to perform as anticipated, structural failures and accidents and the need to comply with the directives of government authorities. Although assets may be insured to protect against certain risks (such as business interruption insurance that is intended to offset loss of revenues during an operational interruption), where available on reasonable commercial terms, such insurance generally is subject to customary deductibles and coverage limits and may not be sufficient to recoup all of a portfolio investment's losses. Furthermore, once portfolio investments

become operational, they may face competition from other infrastructure assets in the vicinity of the assets they operate, the presence of which depends in part on governmental plans and policies.

Although the Partnership investors do exercise certain investment discretion pursuant to the Investment Decision Gates, the Partnership investors do not have operational power or authority over the portfolio investments and must rely on the General Partner, the Adviser, Quanta, and Quanta Capital to manage these risks and realize value in the Client's portfolio investments. In certain circumstances, the Advisory Committee of the Partnership must approve a proposed course of action to address material changes in the performance of an investment. The Partnership is reliant on the ability of the Advisory Committee members to come to a consensus and approve a course of action in a timely manner. There can be no assurance that the Advisory Committee members will work cooperatively, and their failure to act could have a harmful effect on the Partnership, the portfolio investments and the interests of the investors. Moreover, there can be no assurance that the course of action taken to address such situation will ultimately be the best outcome for the Client, the portfolio investment, the Client's assets or the interests of the investors.

*Additional Capital.* Certain of a Client's portfolio investments, especially those in a development phase, may be expected to require additional financing to satisfy their working capital requirements or acquisition strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio investment. If the financing provided is not sufficient for the intended purpose, a portfolio investment may have to raise additional capital at a price unfavorable to the Client. In addition, the Client may make additional debt and equity investments or exercise warrants, options, or convertible securities that were acquired in the initial investment in such asset in order to preserve the Client's proportionate ownership when a subsequent financing is planned, or to protect the Client's portfolio investment when such portfolio investment's performance does not meet expectations, all of which may require additional capital. The availability of capital is generally a function of market conditions that are beyond the control of the Adviser, the Client or any portfolio investment. There can be no assurance about the ability to predict accurately the future capital requirements necessary for the success of portfolio investments or that additional funds will be available from any source.

*Risks Arising from Dispositions of Investments.* In connection with the disposition of a portfolio investment, the Client may incur obligations to purchasers who may, in respect of the Partnership and pursuant to the process emanating from the ROFO Rights, include Partnership investors. For example, when disposing of a portfolio investment, the Client may be required to make representations about the condition of such portfolio investment. The Client may also be required to indemnify the purchasers of such assets to the extent that any such representations turn out to be incorrect, inaccurate or misleading. These arrangements may result in the incurrence of contingent liabilities for which the Adviser or its affiliate may establish reserves or escrow accounts. The Adviser will have the right, under certain circumstances, subject to limits contained in the Partnership's governing documentation and applicable law, to require Partnership investors to return distributions in order to satisfy claims against the Client, the General Partner and their respective affiliates and/or other indemnified persons.

*Reliance on Independent Engineers.* The Adviser will engage independent engineers in relation to a number of aspects of a potential investment, including, in the case of the Partnership, the provision of preliminary and final reports for inclusion in the IPM and FIDM respectively, as well as to perform an independent audit function for the benefit of investors over the findings included in such reports. Independent engineers engaged for such purpose must be selected from a list of engineers prepared and periodically updated by the Adviser or its affiliate. While the Adviser intends to include suitably qualified independent engineers on such list, the use of such list imposes

a limit on the service providers that may be utilized in these circumstances and so may adversely impact the Client.

*Operations and Maintenance Risk.* The operations of energy and telecommunications infrastructure projects are exposed to unplanned interruptions caused by significant catastrophic events, such as wars, cyclones, earthquakes, landslides, floods, explosions, fires, terrorist attacks, major plant breakdowns, pipeline or electricity line ruptures, or other disasters. Operational disruption, as well as supply disruption, could adversely impact the cash flows available from these assets. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in temporary or permanent loss of customers, substantial litigation or penalties for regulatory or contractual non-compliance. Moreover, any loss from such events may not be recoverable under relevant insurance policies. Business interruption insurance is not always available, on reasonable commercial terms or at all, to protect the business from these risks. Industrial action involving employees or third parties may disrupt the operations of energy infrastructure projects. Energy and telecommunications infrastructure projects are exposed to the risk of accidents that may give rise to personal injury, loss of life, damage to property, disruption to service, and economic loss.

*Operating and Technical Risks.* Client investments may be subject to operating and technical risks, including risk of mechanical breakdown, failure to perform according to design specifications, shortage of skilled labor, labor strikes, and other work interruptions, and other unanticipated events that adversely affect operations. There can be no assurance that any or all such risks can be mitigated. An operating failure may lead to loss of a license, concession or contract on which a portfolio investment may depend.

*Global Economic Growth and Volume of World Trade.* Demand for certain assets in which a Client may invest depends largely on the extent of world trade and economic growth. Economic downturns in one or more countries, particularly in the U.S., Canada, Australia and other countries and regions with consumer-oriented economies, could reduce world trade volume and/or demand for such assets. Cyclical recessions can negatively affect the operating results of potential users of such assets. For example, during economic downturns or periods of reduced trade, shipping lines tend to lease fewer containers and related assets or lease containers only at reduced rates, and tend to rely more on their own equipment and fleets to satisfy a greater percentage of their requirements. Thus, decreases in the volume of world trade may adversely affect asset utilization and lead to reduced revenue, reduced capital investment, increased operating expenses (such as storage and positioning) and reduced financial performance.

The global recession, which began in 2008 and deepened in 2009, demonstrated the negative impact that an economic downturn could have on a Client. There can be no assurance as to whether or when any future economic downturns will occur.

*Cross-Border Trade Arrangements.* Certain expected renegotiation initiatives announced in 2017 to cross-border trade agreements, including without limitation the North American Free Trade Agreement, are under consideration by the current administration of the United States. It is currently unclear what the full extent of such renegotiations may be. However, to the extent such reforms limit or restrict trade between the United States and other jurisdictions the business of the Partnership, or the underlying projects in which the Partnership invests, could be materially adversely affected.

*Investments in the Energy Sector Generally.* The Adviser expects that its Clients will make certain investments in and relating to the energy sector. The operations of energy companies are subject

to many risks inherent in the transporting, processing, storing, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities, including, without limitation: damage to pipelines, storage tanks or related equipment and surrounding properties caused by acts of God, fire, flood, earthquakes, tornadoes and other natural disasters, war and acts of terrorism, inadvertent damage from construction and farm 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 may result in the curtailment or suspension of their related operations, any and all of which could result in lower than expected returns to a Client. In addition, the energy sector has experienced significant volatility at times, which may also occur in the future, and which could negatively affect the returns on any investment made by a Client in this sector.

Electricity generation and related infrastructure investments may be subject to extensive non-U.S. and U.S. federal, state, and local energy laws and regulations in the U.S. and other jurisdictions where portfolio companies are located, including, without limitation, in the U.S., the Federal Power Act (“FPA”), the Energy Policy Act of 2005, the Public Utility Holding Company Act of 2005 (“PUHCA”), and the Public Utility Regulatory Policies Act. Changes in applicable energy laws or regulations, or in the interpretations or administration of these laws and regulations, may result in increased compliance costs or the need for additional capital expenditures. If a portfolio investment fails to comply with these requirements, it may be subject to civil or criminal liability and the imposition of fines.

Under the FPA, the Federal Energy Regulatory Commission (“FERC”) regulates wholesale sales of electricity and the transmission of electricity in interstate commerce by “public utilities” (as defined under the FPA) and places constraints on the conduct of their business. In addition, such businesses are subject to regulation by state agencies. Prior FERC or state approvals may be required before investing in regulated public utilities.

Assets in this sector may also face regulatory risk imposed by various transmission providers and operators. Transmission providers have FERC-approved tariffs that govern access to their transmission systems, and these tariffs may contain provisions that limit access to the transmission grid or allocate scarce transmission capacity in a particular manner.

*Investments in the Utility Industry Generally.* The Client may make certain investments in and relating to the utility asset class. In many regions, including the United States, the electric utility industry is experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. In response, for example, FERC has proposed regulatory changes to increase access to the nationwide transmission grid by utility and non-utility purchasers and sellers of electricity; similar actions are being taken or contemplated by regulators in other countries. A number of countries, including the U.S., are considering or implementing methods to introduce, promote, and retain competition. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation projects in which the Client may invest may come under increasing pressure. Deregulation is fueling the current trend toward consolidation among domestic utilities, but also the disaggregation of many vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry.

PUHCA provides that any entity that owns, controls or holds power to vote 10% or more of the outstanding voting securities of a “public utility company” (which is defined to include an “electric utility company”) or a company that is a “holding company” of a public utility company or public utility holding company, is subject to certain regulations granting FERC access to books and records and oversight over certain affiliate transactions. Furthermore, state public utility commissions in the U.S. have historically had broad authority to regulate both the rates charged by, and the financial activities of, electric utilities that sell electricity at retail and other public utilities that provide utility service to the public. There can be no assurance that any such regulatory oversight will not prove overly burdensome on an investment by the Client in the utility asset class.

*Interconnection and Delivery Risk.* Portfolio investments in electric utilities may deliver energy to off-takers by interconnecting to the transmission network and may have interconnection agreements in place to do so. In order to be connected to a transmission network, a portfolio company may be required to meet certain technical specifications. If a portfolio company does not meet, or ceases to comply with, these specifications, such portfolio company will not be able to connect to, or remain connected to, the transmission network. A portfolio company may also incur liabilities and penalties, including disconnection from the network, if the transmission of electricity does not comply with applicable technical requirements. A portfolio company also faces the risk that its ability to deliver energy consistent with expectations could become constrained due to failure of the interconnection provider to complete any necessary system upgrades within the timeframe contemplated. Additionally, due to the way interconnection lines are managed, the required system upgrade costs are not yet fully known and it is possible these costs could be higher than anticipated. In addition, pursuant to interconnection agreements, the transmission owners and/or operators may retain the right to interrupt or curtail transmission deliveries as required in order to maintain the reliability of the transmission network. As such, portfolio companies may face curtailment of output due to system congestion, outages, technical incidents or other circumstances impacting transmission network operations, and transmission owners and/or operators may fail to meet contracted obligations or terminate affected contracts. Any such curtailment of output could adversely affect the cash flows of a portfolio investment. Transmission owners also will not usually compensate electricity generators, including portfolio companies, for lost income due to any congestion, network outages or other technical incidents. In addition, if a portfolio company fails to meet the milestones in the interconnection process, such portfolio company may lose its position in the transmission planning queue, which may result in significantly increased cost and delay.

*Uncertainty of Estimates and Completeness.* Estimates of natural resources reserves by qualified engineers are often a key factor in evaluating certain energy infrastructure investments. The process of estimating natural resources reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, weather, engineering, economic and other data for each reservoir or location. These estimates are subject to wide variances based on, among others, changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such reserve estimates to be significantly revised from time to time, which may create significant changes in the value of energy infrastructure assets.

Metrics used to analyze whether potential projects will be suitable investments are dependent in part on these sometimes uncertain estimates. Due to these complexities, the Adviser cannot guarantee that the information provided to Partnership investors in the IPMs, FIDMs or any other reports or memoranda will be true. Moreover, the Adviser cannot guarantee that the memoranda will provide or be able to supply all of the pertinent information relevant to the investors when analyzing a potential investment.

*Cyclical nature of Energy Sector.* Industries within the energy sector are cyclical with fluctuations in commodity prices and demand for, and production of, commodities driven by a variety of factors. The highly cyclical nature of the industries within the energy sector may lead to volatile changes in commodity prices, which may adversely affect the earnings of energy-related assets in which a Client may invest and the performance and valuation of a Client's portfolio. World energy markets are currently experiencing a range of challenges that may remain in place or grow in intensity throughout the life of a Client. Such challenges include depressed and/or volatile commodity prices; variations in commodity production and importation in certain relevant markets; competing technologies that impact consumer demand for one or more commodities; and the effect of domestic and foreign regulation of commodity production and consumption. Oil prices have undergone a significant and sustained decline since the peak in 2014. The declines in worldwide oil prices have had a significant impact on the financial performance of companies in this sector of the economy, and as a result demand for new products and services has declined severely during and since 2015 as they have sought to reduce expenditures. While the Adviser believes its Clients are well-positioned to succeed in the current market environment and meet their investment objectives, there can be no assurance that such challenges will not adversely affect the performance and returns of any portfolio investment or any Client.

*Supply Risk.* A decrease in the production of natural gas, crude oil, or other energy commodities could reduce the cash flows of energy-related portfolio investments. The volume of production of energy commodities and the volume of energy commodities available for transportation, storage, processing or distribution could be affected by a variety of factors, including depletion of resources; depressed commodity prices; catastrophic events; unfavorable labor relations; increased environmental or other governmental regulation; equipment malfunctions and maintenance difficulties; import volumes; international politics; policies of the Organization of the Petroleum Exporting Countries ("OPEC"); and increased competition from alternative energy sources.

*Demand Risk.* A decline in demand for natural gas, natural gas liquids, crude oil, and refined petroleum products could adversely affect the cash flows of energy-related portfolio investments. Factors that could lead to a sustained decrease in market demand include a recession or other adverse economic conditions, an increase in the market price of the underlying commodity that is not, or is not expected to be, merely a short-term increase, higher taxes or other regulatory actions that increase costs or a shift in consumer demand for such products. Demand may also be adversely affected by consumer sentiment with respect to global warming and by state or federal legislation intended to promote the use of alternative energy sources.

*Midstream Risks.* Midstream assets that provide crude oil, refined product and natural gas services are subject to supply and demand fluctuations in the markets they serve, which will be impacted by a wide range of factors, including: fluctuating commodity prices; weather; increased conservation or use of alternative fuel sources; increased governmental or environmental regulation; depletion, rising interest rates; declines in domestic or foreign production; accidents or catastrophic events; and economic conditions, among others. Pipeline businesses are subject to the demand for natural gas, natural gas liquids, crude oil or refined products in the markets they serve, changes in the availability of products for gathering, transportation, processing, or sale due to natural declines in reserves and production in the supply areas serviced by the businesses' facilities, sharp decreases in crude oil or natural gas prices that cause producers to curtail production or reduce capital spending for exploration activities and environmental regulation. Demand for gasoline, which accounts for a substantial portion of refined product transportation, depends on price, prevailing economic conditions in the markets served and demographic and seasonal factors. Companies that own interstate pipelines that transport natural gas, natural gas liquids, crude oil, or refined petroleum products are subject to regulation by FERC with respect to the tariff rates they may



charge for transportation services. An adverse determination by FERC with respect to the tariff rates of such a company could have a material adverse effect on its business, financial condition, results of operations and cash flows of those companies and their ability to pay cash distributions or dividends. In addition, FERC has a tax allowance policy, which permits such companies to include in their cost of service an income tax allowance to the extent that their owners have an actual or potential tax liability on the income generated by them. If FERC's income tax allowance policy were to change in the future to disallow a material portion of the income tax allowance taken by such interstate pipeline companies, it would adversely impact the maximum tariff rates that such companies are permitted to charge for their transportation services, which would in turn adversely affect the results of operations and cash flows of those companies and their ability to pay cash distributions or dividends to their unit holders or shareholders. Gathering and processing companies are subject to: natural declines in the production of oil and natural gas fields that utilize gathering and processing facilities as a way to market their production; prolonged declines in the price of natural gas or crude oil, which curtail drilling activity and therefore production; and declines in the price of natural gas liquids and refined petroleum products, which cause lower processing margins. In addition, some gathering and processing contracts subject the gathering or processing company to direct commodities price risk.

*Upstream Risks.* Exploration, development, and production companies are particularly vulnerable to declines in the demand for and prices of crude oil and natural gas. Reductions in prices for crude oil and natural gas can cause a given reservoir to become uneconomic for continued production earlier than it would if prices were higher, resulting in the plugging and abandonment of, and cessation of production from, that reservoir. In addition, lower commodity prices not only reduce revenues but also can result in substantial downward adjustments in reserve estimates. The accuracy of any reserve estimate is a function of the quality of available data, the accuracy of assumptions regarding future commodity prices and future exploration and development costs and engineering and geological interpretations and judgments. Different reserve engineers may make different estimates of reserve quantities and related revenue based on the same data. Actual oil and gas prices, development expenditures and operating expenses will vary from those assumed in reserve estimates, and these variances may be significant. Any significant variance from the assumptions used could result in the actual quantity of reserves and future net cash flow being materially different from those estimated in reserve reports. In addition, results of drilling, testing and production and changes in prices after the date of reserve estimates may result in downward revisions to such estimates. Substantial downward adjustments in reserve estimates could have a material adverse effect on a given exploration and production company's financial position and results of operations. In addition, due to natural declines in reserves and production, exploration and production companies must economically find or acquire and develop additional reserves in order to maintain and grow their revenues and distributions.

*Downstream Risks.* Downstream companies are businesses engaged in refining, marketing, and other "end-customer" distribution activities relating to refined energy sources, such as: customer-ready natural gas, propane and gasoline; the production and manufacturing of petrochemicals including olefins, polyolefins, ethylene, and similar co-products as well as intermediates and derivatives; and the generation, transmission, and distribution of power and electricity. In addition to the other risks described herein, downstream companies may be more susceptible to risks associated with reduced customer demand for the products and services they provide.

*Investments in Undervalued Assets.* The Adviser may seek to invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there can be no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation,

these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a Client's investments may not adequately compensate investors for the business and financial risks assumed.

A Client may incur substantial losses related to assets purchased on the belief that they were undervalued by their sellers, if they were not in fact undervalued at the time of purchase. In addition, a Client may be required to hold such assets for a substantial period of time before realizing their anticipated value. And, there can be no assurance that the value of the asset would not decline during such time. Moreover, during this period, a portion of a Client's assets would be committed to those assets purchased, thus preventing the Client from investing in other opportunities.

*Joint Investments with Third Parties.* A Client may acquire interests in certain portfolio investments (including non-control or minority investments) in cooperation with third-party partners or co-investors through jointly-owned acquisition vehicles, joint ventures or other structures. The Adviser or its affiliate may offer co-investment opportunities to any or all of the investors.

In these co-investment situations, a Client's ability to manage such portfolio investments will depend upon the nature and terms of the joint arrangements with such partners and the Client's relative ownership stake in the portfolio investment, each of which will be determined by negotiation at the time of the investment and the determination of which is subject to the discretion of the Adviser. Depending on the Adviser's perception of the relative risks and rewards of a particular portfolio investment, the Adviser may elect to invest in structures that afford relatively little or no operational or management control to a Client. The Adviser may enter into such arrangements on terms that restrict a Client's ability to dispose of its portfolio investment for potentially significant periods of time. A Client may invest under circumstances where it does not control the portfolio investment and where a third party does control the portfolio investment. Such arrangements present risks not present with wholly owned investments, such as the possibility that a co-investor becomes bankrupt, develops business interests or goals that conflict with a Client's interests and goals in respect of the portfolio investment or acts in a way that results in the triggering of a buy/sell provision or other governance provision at an inopportune time.

*Quanta as a Service Provider.* It is expected that Quanta may provide EPC and other services to many or all of the assets and companies in which its Clients will invest. Because Quanta has a core services business, it may be constrained by its capacity to provide its construction services to the assets of a Client. Quanta's ability to provide construction services could restrict or prevent a Client from participating in potential investments. Any failure by Quanta to adequately provide contracted services with respect to a portfolio investment may adversely affect a Client and its returns.

*Liquidity Considerations.* The investments to be made by a Client are generally expected to be illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale, refinancing or other disposition by a Client. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

*Investments Longer than the Client's Term.* The Adviser may make investments which may not be advantageously disposed of prior to the date on which a Client's engagement with the Adviser will be terminated. The Adviser may have to sell, distribute or otherwise dispose of investments at

times of market volatility or uncertainty or at an otherwise disadvantageous time. As a result, a Client may sell, distribute or otherwise dispose of its investments for a price which is less than the price that could have been obtained if the investments were held for a longer period of time.

*Bankruptcy Considerations.* Investments made in assets, or instruments or securities of an entity operating in restructuring situations or under Chapter 11 of the U.S. Bankruptcy Code could be subordinated or disallowed, and, if the Adviser inappropriately exercises control over the management and policies of the debtors, a Client could become liable to third parties in such circumstances. Furthermore, distributions made to a Client in respect of such investments, and in the case of the Partnership distributions to Partnership investors, could be required to be repaid to the creditors of such investment, with interest, if such distributions are found to be a fraudulent conveyance or preferential payment.

*Leverage and Interest Rates.* Most, if not all, of the investments of a Client may utilize leverage, in which case lenders would be entitled to cash flow prior to a Client receiving a return. Although the Adviser will seek to use leverage in a manner it believes is appropriate under the circumstances and in line with industry practices, the leveraged capital structure of a portfolio investment may significantly increase the exposure of such portfolio investment to adverse economic factors, such as rising interest rates, downturns in the economy, or deterioration in the condition of the portfolio investment. Specifically, fluctuations in interest rates and the Federal Reserve's monetary policies in countries worldwide may adversely affect the ability of a Client to acquire and dispose of investments and may also adversely affect the performance of a Client's investments. Additionally, financing may prove difficult to obtain on competitive terms depending on the market environment.

*Risks Associated with Unspecified Transactions.* The offering described in Clients' offering memorandum may not specify particular assets, instruments or securities that will be acquired by that Client, and investors will not have an opportunity to evaluate specific investments (e.g., asset portfolios, etc.) prior to investing in a Client. Investors will be relying on the ability of the Adviser and its affiliates with respect to the sourcing and evaluation of potential investments to be presented to a Client. However, in the case of the Partnership and pursuant to the Partnership Gates, investors will be responsible for making a decision over whether to participate in such potential investments. Nevertheless, the Adviser and its affiliates may be unable to find a sufficient number of attractive opportunities to meet the Partnership's or any other Client's investment objectives. Alternatively, the Adviser and its affiliates may source deals that are suitable for a Client but which cannot be offered to that Client due to specific reasons set out in the Client's principal terms. Any failure to adequately provide suitable opportunities may inhibit the intended business strategy of the Client and limit investors' potential return.

*Counterparty Risk.* Counterparty risk is the risk of loss due to a counterparty's default. The long-term financial performance of a Client is partially dependent on the creditworthiness and performance of counterparties with regard to a variety of agreements and arrangements. If a counterparty is unable or chooses not to meet its obligations, financial or otherwise, a Client may be adversely impacted. Such risks may arise in a variety of contexts, including, among others, any contingent consideration upon the sale of a portfolio investment that may result from an "earnout" or other provision.

*Expedited Transactions.* Investment analyses and decisions by the Adviser may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time an investment decision is made may be limited, and the Adviser may not have access to detailed information regarding the potential portfolio investment. Therefore, no assurance can be given that the Adviser or the General Partner will have

knowledge of all circumstances that may adversely affect such portfolio investment. If the Adviser causes a Client to invest in such potential portfolio investment, such unknown circumstances may adversely affect the value of such portfolio investment. Moreover, the organization of Quanta's business is such that the Adviser cannot guarantee that it will be able to get all relevant information pertinent to a deal or to all suitable investments to the Quanta board of directors for review in a timely manner. If the information is not delivered and reviewed within the applicable timeline, the Adviser may not be able to pursue certain opportunities that would have been suitable investments for one or more Clients.

*Third Party Litigation.* The Adviser's investment activities are subject to third-party litigation risks. In connection with such litigation actions, a Client would be obligated to bear defense, settlement, and other costs of claims against the Adviser and its affiliates (which may be in excess of coverage therefor provided by insurance acquired at a Client's expense for such purposes), and the Adviser, its affiliates and others are entitled to indemnification under the terms of the partnership agreement and certain agreements entered into by a Client.

*Litigation Involving Management of Infrastructure Assets.* The Adviser may engage one or more third parties to manage certain Clients' portfolio investments under management agreements that are negotiated with each such party. Such parties generally make no assurances to a Client that their management activities will result in any particular level of income or return of initial capital to that Client, although some of these agreements may contain provisions that permit the Client to terminate them if certain performance metrics are not met during relevant time periods. As the number of portfolio investments that is managed by third parties increases, the possibility that a Client may be drawn into litigation and/or arbitration relating to these managed assets may also increase. If the Adviser decides to terminate a manager of a portfolio investment, the Client may be required to pay termination fees or litigation costs in connection with a dispute over such termination. Although a Client's management agreements may contain contractual protections and indemnities that are designed to limit its exposure to such litigation, such provisions may not be effective and a Client may be subject to a significant loss in a successful litigation by a third-party manager.

*Regulatory Approvals and Consents.* A Client may not receive the initial regulatory approval which may be needed to acquire a particular portfolio investment, including after substantial costs have been incurred pursuing such portfolio investment. Additional or unanticipated regulatory approvals, including, without limitation, renewals, extensions, transfers, assignments, reissuances, or similar actions, may be required to acquire energy infrastructure assets, and additional approvals may become applicable in the future due to a change in laws and regulations, a change in such portfolio investment's customers or for other reasons. Furthermore, permits or special rulings may be required on taxation, financial and regulatory related issues. There can be no assurance that each portfolio investment will be able, without significant cost or at all, to obtain all required regulatory approvals that it does not yet have or that it may require in the future; obtain any necessary modifications to existing regulatory approvals; or maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility or sales to third parties or could result in additional costs to a portfolio investment and a Client.

*CFIUS Risks.* A Client may engage in transactions in connection with which regulatory filings by that Client, including a filing with CFIUS, may be required or advisable. CFIUS is an inter-agency committee authorized to review transactions that could result in control of a U.S. business by a foreign person, in order to determine the effect of such transactions on the national security of the

United States. CFIUS has broad authority to review, investigate and/or block any such transaction. A review or investigation by CFIUS of a transaction by a Client could lead to a delay or termination of such transaction. Any such development may adversely affect the consummation of a portfolio investment and/or the returns of that Client.

*Sale-Leaseback Transactions.* A Client may enter into sale-leaseback transactions, whereby it would purchase an asset and then lease the same asset back to the seller from which the Client purchased it. In the event of the bankruptcy of a seller, a transaction structured as a sale-leaseback may be re-characterized as either a financing or a joint venture, either of which outcomes could adversely affect that Client. If a sale-leaseback were re-characterized as a financing, the Client might not be considered the owner of the asset, and as a result would have the status of a creditor in relation to the seller. In that event, the Client would no longer have the right to sell or encumber its ownership interest in the asset. Instead, the Client would have a claim against the seller for the amounts owed under the lease, with the claim arguably secured by the asset. The seller might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, the Client could be bound by the new terms, and prevented from foreclosing its lien on the asset. If the sale-leaseback were re-characterized as a joint venture, the Client could be treated as a co-venturer with its lessee with regard to the property. As a result, the Client could be held liable, under some circumstances, for debts incurred by the lessee relating to the asset. Either of these outcomes could have an adverse effect on the Client.

*Risks Associated with Hedging Policies.* The Adviser may employ hedging techniques in connection with the acquisition, holding, financing, refinancing, or disposition of certain portfolio investments, in order to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates or to otherwise enhance returns. While hedging transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while a Client may benefit from the use of these hedging mechanisms, unanticipated changes in commodity prices, interest rates, securities prices, currency exchange rates or other events relating to such hedging transactions may result in a poorer overall performance for a Client or its portfolio investments than if it had not entered into such hedging transactions.

*Derivative Instruments.* A Client may enter into or invest in financial derivatives, which may include forwards, options, swaps, structured securities and other contracts and instruments the price or value of which is derived from one or more underlying securities, currencies, reference obligations, or other assets or indices. Derivatives allow a party to hedge exposure to, or establish a long or short position in, the price or value of one or more securities, currencies, reference obligations, or other assets, or indices at a fraction of the cost of investing in the underlying asset directly. Derivatives may also be acquired as a direct, stand-alone investment. The price or value of financial derivatives may be highly volatile.

The price or value of a derivative depends largely upon price and value movements in the underlying security, instrument or asset to which it refers. Therefore, many of the risks applicable to trading the underlying security are also applicable to its derivative. However, there are a number of other risks associated with derivatives. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than, for example, any premium paid or amount deposited as collateral when the transaction is entered into, a relatively small adverse market movement can result in a relatively large loss, perhaps exceeding the original amount of equity invested. In addition, financial derivatives generally expose a Client to the risk that the parties with which the Client deals (such as large financial institutions that provide prime brokerage services) will not perform their obligations for insolvency, credit, or other reasons. Such non-

performance could expose the Client to losses. Derivatives may also expose a Client to liquidity risk, as the Client may want to sell, assign or terminate early a derivative, and may not be able to do so without incurring substantial losses.

*Counterparty Non-Payment; Defaults and Terminations of Agreements by Lessees of a Client's Assets.* A Client's assets may be leased to numerous customers. Lease payments and other compensation, as well as indemnification for damage to or loss of leased assets, are generally payable by the end users under leases and other arrangements. Inherent in the nature of the leases and other arrangements for use of such assets is the risk that once a lease is consummated, the Client may not receive, or may experience delay in realizing, all of the compensation and other amounts to be paid in respect of the leased assets. In general, the likelihood that a Client will receive all of the compensation to which it is entitled with respect to such assets is predicated upon the creditworthiness of each counterparty. There can be no assurance that such counterparties will be able to meet their obligations to a Client as they become due, and any failure to meet such obligations could have an adverse effect on a Client's results of operations.

Furthermore, lessees may not provide detailed financial information regarding their operations to the Adviser. As a result, lessee risk is expected to be in part assessed on the basis of a Client's lessees' reputation in the market, and there can be no assurance that they can or will fulfill their obligations under the contracts a Client enters into with them. A Client's lessees could incur financial difficulties, or otherwise have difficulty making payments to the Client when due for any number of factors which may be out of the Adviser's control and which it may be unable to anticipate. If a sufficient number of a Client's lessees were to default or were to terminate or restructure their agreements with the Client, in particular one or more of the Client's largest lessees, it could have an adverse effect on the Client's results or operations. The Adviser does not intend to maintain any credit insurance with respect to non-payment of receivables by a Client's lessees. When lessees default, a Client may fail to recover all of its leased assets, and the assets the Client does recover may be returned in damaged condition or to locations where the Client will not be able to efficiently re-lease or sell them. A Client may have to repair and reposition such recovered assets to other places where it can re-lease or sell them, which could be expensive, depending on the locations and distances involved. As a result, a Client may lose lease or management revenues and incur additional operating expenses in repossessing, repositioning, repairing, and storing such assets.

*Rising Fuel Costs.* Fuel prices and supplies are influenced significantly by international, political, and economic circumstances. If fuel supply shortages or unusual price volatility were to arise for any reason, the resulting higher fuel prices may increase the costs associated with operating certain of a Client's portfolio investments.

*Commodity Price Risk.* Some portfolio investments may be subject to commodity price risk, including, without limitation, the price of electricity and the price of fuel. The operation and cash flows of any portfolio investment may depend, in some cases to a significant extent, upon prevailing market prices for energy commodities (such as oil, gas, coal and power). Commodity prices have been, and are likely to continue to be, volatile and subject to wide fluctuations in response to any of the following factors: relatively minor changes in the supply of and demand for oil, gas, or coal; market uncertainty; political conditions in international commodity producing regions; the extent of domestic production and importation of oil, gas, or coal in certain relevant markets; the level of consumer demand; the price of steel and the outlook for steel production; weather conditions; the competitive position of oil, gas or coal as a source of energy as compared with other energy sources; the industry-wide refining or processing capacity for oil, gas or coal; the effect of United States and foreign federal, state, and local regulations on the production, transportation and sale of

commodities; the expected consumption of coking coal in steel production; and the amount and character of excess electric generating capacity in a market area. The market prices of electricity and fuel may fluctuate materially depending upon a wide variety of factors, including, without limitation, weather conditions, foreign and domestic market supply and demand, force majeure events, changes in law, governmental regulations, price and availability of alternative fuels and energy sources, international political conditions, including those in the Middle East, the actions of OPEC and other oil- and natural gas-producing nations, and overall economic conditions. Declines in worldwide oil prices and changes in energy-related infrastructure, including shale-related reserves, the collapse of OPEC and the emergence of Iran as a producer, have had a significant impact on the financial performance of companies in this sector of the economy in 2016 and could influence the prices and viability of some portfolio investments.

*Market Disruption and Geopolitical Risk.* Wars in and U.S. occupation of Iraq and Afghanistan, conflict in Syria and Ukraine, recent internal, popular challenges to governments of certain countries in the Middle East, terrorism and related geopolitical risks have led to, and may in the future lead to, increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. These risks could adversely affect individual asset classes and the markets therefor, inflation and other factors relating to Clients and to their portfolio investments.

*Risks Associated with International Investments.* A Client's international operations will be subject to most of the same risks associated with U.S. operations as well as additional risks, such as fluctuations in foreign currency exchange rates, unexpected changes in regulatory requirements, difficulties in managing international operations, potentially adverse tax consequences, increased accounting and control expenses, and the burden of complying with a wide variety of foreign laws, including foreign tax return filing or information reporting requirements for the Client or its investors. Other risks associated with non-U.S. investments may include the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and varying amounts of government supervision and regulation. Legal and regulatory systems abroad may differ in a number of respects, including with respect to the rights and remedies available to investors, from the U.S. legal system. Non-U.S. investments and operations are subject to certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, heightened risks of economic, political or social instability in certain geographic locations and the possibility of expropriation or confiscatory taxation or the imposition of foreign taxes, including withholding taxes, on income and gains recognized with respect to investments.

*Asset-Level Management; Reliance on Third-Party Professionals.* The Adviser may contract the management of a portfolio investment to a third-party management company unrelated to the Adviser. If so, the day to day operations of each portfolio investment will be the responsibility of such third parties. Although the Adviser will be responsible for monitoring the performance of each portfolio investment, there can be no assurance that the manager of any portfolio investment will be able to operate such portfolio investment in accordance with a Client's plans and objectives. Additionally, the Adviser may rely on Quanta for the provision of services to and/or the management of the portfolio investments of the Client. Any such manager or service provider's breach of the applicable agreements or the failure of such a manager or service provider to make decisions, perform its services, discharge its obligations, deal with regulatory agencies or comply with laws, rules, and regulations affecting the particular portfolio investment, including environmental laws and regulations, in a proper manner, or to act in ways that are in the applicable portfolio investment's best interest could result in material adverse consequences to the portfolio investment or the cash flow generated by the portfolio investment. Moreover, any such termination

may require a Client to pay termination or other related expenses. Should a manager or service provider fail to perform under any applicable agreements, the Adviser may need to find a replacement manager or service provider, which replacement may be subject to approval by a governmental entity. The Adviser may not be able to replace the manager or service provider, or do so on a timely basis, or if the Adviser is able to find a replacement, such replacement may demand terms that are unfavorable to a Client.

*Governmental and Regulatory Risks Generally.* In many instances, the operation or acquisition of energy infrastructure assets involves an ongoing commitment to or from a governmental agency. The nature of these obligations and dependencies exposes the owners of infrastructure assets to a higher level of regulatory control than typically imposed on other businesses. Where a portfolio investment involves a concession or lease from the government or agency thereof, the concession or lease may restrict such portfolio investment's ability to operate in a way that maximizes cash flows and profitability. The lease or concession may also contain clauses more favorable to the government counterparty than a typical commercial contract. For instance, the lease or concession may enable the government to terminate the lease or concession in certain circumstances without requiring payment of adequate compensation. Governmental entities have considerable discretion to change or increase regulation of the operations of the transportation or infrastructure assets or to implement laws, regulations or policies affecting their operations, separate from any contractual rights that the government counterparties may have.

*Recent, Potential, Proposed and Unforeseen Tax Legislation.* Certain tax reform measures may be considered under the current administration of the United States. It is currently unclear if and how such tax reform measures could affect the Partnership and the Limited Partners. In addition, developments in the tax laws of the United States or other jurisdictions, which may be applied retroactively, could have a material effect on the tax consequences to the Limited Partners and the Partnership. For example, the U.S. Congress has considered and may reintroduce proposed legislation that, if enacted into law, would treat certain income allocations as ordinary income. It is unclear whether any such legislation would, if adopted, subject certain income allocations to limitations on deductibility for U.S. federal income tax purposes, or would otherwise affect the Partnership or Limited Partners. At this stage, it is not possible to predict which, if any, changes will be enacted into law.

In addition, the recently enacted Bipartisan Budget Act of 2015 changes the rules applicable to U.S. federal income tax audits of partnerships such as the Partnership. Under the new rules (which are generally effective for taxable years beginning after December 31, 2017) (the "New Partnership Audit Rules"), among other changes and subject to certain exceptions, any audit adjustment to items of income, gain, loss, deduction, or credit of a partnership (and any partner's distributive share thereof) is determined, and taxes, interest, or penalties attributable thereto are assessed and collected, at the partnership level. Although it is uncertain how these new rules will be implemented, it is possible that they could result in the Partnership being required to pay additional taxes, interest and penalties as a result of an audit adjustment. In addition, any such taxes or other payments will be allocated among, and the cost of such taxes will be economically borne by, Limited Partners.

In addition, the Internal Revenue Service (the "Service") and the U.S. Department of the Treasury (the "Treasury Department") recently announced final regulations that recharacterize for U.S. federal income tax purposes certain debt instruments issued between certain related parties as equity, thereby disallowing any deduction for interest paid with respect to such instrument. These rules are not expected to apply to any debt issued by a U.S. corporation to the Partnership. Nevertheless, the Service and the Treasury Department have indicated that they are considering



whether and how such rules should be expanded to apply to loans of this nature. Final rules may adversely affect the ability of a U.S. corporation in which the Partnership invests to claim interest deductions with respect to debt issued to the Partnership.

Tax laws are subject to change at any time. Portfolio Investments may be held by the Partnership for an extended period of time during which new and unforeseen changes in tax laws, such as changes to capital gains tax rates, could impact a Portfolio Investment's and the Partnership's investment returns.

*Rate Regulation.* Energy infrastructure assets may be subject to rate regulation because of their unique position as the sole or predominant provider of services that are essential to the community. Portfolio investments may be subject to rate regulation that determines or limits the prices that may be charged, particularly if the portfolio investment is the sole or predominant service provider in its service area or provides services that are essential to the community. In addition, portfolio investments may be subject to unfavorable price determinations that may be final with no right of appeal or that, despite a right of appeal, could result in portfolio investments not meeting return expectations.

*Inflation Risk.* Portfolio investments may have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. Typically, as inflation rises, a company will earn more revenue, but will incur higher expenses; as inflation declines, a company may not be able to reduce expenses in line with any resulting reduction in revenue. While many infrastructure assets rely on concessions to mitigate the inflation risk to cash flows through escalation provisions linked to the inflation rate, these provisions do not protect against the risk of a rise in real interest rates. Such a rise in real interest rates may create higher financing costs for infrastructure assets and a reduction in the amount of cash generated by a portfolio investment.

*Public Demand and Usage.* Even though the Adviser will generally target assets which are anticipated to be subject to lower risk of declining demand, usage and patronage, the Adviser may not be able to eliminate these risks. To the extent that the Adviser's or its affiliates' assumptions regarding the demand, usage, and patronage of assets prove incorrect, a Client's financial returns could be adversely affected. Also, some portfolio investments may be subject to seasonal variation. Accordingly, the operating results for certain portfolio investments in any particular quarter may not be indicative of the results that can be expected for such portfolio investments throughout the entire year.

*Bypass Risk.* Bypass risk arises where a change could occur in the way an infrastructure service or product is delivered, rendering it obsolete and allowing a competitor or user of such service or product to bypass it. If the portfolio investments are subject to bypass, they may lose revenues and cash flows may be adversely impacted. Further, if a change were to occur that made any infrastructure assets obsolete, such infrastructure assets may have very few, if any, alternative revenue generating uses.

*Potential Environmental Liability.* Certain of a Client's assets may be subject to federal, state, local, and foreign laws and regulations relating to the protection of the environment, including those regulating discharges to air and water, health and safety and the use, transportation, and disposal of hazardous substances. Under various non-U.S. and U.S. federal, state, and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, in or attributable to such property and for other violations of environmental laws. Such laws often impose such liability without regard to

whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances or such violation. The cost of any required remediation and the owner's liability therefor as to any property are generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, the failure to properly remediate contamination from such substances or the existence of such violation, may adversely affect a Client's ability to sell real estate that it acquires, either as an equity investment or through foreclosure on a loan investment, or to borrow using such property as collateral. Further, a Client's business may involve the transportation of hazardous materials. An accidental release of hazardous materials could result in significant loss of life and extensive property damage. The costs associated with an accidental release could have a material adverse effect on a Client's results of operations, financial condition or liquidity. While the Adviser intends to maintain insurance and require lessees to indemnify a Client or the applicable portfolio investments against certain losses, such insurance and indemnities may not cover or be sufficient to protect the Client or such portfolio investments against losses arising from environmental damage.

*Documentation and Legal Risks.* Energy infrastructure assets, and investments therein or financing thereof, are often governed by a complex series of legal documents and contracts. As a result, the risk of dispute over interpretation or enforceability of the documentation may be higher than for other investments. In addition, it is not uncommon for infrastructure assets to be exposed to a variety of other legal risks. These can include, but are not limited to, environmental issues, land expropriation and other property-related claims, industrial action, and legal action from special interest groups.

*Land Title Risk.* Certain portfolio investments may require large areas of land to install and operate equipment and associated infrastructure. The rights to use the necessary land may be obtained through freehold title, easements, leases and other rights of use. Different jurisdictions adopt different systems of land title, and in some jurisdictions it may not be possible to ascertain definitively who has the legal right to enter into land tenure arrangements with portfolio companies. In addition, the grantor's fee interests in the land that is the subject of such easements and leases are or may become subject to mortgages securing loans, other liens (such as tax liens) and other lease rights of third parties (such as leases of oil, gas, coal, or other mineral rights). As a result, a portfolio company's rights under such leases or easements are or may be subject and subordinate to the rights of third parties. It is also possible that a default by the grantor under any mortgage could result in a foreclosure on the grantor's interest in the property and thereby terminate the portfolio company's right to the leases and easements required to operate such portfolio company. Similarly, it is possible that a government authority, as the holder of a tax lien, could foreclose upon a parcel and take possession of the portion of the portfolio company located on such parcel. The rights of a third party pursuant to a superior lease (such as leases of oil, gas, coal, or other mineral rights) could also result in damage to or disturbance of the physical assets of a portfolio investment or require relocation of portfolio company assets. If any portfolio companies were to suffer the loss of all or a portion of their underlying real estate interests or equipment as a result of a foreclosure by a mortgagee or other lienholder of a land parcel, or damage arising from the conduct of superior leaseholders, such portfolio company's operations and revenues may be adversely affected.

*Construction Risk.* In connection with any new development project, expansion of a facility or acquisition of a facility in late-stage development, whether domestic or cross-border, a portfolio investment may also face construction risks typical for businesses, including, without limitation: labor disputes, shortages of material and skilled labor or work stoppages; slower than projected construction progress and the unavailability or late delivery of necessary equipment; less than optimal coordination with public utilities in the relocation of their facilities; adverse weather

conditions and unexpected construction conditions; accidents or the breakdown or failure of construction equipment or processes; catastrophic events, such as explosions, fires and terrorist activities, and other similar events beyond a Client's or applicable portfolio investment's control; and in the case of cross-border development and transactions, the intervention or lack of any requisite approval or consent from a foreign governmental entity, as well as logistical difficulties associated with the movement of capital and equipment across international borders. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction activities once undertaken, any of which could have an adverse effect on a Client. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor, and building material costs in excess of expectations and unanticipated problems with project start-up. Delays in project completion can result in an increase in total project construction costs through higher capitalized interest charges and additional labor and material expenses and, consequently, an increase in debt service costs and insufficient funds to complete construction. Delays may also result in an adverse effect on the scheduled flow of project revenues necessary to cover the scheduled operations phase debt service costs, lost opportunities, increased operations and maintenance expenses, and damage payments for late delivery.

Portfolio investments under development or portfolio investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such portfolio investments less attractive than at the time they were commenced. In addition, there are risks inherent in construction work that may give rise to claims or demands against a portfolio investment from time to time.

*Labor Intensive Business.* The development of energy infrastructure projects is generally a labor intensive business. The ability of Quanta and other project developers to maintain productivity and profitability in relation to a project is limited by their ability to employ, train, and retain the necessary skilled personnel. Quanta (or the third-party project developer) may not be able to maintain an adequate skilled labor force necessary to operate efficiently. For instance, Quanta (or the third-party project developer) may experience shortages of qualified journeyman linemen, who are integral to the provision of transmission and distribution services. The commencement of new, large-scale infrastructure projects or increased demand for infrastructure improvements, as well as the aging electric utility workforce, may also further reduce the pool of skilled workers available to Quanta (or the third-party project developer). In the oil and gas infrastructure sector, there is limited availability of experienced supervisors and foremen that can oversee large mainline pipe projects. A shortage in the supply of these skilled personnel creates competitive hiring markets and may result in increased labor expenses.

*Development Risks.* Successful development of new or expansion projects entails a variety of risks (some of which may be unforeseeable at the time a project is commenced) and may require the involvement of a broad and diverse group of stakeholders who will either directly influence or potentially be capable of influencing the nature and outcome of the project. Such characteristics may include: political or local opposition; receipt of regulatory approvals or permits; site or land procurement; environmentally related issues; construction risks and delays; labor disputes; counterparty non-performance; project feasibility assessment; and dealings with and reliance on third party consultants. When making a portfolio investment, value may be ascribed to potential development projects that do not achieve successful implementation, potentially resulting in lower than expected returns to a Client.

*Project Performance Issues.* Many energy infrastructure projects involve challenging engineering, permitting, procurement and construction phases that may occur over extended time periods, sometimes over several years. A Client, or its portfolio companies may encounter difficulties as a result of delays in design, engineering information or materials provided by the customer or a third party, delays or difficulties in equipment and material delivery, schedule changes, delays due to the project developer or a customer's failure to timely obtain permits or rights of way or meet other regulatory requirements or permitting conditions, weather-related delays, and other factors, many of which are beyond the control of the Adviser, the Client, the portfolio company or the relevant project developer, that can negatively impact the portfolio company's ability to complete the project and in accordance with the original delivery schedule. Also, as the Adviser seeks to participate in larger projects, Clients may face additional performance risks due to the larger and more complex work involved. The bidding processes for larger projects can also be longer and more complex, often taking six to nine months. Further, regulatory and permitting delays on larger projects tend to be more challenging and cause more uncertainty as to project timing.

*Real Estate Risks.* Some of a Client's portfolio investments may be subject to the risks inherent in the ownership and operation of assets or businesses that derive a substantial amount of their value from real estate and real estate-related interests. These types of underlying interests are typically illiquid. Deterioration of real estate fundamentals will likely negatively impact the performance of such portfolio investments. Such changes in fundamentals could involve fluctuations as a result of general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, changes in environmental and zoning laws, casualty or condemnation losses, environmental liability, regulatory limitations on rents, changes in neighborhood values, changes in the appeal of properties to tenants, the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, natural disasters, an increase in interest rates, and other factors that are beyond the control of the Adviser, a Client or applicable portfolio investment. Additionally, a Client may acquire assets in jurisdictions where indigenous rights (e.g., with respect to tribes or other dispossessed people/communities) to land exist and where such rights vary in their scope and potential impact on the Adviser's ability to consummate transactions. While the Adviser generally will conduct due diligence in such jurisdictions to determine the extent to which it may be affected by such rights, it may not be possible to mitigate against or eliminate any or all risks associated with indigenous claims. Additionally, any declaration of title in respect of government protected land on which infrastructure assets are located may negatively affect the operation of those assets.

*Certain Restrictions on Ownership.* Many countries restrict foreign investment in infrastructure assets. These laws could limit a Client's ability to invest in some entities or impose burdensome notification requirements, operational restrictions, or delays in pursuing and consummating transactions and could result in the Adviser excluding (in whole or in part) the participation of certain investors in any such transaction. For example, current U.S. laws give the U.S. government or the President of the U.S. the authority to block acquisitions by foreign persons of U.S. entities if that acquisition threatens to impair national security. The Foreign Investment and National Security Act of 2007 imposes additional government regulation on non-U.S. investment in certain infrastructure assets, including national defense critical infrastructure. These regulations may result in: new or extended governmental reviews (including the investment's effect on national and/or economic security) and/or governmental or regulatory approvals (including by the President of the U.S., Congressional committees and/or various agencies); new or extended notification periods prior to consummation of an investment; and additional restrictions and prohibitions on the ownership, management, and operation of infrastructure assets or companies by non-U.S. persons. As a result of such laws in the U.S. and in other countries, a Client may incur significant delays and costs or be altogether prohibited from making a particular investment, all of which could

adversely affect the Adviser's ability to meet a Client's investment objectives. In addition, such laws may prevent syndication or sale of assets to certain buyers. Further, political attention surrounding any potential transaction could increase governmental scrutiny in the U.S. and in other countries. In Canada, certain provinces regulate and restrict the amount of land that non-residents can acquire. This could inhibit the ability of a Client to participate in certain investment opportunities. Such laws could also encourage other countries to impose reciprocal regulations on foreign investment in certain assets in the name of national security, which could have a corresponding effect of limiting the Client's ability to make portfolio investments in such countries.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment. Prospective Clients and Client investors should read applicable governing documents carefully and consult with their own advisors before deciding to invest.**

C. See Item 8.B. above.

**Item 9 - Disciplinary Information**

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

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

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

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. The General Partner, Quanta Capital, and the Adviser are each indirect, wholly owned subsidiaries of Quanta. Other than these affiliated entities, the Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its Clients.
- D. Generally, the Adviser does not recommend or select other investment advisers for its Clients. However, pursuant to the governing documents of the Partnership, the Adviser may delegate certain of its functions to affiliated sub-advisers or, with the approval of the Advisory Committee, to third-party sub-advisers. Additionally, pursuant to its investment management agreement with Quanta Capital, the Adviser may not delegate its advisory or management duties to a third party without the prior approval of Quanta Capital.

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

- A. The Adviser has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser’s employees. The Code contains policies and procedures that are reasonably designed to ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; requires periodic reporting of employees’ personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

As part of its Code, the Adviser has established procedures reasonably designed to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non-public information and, therefore, such professionals may not trade on the basis of that information.

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

- B. As described in Items 4 and 8 above, in respect of each potential investment that the Partnership may make, it is expected that Quanta or its affiliates may own, in whole or in part, the Project Cos, may provide EPC (as defined above) and other services to such Project Cos or their assets and may co-invest alongside the Partnership. The Adviser expects that similar arrangements may apply to investments of its other Clients. Any failure by Quanta or its affiliates to adequately provide contracted services with respect to a portfolio investment may adversely affect a Client and its investment performance or returns.

Also, as noted in Items 4 and 8 above, the Adviser seeks to address these conflicts and risks in relation to the Partnership through the governance rights and disclosure and other obligations provided for by the Partnership’s governing documentation. In particular, Partnership Investors are provided with disclosure, prior to making a decision as to whether or not to participate in a particular investment opportunity, of the anticipated conflicts, including without limitation whether or not Quanta or its affiliates own the Project Cos to be acquired by the Partnership or whether EPC and other services may be provided to such Project by Quanta or its affiliates. By virtue of the gates process specified by the Partnership’s governing documentation, consent from Partnership investors is required in respect of certain conflictual elements of investment opportunities, including for the purposes of section 206 of the Advisers Act.

Furthermore, Partnership investors are provided with disclosure related to conflicts of interest in the Partnership’s offering and governing documents prior to making capital commitments to the Partnership.

The General Partner has established a limited partner advisory committee of the Partnership (the “Advisory Committee”) composed of (i) one representative of each investor or such investor’s manager and (ii) a non-voting representative of the Adviser or an affiliate of the Adviser. The



Advisory Committee resolves certain issues involving conflicts of interest, is responsible for certain other determinations under the governing documents of the Partnership and provides guidance on such issues as are brought to it by the General Partner. Additionally, the Adviser enforces a robust Code of Ethics that generally requires, subject to the terms of a Client's governing documents, the Adviser and its employees to place the interests of the Clients over their own or those of a related party.

It is critical that Partnership investors review the Partnership's offering and governing documents for a detailed description of potential conflicts of interest related to an investment in the Partnership. The information contained herein is a summary only, and investors and prospective investors are advised to carefully review all conflicts of interest set forth in the relevant offering and governing documents.

- C. In connection with sponsoring the Partnership, the Adviser and certain affiliates have an economic interest in the Partnership, the General Partner, or both and will expend development capital on the development of potential investments for the Partnership. Any parallel vehicle established for Partnership investors will invest alongside the Partnership on substantially the same terms and conditions as and substantially at the same time as the investments in such investment by the Partnership, and any such investment shall be disposed of on substantially the same terms and conditions of and at substantially the same time as the relevant divestments by the Partnership.

Additionally, as provided in the Partnership's governing documents, the Adviser and certain of its affiliates may co-invest alongside the Partnership in a portfolio investment. For more information and certain risk factors with respect to the conflicts that may arise as a result of any co-investment see Item 8 above.

- D. See Item 11.C. above.

**Item 12 - Brokerage Practices**

- A. The Adviser's investment strategy involves making investments for Clients in energy infrastructure assets. As a result, the Adviser does not routinely select or recommend broker-dealers for the purchase and sales of securities but has the authority to do so. Furthermore, the Adviser does not maintain any trading accounts and does not use "soft" dollars received from broker-dealers from the purchase and sales of securities for its Clients.
- B. Not applicable.

**Item 13 - Review of Accounts**

- A. The Adviser maintains comprehensive review procedures for the ongoing monitoring of the portfolio investments of its Clients. In connection therewith, the Adviser conducts periodic reviews of all portfolio company investments held in each Client portfolio. All Adviser investment and operational staff participates in the ongoing monitoring of Client portfolios, although responsibilities vary by individual.
- B. See Item 13.A. above.
- C. The Adviser provides Clients and Partnership investors, if applicable, with written audited annual financial statements, written periodic reports and other written communications.

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

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to its Clients.
- B. With respect to the Partnership, the Adviser has entered into an agreement with a third-party placement agent. This agreement provides for compensation to be paid to the placement agent for referring investors to the Partnership. Under this agreement, the placement agent receives a percentage of the capital commitments attributable to each prospective Partnership investor referred depending upon specific circumstances and restrictions. The presence of this agreement is disclosed to prospective Partnership investors. This arrangement and any future arrangements are conducted in accordance with applicable laws and regulations, including Rule 206(4)-3 of the Advisers Act. Compensation of the placement agent is borne entirely by the Adviser or its affiliates and not by any of its Clients nor by any Partnership investor.

**Item 15 - Custody**

The Adviser is deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Partnership by virtue of the common control of the Adviser and the Partnership. All assets and securities of the Clients are held by qualified custodians. As noted in Item 13 above, Partnership investors receives written annual financial statements audited by an independent public accounting firm. Partnership investors are urged to carefully review these statements and reconcile them with any interim reporting that investors may receive from the Adviser.

## **Item 16 - Investment Discretion**

The Adviser's authority to manage Client accounts is in all cases subject to the specific objectives, guidelines, and limitations set forth in the applicable offering and governing documents. The Adviser accepts discretionary authority to manage the securities of the Partnership, subject to certain limitations as set out below.

As discussed above in Item 4 and pursuant to the terms of the governing documents of the Partnership, investors in the Partnership have the right to opt out of investment opportunities presented by the Adviser. As a result of this opt-out mechanism, it is possible that not all Partnership investors will participate in all investment opportunities and that the Partnership investors may not have the same or similar investment return profiles. Furthermore, if only one Partnership investor has opted in to an investment opportunity (or has been deemed to have opted in pursuant to the terms of the Partnership's governing documents) the Partnership will not proceed with such investment opportunity. Where two or more Partnership investors have not opted out of an investment opportunity, the Adviser contractually assumes authority to decide whether the Partnership proceeds with such investment opportunity. To the extent the Partnership proceeds with any investment opportunity, the Adviser contractually assumes authority to determine on behalf of the Partnership which securities of that investment opportunity to sell and the appropriate time for such sale, subject to a right of first offer provided to the Partnership investors that have not opted out of that investment opportunity. The Adviser may not delegate its advisory or management duties in respect of the Partnership to any unaffiliated third party without prior consent from the Advisory Committee.

## **Item 17 - Voting Client Securities**

- A. The Adviser has authority to direct the vote of the Partnership on certain issues, subject to certain step-in rights that are granted to the Advisory Committee in specific circumstances as further described in the Partnership's governing documentation.

If the Adviser is called upon to vote proxies, it will vote such proxies in accordance with the proxy voting policies and procedures in the Adviser's compliance manual. Pursuant to SEC rule 206(4)-6, the Adviser has established policies and procedures to address voting procedures and any conflicts of interests involved in a proxy vote between the Adviser and Clients. The Adviser's proxy voting procedures are designed to ensure that proxies are voted in a manner that is in the best interest of the Clients. The Adviser will generally vote in favor of matters that follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices. The Adviser addresses conflicts of interest involved in a proxy vote through a three-step process of identifying potential conflicts of interest, determining material conflicts, and establishing procedures to address material conflicts. The Adviser may determine not to vote proxies in respect of securities of an issuer if it determines it would be in the Client's overall best interest not to vote. Clients may obtain copies of the Adviser's proxy voting policies by contacting the Chief Compliance Officer.

- B. See Item 17.A above.

**Item 18 - Financial Information**

- A. The Adviser does not require or solicit prepayment of any fees greater than six months in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.