

**ITEM 1 – COVER PAGE**

# **LS POWER EQUITY ADVISORS, LLC**



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**PART 2A OF FORM ADV  
(THE “BROCHURE”)**

**March 2017**

This Brochure provides information about the qualifications and business practices of LS Power Equity Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 615-3456. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

LS Power Equity Advisors, LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information about LS Power Equity Advisors, LLC is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 – MATERIAL CHANGES**

LS Power Equity Advisors, LLC has no material changes to report since its last annual updating amendment in March 2016.

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## **ITEM 4 – ADVISORY BUSINESS**

LS Power Equity Advisors, LLC (the “Management Company”) manages assets on a discretionary basis on behalf of private pooled investment vehicles. The Management Company operates as a single advisory business together with its affiliated general partners, LS Power Partners, L.P., LS Power Partners II, L.P. and LS Power Partners III, L.P. (each, a “General Partner” and together with the Management Company and their affiliated entities, “LSPE” or the “Company”), which are also registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners.

LSPE is also affiliated with LSP Credit Advisors I, LLC (“LSPC”), which is registered under the Advisers Act pursuant to LSPE’s registration in accordance with SEC guidance. LSPE and LSPC together operate as a single advisory business. Please see LSPC’s brochure for a description of its business practices, ownership and control.

LSPE presently provides investment advisory services to LS Power Equity Partners, L.P., LS Power Equity Partners PIE, L.P., LSP Gen Investors, L.P., LS Power Equity Partners II, L.P., LS Power Equity Partners II PIE, L.P., LS Power Equity Partners II PIE A, L.P., LS Power Equity Partners II PIE B, L.P., LS Power Equity Partners III, L.P., LS Power Fund III Feeder 1, L.P., LS Power Fund III Feeder 2, L.P.,

LS Power Fund III Feeder 2A, L.P., LS Power Fund III Feeder 3, L.P., and LS Power Fund III Members Feeder, L.P. (together, the “Funds”).

The Funds are private equity funds that invest through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” LSPE’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of LSPE or its affiliates may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant limited partnership agreement. The Funds or the General Partners may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant limited partnership agreement with respect to such investors.

Additionally, from time to time, LSPE may provide (or agree to provide) certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, LSPE’s personnel and/or certain other persons associated with LSPE and/or its affiliates (to the extent not prohibited by the applicable limited partnership agreement), co-investment opportunities (including the opportunity to participate in co-invest vehicles) that will invest in certain portfolio companies alongside a Fund. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment, and the co-investor or co-invest vehicle may be charged interest on the purchase to compensate the relevant Fund for the holding period, and generally will be required to reimburse the relevant Fund for related costs.

As of December 31, 2016, LSPE’s regulatory assets under management were approximately \$3.3 billion. LSPE was formed in 2004 and is principally owned and controlled by LSP Generation IV, LLC (“LSP IV”). LSP IV is owned and controlled by LS Power Associates, L.P. (“Associates”). LS Power Capital, L.P. (“Capital”) indirectly owns and controls the majority of Associates’ economic interests in LSP IV. Capital is owned and controlled by Segal Capital IV, L.P., which is owned and controlled by the Granite 2012 PS Trust. Theodore Segal and Jenna Segal are the trustees of the Granite 2012 PS Trust.

Please refer to the Funds’ governing documents for more detailed information regarding the topics discussed in this Brochure.

## **ITEM 5 – FEES AND COMPENSATION**

The Funds pay LSPE a management fee semi-annually in advance, equal to 2% of the aggregate commitment of each investor. Management fees are generally directly deducted from the Funds’ assets. Upon termination of any advisory agreement or mandatory withdrawal, management fees that have been paid in advance are returned on a prorated basis. The governing documents of each Fund include a more detailed explanation of the amount and manner of calculation of the management fees for each such Fund.

LSPE or an affiliate of LSPE is also entitled to receive a distribution from each Fund typically equal to 20% of all realized profits subject to an 8% compound preferred return, as more fully described in the Funds' respective governing documents ("Carried Interest"). Any distributed Carried Interest is subject to a potential giveback at the end of life of the relevant Fund if LSPE or its affiliate has received excess cumulative distributions.

LSPE is permitted to exempt certain investors in the Funds from payment of all or a portion of management fees and/or Carried Interest, including LSPE and any other person designated by LSPE. Any such exemption from fees and/or Carried Interest may be made by a direct exemption, a rebate by LSPE and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where an LSPE professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the management fee and Carried Interest with respect to such Fund. Additionally, to the extent permitted by the relevant partnership agreement, certain advisers have the right to permit investors, affiliated with an adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear management fees or Carried Interest.

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

The Funds are responsible for their initial and ongoing costs and expenses associated with their operations including, without limitation, organizational expenses, brokerage commissions, research expenses, quotation and valuation expenses, general legal expenses including legal fees associated with the negotiation of specific investor terms, accounting and auditing expenses, and investment-related consultants and other service provider expenses, investment related travel costs, insurance, expenses incurred with respect to the preparation, duplication and distribution of offering documents, annual reports and other financial information, other offering expenses, other operational expenses and extraordinary expenses. The Funds also are responsible for all transaction related expenses, whether or not the transaction is consummated, including fees and expenses of attorneys, accountants and consultants, as well as lenders, investment banks and other financing sources in connection with the arranging of financing for transactions, and any down-payments which are forfeited in connection with unconsummated transactions.

LSPE may waive or agree to reduce a management fee (or Carried Interest). LSPE may exempt certain investors in the Funds from payment of all or a portion of management fees and/or Carried Interest, including LSPE and any other person designated by LSPE. Any such exemption from fees and/or Carried Interest may be made by a direct exemption, a rebate by LSPE, or through other Funds which co-invest with a Fund. For example, in instances where an LSPE professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the management fee and Carried Interest with respect to such Fund. Additionally, to the extent permitted by the relevant limited partnership agreement, LSPE may have the right to permit investors, affiliated with LSPE or otherwise, to invest through the relevant General Partner or other vehicles that do not bear management fees or Carried Interest.

In certain circumstances, one Fund may pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. LSPE may also

advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to LSPE's related policies and the relevant limited partnership agreement(s) and/or side letter(s). Where a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. If a proposed transaction in which a co-investment was planned is not consummated, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, no such co-investment vehicle generally will have been formed, and the full amount of any expenses associated with unconsummated transactions ("Broken Deal Expenses") would therefore be borne by the Fund or Funds that were to have participated in such proposed transaction, and not by any prospective co-investors. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle may bear its share of such Broken Deal Expenses.

LSPE and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and LSPE and/or its affiliates on the other hand. Any compensation will indirectly be borne by Fund investors and will not offset the management fee. In such instances Fund investors will bear multiple layers of fees both at the Fund level and indirectly at the portfolio company level.

LSPE is responsible for all of its overhead costs and expenses, including office expenses and compensation of employees.

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

As described under "Fees and Compensation," LSPE or an affiliate of LSPE receives a Carried Interest from the Funds. Such arrangements may create an incentive for LSPE to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

The Carried Interest and all other fees charged by LSPE will be in compliance with Rule 205-3 of the Advisers Act. Economic arrangements may vary and are subject to the terms of the Fund. Additional information regarding fees and other expenses attributable to the Funds are addressed in their respective governing documents.

The payment of Carried Interest by some but not all Funds or the payment of Carried Interest at varying rates may create an incentive for LSPE to disproportionately allocate time, services or functions to Funds paying Carried Interest or Funds paying Carried Interest at a higher rate. This conflict is generally mitigated by investment terms restricting LSPE from establishing a new fund with substantially similar investment objectives to those of the existing Funds until the earlier of (1) the expiration of the Fund's commitment period, or (2) such time as at least 75% of the aggregate commitments of such Fund have been invested, committed to be invested or reserved. Any subsequently formed fund may have the right to co-invest with existing Funds. Nonetheless, LSPE's affiliates, including LSPC, LS Power Development, LLC, Tiber Capital Corp., Edge Principal Advisors, LLC, Aterian Investment Advisors, LLC and Luminus Management, LLC, are not restricted from engaging in or managing projects in connection with ongoing development and asset management activities.

When the Funds are investing in publicly traded securities, LSPE may aggregate orders of its affiliates and/or related parties with those of the Funds if, in LSPE's opinion, aggregation is not expected to materially impact the price or availability of the security. Subsequent orders for the same security may be aggregated with any previously unfilled orders. Filled orders may be allocated separately from subsequent orders or, in instances where the market price of the security has not materially changed, subsequent orders may be aggregated with filled orders. Funds participating in an aggregated order shall receive the average price and pay a *pro rata* portion of commissions subject to any applicable broker dealer minimum ticket charges.

## **ITEM 7 – TYPES OF CLIENTS**

LSPE's clients are unregistered pooled investment vehicles. The Funds are structured as limited partnerships or similar legal entities which LSPE and its related parties control. The Funds rely on rules promulgated under the United States federal securities laws that exempt privately offered partnerships from registering as investment companies.

Generally, investors in the Funds must be (i) "accredited investors" within the meaning of Regulation D under the Securities Act of 1933, as amended, and (ii) "qualified purchasers" within the meaning of the Investment Company Act of 1940, as amended (or qualified knowledgeable LSPE personnel). Prospective investors may be required to meet additional suitability requirements. Investors considering investment in the Funds should consult with their own investment, tax and/or legal consultants prior to investing.

The minimum commitment that will be accepted from a new investor in the Funds is \$10,000,000. The general partner of each Fund, in its sole discretion, may waive or reduce these minimums.

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

### **Investment Strategy**

LSPE's investment strategies generally focus on control-oriented private equity investments in the North American power industry, with a specific focus on acquiring power generation and related assets in the United States. The Funds' investments generally take the form of direct asset acquisitions, investments in the securities of power assets or companies that own power assets, and joint ventures or partnerships. The Funds have and may continue to acquire individual power plants, portfolios of power plants, independent power companies, power related assets or unregulated utility subsidiaries.

### **Risk Factors**

#### *Business Risks*

The Funds' investment portfolios may consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

#### *Future and Past Performance*

The performance of the principals' prior investments is not necessarily indicative of the Fund's future results. While the General Partner intends for the Fund to make investments that have estimated returns

commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

#### *Risks Associated with Publicly-Traded Securities*

Subject to the limitations set forth in the Funds' limited partnership agreements, the Funds may invest a portion of their commitments in publicly-traded securities and may hold publicly-traded securities following a partial exit from an investment. The Funds' investments in securities of publicly-traded companies may be sensitive to movements in the public securities markets and trends in the overall economy. Moreover, the ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public securities markets (including the high-yield debt market) or otherwise.

#### *Fixed-Income Securities and Loans*

Subject to the limitations set forth in the Funds' limited partnership agreements, the Funds may invest in bonds or other fixed-income securities of U.S. and non-U.S. issuers, including, without limitation, bank debt, bonds, notes, debentures, and commercial paper, as well as derivatives thereon. Fixed-income securities pay fixed, variable, or floating rates of interest. The value of fixed-income securities in which the Funds invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities and bank loans can fluctuate in response to perceptions of creditworthiness, foreign exchange rates, political stability or soundness of economic policies. Fixed-income securities and bank loans are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

To the extent that one or more borrowers default on a secured obligation held by a Fund, such Fund may receive equity issued by an entity reorganized through a bankruptcy or insolvency proceeding, or assets that such borrowers had pledged to secure such loans or obligations. Such assets may include real estate or other real assets, intellectual property rights, receivables, securities, other assets or direct or indirect interests therein. There is no guarantee that such assets will be liquid or of a value equivalent to the amount due and owing from the issuer or obligor of such defaulted obligation.

#### *Concentration of Investments*

The Funds will participate in a limited number of investments and intend to make most of their investments in one industry or one industry segment (i.e. the power and energy infrastructure industries and related assets). As a result, the Funds' investment portfolios will become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect their aggregate returns. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies and thus be less diversified.

#### *Lack of Diversification; Nature of Investments in the Power and Energy Infrastructure Industries*

The Funds will concentrate their investments in assets, equity and/or debt instruments of companies in the power and energy infrastructure industries and related assets, and will not be broadly diversified. These types of investments may be subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, regulatory, political and financial risks, and may be more susceptible to risks resulting from changes imposed by regulatory initiatives than investments of a more broadly diversified fund.

### *Lack of Sufficient Investment Opportunities*

The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified. However, the Funds will be required to pay management fees during the commitment period based on the entire amount of the commitments.

### *Illiquidity; Lack of Current Distributions*

An investment in the Funds should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Funds (including the management fees payable to the Management Company) may exceed its income, thereby requiring that the difference be paid from the Funds' capital, including, without limitation, unfunded commitments. In addition, there can be no assurance that the Funds will have sufficient cash flow to permit them to make distributions in the amounts necessary for the investors to pay all tax liabilities resulting from the investors' ownership of limited partner interests in the Funds.

### *Leveraged Investments*

The Funds may make use of leverage by having a portfolio company incur debt to finance a portion of their investment in a given portfolio company, including with respect to companies not rated by credit agencies. Leverage generally magnifies both the Funds' opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of their investments. The use of leverage also imposes restrictive financial and operating covenants on a portfolio company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Funds' investments to any deterioration in a portfolio company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Funds' investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Funds. Furthermore, should the credit markets be tight at the time the Funds determine that it is desirable to sell all or a part of a portfolio company, the Funds may not achieve an exit multiple or enterprise valuation consistent with their forecasts. Moreover, the companies in which the Funds will invest generally will not be rated by a credit rating agency.

The Funds may use credit facilities for the purchase or implementation of certain investments or for other portfolio management purposes. Should such credit facilities be utilized, the Funds would incur additional interest and other expenses with respect to such facilities. Any such credit facility provider that permits the Funds to borrow may accept Fund assets as collateral for such credit facility and may be permitted to require the sale or liquidation of Fund assets held by it as collateral, after default by the Fund pursuant to the agreement with such credit facility provider. If any such credit facility provider were to require the Fund to sell or liquidate assets or otherwise act to realize on such collateral, these actions may impair the operational capabilities of the Funds and have adverse tax and economic effects on the Funds.



In connection with any financing or other borrowing transaction, the General Partner shall have the right, at its option, to pledge any or all of the assets of the Funds including unfunded investor commitments as security for any financing incurred indirectly by such Fund.

#### *Bridge Financings*

From time to time, the Funds may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge financings would typically be convertible into a more permanent, long-term security; however, for reasons not always within the Funds' control, such long-term securities may not be issued and such bridge financings may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Funds.

#### *Limited Transferability of Fund Interests*

There will be no public market for the Funds' interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the limited partnership agreements and applicable securities laws. Withdrawals of Fund interests are generally not permitted. In addition, Fund interests are not redeemable.

#### *Restricted Nature of Investment Positions*

Generally, there will be no readily available market for Fund investments, and hence, most of the Funds' investments will be difficult to value. Certain investments may be distributed in kind to limited partners.

#### *Effects of Bankruptcy*

The Funds may make investments in portfolio companies that are or may become the subject of voluntary or involuntary bankruptcy proceedings under applicable bankruptcy laws. Certain risks that are faced in bankruptcy cases that must be factored into the investment decision include, for example, the potential total loss of any such investment. Upon confirmation of a plan of reorganization under applicable bankruptcy laws, or as a result of a liquidation proceeding, the Funds could suffer a loss of all or a part of the value of their investment in a portfolio company. A bankruptcy filing may adversely and permanently affect a portfolio company. The portfolio company could lose market position and key employees, and the liquidation value of the portfolio company may not equal the liquidation value that was believed to exist prior to the making of the initial investment.

#### *Reliance on the General Partner and Management Company*

The Funds have limited operating history and will be dependent on each General Partner and the Management Company. Control over the operation of the Funds will be vested with the General Partners and the Management Company, and the Funds' future profitability will depend largely upon the business and investment acumen of the principals of the General Partners and the Management Company. The loss or reduction of service of one or more of those principals could have an adverse effect on the Funds' ability to realize their investment objectives. Investors generally have no right or power to take part in the management of the Funds, and as a result, the investment performance of the Funds will depend on the actions of each General Partner. In addition, certain changes in the General Partner or the Management Company or circumstances relating to the General Partners or the Management Company may have an adverse effect on the Funds or one or more of their portfolio companies including potential acceleration of debt facilities.

### *Projections*

Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by employees and other personnel of the Management Company. In all cases, projections are only estimates of future results that are based upon information received from such employees and other personnel and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

### *FATCA Withholding Tax on Certain Non-U.S. Entities*

Legislation enacted in 2010 generally imposes, beginning January 1, 2014, a new withholding tax of 30% that will apply to distributions from a Fund (or any feeder fund) to non-U.S. entities with respect to most payments attributable to investments in the United States, including distributions attributable to dividends, interest, and, beginning on January 1, 2017, gross proceeds of a disposition of stock, unless the non-U.S. entity complies with certain conditions or an exception applies.

### *Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes*

There have recently been significant legislative developments affecting the private equity industry as well as significant discussion and enactment of legislation regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to implement operating improvements or otherwise execute their investment strategy or achieve their investment objectives.

The combination of recent scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent the Funds' efforts to consummate investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Funds may invest in fewer transactions or incur greater expenses or delays in completing investments than they otherwise would have.

Additionally, Congress has recently considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any carried interest) as ordinary income for U.S. federal income tax purposes regardless of the character of that income to the Funds. Enactment of any such legislation could adversely affect the principals, employees or other individuals associated with the Funds, the Management Company or the General Partners who were or may in the future be granted direct or indirect interests in the General Partners entitling such persons to benefit from carried interest. Enactment of any such legislation could also adversely affect an investor, such as by causing the amount of tax distributions to the General Partners to increase. Moreover, such legislation, to the extent it reduces the after-tax returns of the Funds, Management Company or General Partner personnel, could, among other things, make it more difficult for the General Partners and their affiliates to incentivize, attract and retain individuals to perform services for the Funds.

### *Alternative Investment Fund Managers Directive*

The EU Alternative Investment Fund Managers Directive (the "AIFMD") came into effect on July 22, 2013. The AIFMD regulates the activities of private fund managers undertaking fund management activities or marketing fund interests to investors within the European Union ("EU"). If any Funds are

marketed to EU-based investors after July 22, 2013: (i) such Funds will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Funds incurring additional costs and expenses; and (ii) the AIFMD will also restrict certain activities of the Funds in relation to EU portfolio companies including, in some circumstances, the Funds' ability to recapitalize, refinance or potentially restructure an EU portfolio company within the first two years of ownership. In addition, it is possible that some EU jurisdictions will elect to restrict or prohibit the marketing of non-EU funds to investors based in those jurisdictions, which may make it more difficult for the Funds to raise its targeted amount of commitments.

#### *Non-U.S. Investments*

The Funds may not invest in portfolio companies that conduct substantially all of their operations outside of North America without the consent of a Fund's advisory board. Such non-U.S. investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or the General Partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or limited partners.

Additional risks of non-U.S. investments include: (i) economic dislocations in the host country; (ii) less publicly available information; (iii) less well-developed regulatory institutions and taxation regimes; (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (v) civil disturbances; (vi) government instability; and (vii) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

#### *Hedging Arrangements*

The General Partners may (but are not obligated to) endeavor to manage the Funds' or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Funds may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Funds to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Funds to additional liquidity risks.

Certain hedging arrangements with respect to the Funds may create for the General Partner and/or one of its affiliates a registration or exemption obligation with the U.S. Commodity Futures Trading Commission or other regulator.

#### *Significant Adverse Consequences for Default*

Each limited partnership agreement provides for significant adverse consequences in the event an investor defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from the Funds, a defaulting investor may be forced to transfer its interest in the Funds for

an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

#### *Dilution*

Investors admitted to a Fund at subsequent closings generally will participate in then-existing investments of such Fund, thereby diluting the interest of existing investors in such investments. Although any such new investor will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

#### *General Partner's Carried Interest*

The fact that a General Partner's Carried Interest is based on a percentage of net profits may create an incentive for such General Partner to cause the Fund to make riskier or more speculative investments than otherwise would be the case.

#### *Transfer by General Partner*

To the extent the General Partner, its partners, the principals and/or their respective affiliates commit to make an investment in a Fund, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the limited partnership agreement.

#### *Director Liability*

The Funds will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which they invest. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Funds' representatives, and ultimately the Funds, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

#### *Delayed Schedule K-1s*

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

#### *Uncertain Economic and Political Environment*

The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, continues to be restricted. This may have an adverse effect on the economy generally and on the ability of the Funds and their portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the

availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Furthermore, such uncertainty may have an adverse effect upon portfolio companies in which the Funds make investments.

#### *Market Conditions*

Any change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. The Funds' performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Funds' performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of market and other economic events may also affect the Funds' ability to raise funding to support their investment objectives and also the level of profitability achieved on realizations of investments.

#### *Recycling; Reinvestment*

The General Partners have the right to generally recall certain capital returned or distributed to the investors during the term of the Funds. Accordingly, during the term of a Fund, an investor may be required to make capital contributions in excess of its commitment (with certain limitations), and to the extent such recalled or retained amounts are reinvested in investments, an investor will remain subject to investment and other risks associated with such investments.

#### *Disclosure of Information*

Certain investors will be subject to state public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding the Funds, its investments and its investors. There can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which the Funds, the General Partners, their affiliates, portfolio companies or service providers to any of them may be or become subject.

#### *Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments*

The recent deterioration of the global credit markets has made it more difficult for investment funds such as the Funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. The Funds' ability to generate attractive investment returns may be adversely affected to the extent the Funds are unable to obtain favorable financing terms for their investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Funds to realize their investments at favorable times or for favorable prices.

### *Project Risks*

The Funds may invest in a number of projects. Such investments expose the Funds to numerous risks including without limitation construction, environmental, regulatory, permitting, commissioning, start-up, operating, economic, commercial, political and financial risks. The Funds may also invest in early developmental stage projects, involving risks of failure to obtain or substantial delays in obtaining: (i) regulatory, environmental or other approvals or permits; (ii) financing; and (iii) suitable equipment supply, operating and off-take contracts. Further, there is no assurance that these projects will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

### *Construction Risk*

The Funds' investments may involve significant construction risk, including the risk of substantial delay or increase in cost due to a number of unforeseen factors: political opposition; regulatory and permitting delays; delays in procuring sites; strikes; disputes; environmental issues; *force majeure*; or failure by one or more of the infrastructure investment participants to perform in a timely manner their contractual, financial or other commitments. A material delay or increase in unabsorbed cost could significantly impair the financial availability of an infrastructure investment project and result in a material adverse effect on the Funds' investments.

### *Technical Risk*

Investments in the power and energy infrastructure industries may be subject to technical risks, including the risk of mechanical breakdown, spare parts shortages, failure to perform according to design specifications and other unanticipated events which adversely affect operations. There is no assurance that any or all such risk can be mitigated.

### *Commodity Risk*

The investments of the Funds will be subject to commodity price risk, including, without limitation, the price of electricity and the price of fuel. The operation and cash flows of the Funds' portfolio investments will depend, in substantial part, upon prevailing market prices for electricity and fuel. These market prices may fluctuate materially depending upon a wide variety of factors, including, without limitation, weather conditions, market supply and demand, *force majeure* and changes in law.

### *Catastrophic and Force Majeure Events*

The Funds' investments may be subject to catastrophic events and other *force majeure* events, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects.

### *Adequacy and Availability of Insurance*

While the Funds will seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. In addition, certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or

insurable at such high rates as to adversely impact the Funds' profitability. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance. As a result, it is unlikely that any of the Funds' investments will be insured against damages attributable to acts of terrorism. If a major uninsured loss were to occur with respect to an investment, the Funds could lose both their capital invested in and anticipated profits related to such investments.

### *Broken Deal Expenses*

Investments in the power and energy infrastructure industries often require extensive due diligence activities prior to acquisition, including feasibility and technical studies, preliminary engineering costs and marketing studies, environmental review and legal costs. In the event that an investment is not consummated, some or all of such third party expenses will be borne by the Funds.

### *Legal and Regulatory Matters*

The power and energy infrastructure industries are extensively regulated; statutory and regulatory requirements may include those imposed by energy, zoning, environmental, safety, labor and other regulatory or political authorities. Failure to obtain or a delay in the receipt of relevant governmental permits or approvals, including regulatory approvals, could hinder operation of an investment and result in fines or additional costs. Permits and approvals may be costly and/or time-consuming to obtain.

Moreover, the adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations or changes in the persons charged with political oversight of such laws or regulations, could have a material adverse effect upon a portfolio company of the Funds and could necessitate the creation of new business models and the restructuring of investments in order to meet regulatory requirements, which may be costly and/or time-consuming. For example, there is a belief in the United States and globally that emissions of greenhouse gases ("GHGs") are linked to global climate change and this belief may lead to more stringent regulation of GHGs in the future. Increased public concern and mounting political pressure may result in more international, U.S. federal or U.S. regional requirements to reduce or mitigate the effects of GHGs.

In addition, the U.S. Supreme Court in *Massachusetts v. Environmental Protection Agency*, ruled that the United States Clean Air Act authorizes regulation of GHGs. Further, the U.S. Environmental Protection Agency is planning to propose regulations to limit GHG emissions from power plants. Changes in the regulation of GHGs could impact a portfolio company or make future investments undesirable.

### *Risk of Investor Misrepresentation*

In connection with its subscription for interests, an investor will be required to make certain representations, including that it is not (i) a "holding company", or an "associate company" or a "subsidiary company" of a holding company, as each term is defined in the Public Utility Holding Company Act of 2005 ("PUHCA 2005"), unless it and any holding company with respect to which it is an associate company or a subsidiary company, as well as all other members of the same "holding company system," as that term is defined in PUHCA 2005, are exempt from federal books and records access, accounting, reporting requirements under PUHCA 2005; (ii) subject to regulation as a "public utility" under the Federal Power Act; (iii) subject to regulation as a "holding company" in a holding company system that includes a transmitting utility or an electric utility, as such terms are defined under the Federal Power Act, unless it qualifies for the blanket authorization granted by the Federal Energy Regulatory Commission ("FERC") in 18 C.F.R. §33.1(c)(8); or (iv) subject to regulation under the laws of any state

concerning regulation as an electric utility, public utility, public service corporation or company, utility holding company, or similar entity or the financial and organizational regulation of such entities. If such representation proves to have been incorrect, the Funds could lose the benefit of certain regulatory exemptions benefiting certain investments that the Funds have made or intend to make. Such loss of regulatory exemption benefits could result in the imposition of burdensome regulation upon the Funds, any joint venture or other entities in which they will invest or have invested. This could also adversely affect the economic performance of such investments and could result in the incurring of substantial liabilities by the Funds and any investor making such misrepresentations.

#### *Ability to Exit Investments*

Individual asset investments in the power and energy infrastructure industries tend to be large due to the general nature and size of facilities and assets, including power plants, transmission lines, storage or distribution properties and related facilities and assets. The Funds may acquire portfolios of assets that are not easily separated into individual asset acquisitions or dispositions. There are limited pools of capital available in the sector that can make such sizeable investments and limited numbers of market participants. As a result, the Funds may have to pursue alternative investment exit strategies that may not be typical of private equity funds to generate liquidity from its investments, and there can be no assurance that the Funds will be able to dispose of their investments on favorable terms, in a timely manner or at all.

#### *Valuation of Investments*

Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions with respect to these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

#### *Cybersecurity Risks*

Recent events have illustrated ongoing cybersecurity risks. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of these circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at LSPE or one



of its service providers holding its financial or investor data, LSPE, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under LSPE's policies.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors should read the Funds' governing documents in their entirety and consult their own counsel and advisors before deciding to invest in the Funds.

## **ITEM 9 – DISCIPLINARY INFORMATION**

LSPE and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

LSPE is affiliated with LSPC, Luminus Management, LLC, Edge Principal Advisors, LLC ("Edge"), and Aterian Investment Advisors, LLC ("Aterian") (collectively, "Affiliated Advisers"). In addition, LSPE is affiliated with LS Power Development, LLC ("LS Power Development"), which is engaged in the development and management of power generation and transmission infrastructure, and Tiber Capital Corp. ("Tiber Capital"), which owns investment related entities, including Edge and Aterian. LSPE and its personnel periodically provide support to and receive support from LSPE's affiliates in connection with certain investment-related activities.

The Affiliated Advisers are presently registered as investment advisers with the SEC in accordance with SEC guidance. Additional information about the Affiliated Advisers is or will be available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

### **Conflicts of Interest**

LSPE and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account, for the account of other Funds, and provide transaction-related, legal, management and other services to Funds and portfolio companies. LSPE will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant partnership agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of LSPE conducting its activities, the interests of a Fund may conflict with the interests of LSPE, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, LSPE will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

LSPE's affiliates and their respective officers and employees directly or indirectly manage the assets of other funds and have other clients and business activities that may in some respects compete with the Funds for certain investments. In addition, the Funds' investment flexibility may be constrained (e.g., the Funds may be forced to forgo certain potentially profitable investment opportunities or may be unable to dispose of an investment at an opportune time) as a result of certain material non-public information held by LSPE or its affiliates or for other reasons, including reasons arising from LSPE's affiliates' management of other funds.

The Affiliated Advisers, LS Power Development, Tiber Capital and other affiliates of LSPE engage in a broad spectrum of activities, including financial advisory activities. The Affiliated Advisers and other affiliates engage in investment activities for their own accounts or the accounts of others that are independent from and that can potentially conflict with those of the Funds. LSPE's affiliates may provide services to, invest in, advise, sponsor and/or act as investment manager to investment vehicles and other persons or entities, including prospective investors in the Funds, which may have similar structures and investment objectives and policies to those of the Funds. These other entities may compete with the Funds for investment opportunities or, in certain cases, may invest alongside the Funds in certain transactions.

LSPE's affiliates are not obligated to share investment ideas or opportunities with LSPE or the Funds, regardless of whether such opportunities are of the same nature as investments generally recommended to the Funds. LSPE's affiliates are not obligated to consider or include the Funds or any investor in the Funds in any profits or benefits earned or derived from any investment in which the Funds did not participate. LSPE has implemented policies and procedures and a compliance oversight program to address these conflicts. LSPE's senior management is responsible for ensuring that these policies and procedures are properly implemented and that all Funds are treated in a fair and equitable manner.

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by LSPE principals through such Fund, subject to certain limited exceptions. Without limitation, LSPE principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. LSPE's principals and LSPE's investment staff will continue to manage and monitor such investments until their realization. Such other investments that LSPE principals may control or manage may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund, LSPE principals may, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, LSPE will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of LSPE. In determining which investment vehicles should participate in such investment opportunities, LSPE and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of LSPE in a portfolio company may also raise the risk of using assets of a client of LSPE to support positions taken by other clients of LSPE.

LSPE must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. LSPE generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's limited partnership agreement, investment objectives, strategies, life-cycle and structure. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. LSPE will determine if the amount of an investment opportunity in which a Fund will invest exceeds the amount that would be appropriate for such Fund and any such excess may be offered to one or more potential co-investors, as determined by the Funds' partnership agreement(s), side letter(s) and LSPE's procedures regarding allocation. LSPE's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; whether the co-investor is considered "strategic" to the investment because it is able to offer a Fund certain benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the investment or the possession of certain expertise; the knowledge and sophistication of the proposed co-investor with respect

to the relevant characteristics of the investment, as determined by LSPE in good faith; expressed interest in evaluating co-investment opportunities, including the intensity of that interest; the likelihood that the co-investor would require governance rights that would complicate or jeopardize the transaction; size of the investment allocation and practicality of dividing it up among multiple co-investors; and lender requirements.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by LSPE or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other LSPE investors. When and to the extent that employees and related persons of LSPE and its affiliates make capital investments in or alongside certain Funds, LSPE and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

LSPE's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While LSPE will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which LSPE may be subject, discussed herein, did not exist.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by LSPE in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, LSPE may face a conflict of interest with respect to the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, LSPE may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. LSPE intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that

the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. LSPE and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the partnership agreements of the Funds, LSPE will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, LSPE may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by LSPE or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional. The Funds have different expense reimbursement terms, including with respect to management fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, LSPE and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to LSPE and/or its affiliates. Such amounts will be in addition to any management fees or Carried Interest paid by a Fund to LSPE.

Additionally, a portfolio company typically will reimburse LSPE or service providers retained at LSPE's discretion for expenses (including without limitation travel expenses) incurred by LSPE or such service providers in connection with its performance of services for such portfolio company. This subjects LSPE and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. LSPE determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, any fee paid or expense reimbursed to LSPE or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Investments by more than one client of LSPE in a portfolio company may also raise the risk of using assets of a client of LSPE to support positions taken by other clients of LSPE. When and to the extent that employees and related persons of LSPE and its affiliates make capital investments in or alongside certain Funds, LSPE and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

LSPE generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) LSPE or a related person of LSPE (which may include a portfolio company of such Fund), (ii) an entity with which LSPE or its affiliates or current or former members of their

personnel has a relationship or from which LSPE or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, LSPE may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects LSPE to conflicts of interest, because although LSPE selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, LSPE may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that LSPE, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or LSPE), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not LSPE has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

LSPE and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by LSPE and/or its affiliates; conversely, former personnel or executives of LSPE and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by LSPE. Similarly, LSPE, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, LSPE and/or its affiliates, and/or the Funds or other investment vehicles they advise. LSPE may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide LSPE information about markets and industries in which LSPE operates (or is contemplating operations) or will provide other services that are beneficial to LSPE. LSPE may have a conflict of interest in making such recommendations, in that LSPE has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

LSPE, its affiliates, and equity holders, officers, principals and employees of LSPE and its affiliates may buy or sell securities or other instruments that LSPE has recommended to a Fund. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Fund.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by LSPE, are reimbursed by a Fund and/or its portfolio companies, LSPE may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

As there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because management fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when the LSPE may not otherwise have done so. Since LSPE is permitted to retain certain Portfolio Company Fees (as described under "Fees and Compensation") in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation.

LSPE or certain affiliates may also enter into side letters or other agreements with specific investors in the Funds. These agreements or side letters often establish, alter, or supplement the terms of the Funds' governing agreements with respect to only the investor to whom such side letter or agreement is addressed. Any rights established, or any terms altered or supplemented will govern only the investment of the specific investor and not the terms of a Fund as a whole. Such side letters provide benefits to certain investors in a Fund not provided to other investors in such Fund. Side letters or other agreements may include adjustments to fees or expenses, additional rights to access certain information, additional rights on the transfer of Fund interests or additional reporting to comply with specified laws or regulations. Neither LSPE nor its affiliates will enter into a particular side letter or agreement if LSPE determines that the provisions contained in such side letter or agreement would be disruptive to the applicable Fund or its investment program.

Any of these situations subjects LSPE and/or its affiliates to potential conflicts of interest. LSPE attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by LSPE's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, LSPE will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, LSPE consults and receives consent to such conflicts from an advisory committee consisting of certain limited partners of the Funds.

The private placement memoranda of the Funds contain more detailed descriptions of the applicable and respective potential conflicts of interests.

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

LSPE has developed and implemented a Code of Ethics (the "Code") which sets forth standards of conduct that are expected of LSPE principals and employees and addresses conflicts that arise from personal trading. The Code requires that LSPE and its personnel comply with their regulatory requirements, meet the fiduciary obligations to the Funds and adhere to certain business ethics and principles. LSPE personnel must acknowledge their receipt of the Code, their understanding of the provisions contained in the Code, and their agreement to abide by the principles, policies and procedures set forth in the Code.

LSPE's Code addresses, among other things:

- Identification and handling of material non-public information;
- Prevention of insider trading; and
- Reporting and pre-clearance of:
  - personal securities transactions and holdings;
  - gifts and entertainment;
  - political contributions; and
  - outside business activities

LSPE has adopted employee personal trade reporting and monitoring procedures. LSPE's Code and personal trading policies require employees to pre-clear personal trades of most securities. The following securities and transactions are exempt from LSPE's pre-clearance policy: money-market funds; mutual funds; index-based securities; exchange-traded funds ("ETFs"); options on ETFs; commercial paper; unit

investment trusts; direct or dividend re-investment plans; certificates of deposit; U.S. treasury obligations; debt securities issued by state and municipal governments and agencies of the U.S.; investments in private funds offered by LSPE or its affiliates; and actions occurring without employee input. From time to time, LSPE, its affiliates and employees may be restricted from trading certain securities within the power, energy, utilities and related sectors. If any such securities are restricted, employee pre-clearance requests will be denied.

In addition, LSPE's Code requires, among other things, that employees:

- Act within an ethical manner with the public, investors, prospective clients and investors;
- Place the interests of the Funds above their own personal interests;
- Not take inappropriate advantage of their position;
- Attempt to avoid actual or potential material conflicts of interest;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

LSPE personnel are required to disclose all outside business activities. In the event an outside business activity presents a material conflict of interest with the Funds, LSPE reserves the right to restrict these outside business activities.

A copy of LSPE's Code of Ethics is available upon request by contacting LSPE's Chief Compliance Officer, Jeff Wade; (212) 547-2914; [jwade@lspower.com](mailto:jwade@lspower.com).

Principals and employees of LSPE and its affiliates may directly or indirectly own an interest in Funds, including certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of LSPE, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. Additionally, a Fund may invest together with other Funds advised by an affiliated adviser of LSPE in the manner set forth in the relevant limited partnership agreement.

From time to time, LSPE may borrow funds on behalf of a Fund and contribute such borrowed amounts to the relevant Fund as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant Fund as a Fund expense, consistent with the relevant limited partnership agreement and the expense policy described under "Fees and Compensation." In borrowing on behalf of a Fund, LSPE is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund. LSPE will effect such borrowings in a manner it believes to be fair and equitable to the Fund, and consistent with LSPE's obligations to the Fund and the relevant limited partnership agreement.

## **ITEM 12 – BROKERAGE PRACTICES**

### **General Brokerage Practices**

LSPE does not generally utilize the services of broker-dealers for transaction related services. In the event an investment requires LSPE to utilize a broker-dealer, LSPE shall seek to obtain best execution. LSPE has instituted policies and procedures to ensure that it will place Fund transactions with appropriate

care and diligence, seek best execution and address any material conflicts of interest in accordance with the Company's applicable fiduciary responsibilities.

### **Research and Soft Dollar Arrangements**

LSPE currently does not have any formal soft dollar arrangements or other arrangements that would commit the Company or the Funds to any specific or implied level of trading. As an institutional money manager, LSPE may receive access to research made available through brokerage counterparties. LSPE believes this research is available to all institutional money managers of similar size.

### **Trade Aggregation**

Refer to Item 6 – Performance Based Fees and Side by Side Management for a description of the process by which LSPE aggregates and allocates orders.

### **Trade Errors**

Errors may occur during the trading process. It is LSPE's policy to correct errors occurring in the management or trading of the Funds' accounts as soon as practicable. The Funds' private placement and offering memoranda shall govern the treatment of trade errors committed by LSPE. Errors must also be reported to the CCO and reviewed to determine whether policies or procedures should be changed to prevent future errors. The cost of errors in the Funds' accounts will be borne by the Funds unless an error is the result of bad faith, gross negligence, or willful misconduct by LSPE or, in the case of Funds subject to ERISA, a breach of ERISA's standard of care by LSPE. Gains associated with any trade error shall be retained by the affected Funds.

## **ITEM 13 – REVIEW OF ACCOUNTS**

LSPE's investment professionals review all Fund portfolio investments on a regular basis. In addition, LSPE's investment professionals closely monitor and review the valuations of all Fund portfolio investments. LSPE furnishes audited financial statements for the Funds to all investors on an annual basis. The Funds' financial statements are audited annually by independent certified public accountants registered with the Public Company Accounting Oversight Board.

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

The general partner of each Fund may retain affiliated and non-affiliated marketing consultants and agents. As part of these agreements, and in accordance with applicable regulation, the consultants and/or agents may be paid a fee related to the amount of capital raised for each Fund. Fees paid by the Funds for marketing or fund raising are offset by a reduction of management fees due to LSPE.

## **ITEM 15 – CUSTODY**

To the extent possible, Fund assets are held in custody by unaffiliated broker/dealers or banks. LSPE is deemed to have custody of the Funds' assets because the Management Company is affiliated with the General Partner of each Fund which has authority over the Funds' assets. Fund investors will not receive statements from the custodian. Instead, the Funds are subject to an annual audit by independent certified public accountants and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with U.S. generally accepted accounting principles and distributed to Fund investors within 120 days of the Funds' fiscal year end.



## **ITEM 16 – INVESTMENT DISCRETION**

LSPE does not provide investment advice to individual investors in the Funds. Rather, LSPE provides investment advice to the Funds. The Funds' advisory agreements provide LSPE with discretionary investment authority.

As a general policy, LSPE does not allow its discretionary advisory clients to place limitations on its authority. Consistently with the terms of the Funds' partnership agreements, however, LSPE may enter into side letter or similar arrangements with certain limited partners whereby the terms applicable to such limited partners' investments in the Funds may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

## **ITEM 17 – VOTING CLIENT SECURITIES**

LSPE has the authority to vote the proxies received on securities held by the Funds as well as other votes solicited for corporate actions affecting portfolio holdings. LSPE's objective is to vote proxies in the best interests of the Funds as mandated by the Funds' objectives described in the private placement memoranda.

LSPE's investment professionals monitor and opine on proxy proposals. In consultation with senior management, investment professionals will consider whether LSPE is subject to any material conflict of interest in connection with each proxy vote. Investment professionals must notify LSPE's Chief Compliance Officer if they are aware of any material conflict of interest associated with a proxy vote. Potential conflicts will be assessed on a case-by-case basis.

LSPE may abstain from voting if the Company deems that abstinence is in the Funds' best interests.

Current investors may request a copy of the Company's full proxy voting policies and procedures and the voting records as provided by Rule 206(4)-6. Please contact LSPE's Chief Compliance Officer, Jeff Wade; (212) 547-2914; [jwade@lspower.com](mailto:jwade@lspower.com).

## **ITEM 18 – FINANCIAL INFORMATION**

LSPE does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.