

# LS POWER EQUITY ADVISORS, LLC



1700 Broadway, 35<sup>th</sup> Floor  
New York, New York 10019

212.615.3456

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

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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 2017.

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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., LS Power Partners III, L.P., and LS Power Partners IV, 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., LS Power Fund III Members Feeder, L.P., LS Power Equity Partners IV, L.P., LS Power Fund IV Feeder 1, L.P., LS Power Fund IV Feeder 2, L.P., LS Power Fund IV Feeder 3, L.P., and LS Power Fund IV 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, 2017, LSPE’s regulatory assets under management were approximately \$4.3 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 on either a quarterly or semi-annual basis in advance. The management fees are equal to either 1.5% or 2% of the aggregate commitment of each investor and are generally deducted directly 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 ("Carried Interest"), as more fully described in the Funds' respective governing documents. Any distributed Carried Interest is subject to a potential giveback at the end of the life of the relevant Fund if LSPE or its affiliate has received excess cumulative distributions.

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 or its affiliates 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 and Aterian Investment Advisors, 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 Funds' future results. While the General Partners intend for the Funds 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) and may do so within a short period of time. 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, structuring and completing 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 and other expenses as set forth in the Funds' limited partnership agreements.

### *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, if any, 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 incurring, or 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 (and such credit markets may be impacted by regulatory restrictions and guidelines), 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 operate its business as desired and/or 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 and 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, including 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 and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by the 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.

#### *Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities*

The United States, pursuant to FATCA has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the Organization for Economic Co-operation and Development (the "OECD") has published a global Common Reporting Standard for multilateral exchange of information pursuant to which many countries have now signed multilateral agreements. A group of those countries have committed to a common implementation timetable which will see the first exchange of information in 2017, with further countries committed to implement the new global standard by 2018. One or more of these information exchange regimes are likely to apply to the Funds, and may require the General Partners to collect and share with applicable taxing authorities information concerning limited partners (including identifying information and amounts of certain income allocable or distributable to them). A limited partner's failure to provide the required information may result in expulsion from the Fund, in addition to being subject to other remedies and claims for damages. In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United States, including dividends, interest, and, beginning on January 1, 2019, gross proceeds of a disposition of stock, unless an exception applies. The Fund may take such action as it considers necessary in relation to a limited partner, as a result of relevant legislation and regulations, including but not limited to, FATCA.

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

There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry, as well as the energy industry in general. 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 effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategy or achieve their investment objectives.

The combination of such 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 structure, consummate and/or exit 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 or exiting investments than they otherwise would have.

Additionally, Congress has 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 ability of 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 taxed at lower rates. 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 Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA").

To the extent that the Funds are actively marketed to investors domiciled or having their registered office in the EEA: (i) such Funds and LSPE 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 Funds and LSPE may become subject to additional regulatory or compliance obligation arising under national law in certain EEA jurisdictions, which would result in the Funds incurring additional costs and expenses and may affect the management and operation of the Funds; (iii) LSPE will be required to make detailed information relating to the Funds and their investments available to regulators and third parties; and (iv) the AIFMD will also restrict certain activities of the Funds in relation to EEA portfolio companies including, in some circumstances, the Funds' ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership, which may in turn affect operations of the Funds generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Funds to raise its targeted amount of commitments.

### *United Kingdom Exit from the European Union*

On June 23, 2016, the people of the United Kingdom (“UK”) voted in a referendum to leave the European Union (“EU”). As at the date of this Brochure, there has been no change in the status of the UK as a member of the EU. Pursuant to the EU constitution, the only method of withdrawal is via Article 50 of the Treaty of the EU, which itself provides for a period of up to two years during which the terms of the UK’s ongoing relationship with the EU will be negotiated. The Article 50 procedure was triggered by the UK government on March 29, 2017; accordingly, it is currently anticipated that the UK will cease to be a member of the EU by the end of March 2019 (subject to any transitional arrangements or extensions which may be agreed).

As a result of the UK ceasing to be a member of the EU, the manner in which the Funds invest their assets located within the EU may be impacted. The terms of the UK’s exit from the EU are not clear, and the shape of the regulatory landscape following exit is not yet defined; the legal, political and economic uncertainty generally resulting from the UK referendum result and anticipated exit from the EU may adversely impact UK-based businesses, and may also result in an economic slowdown and/or a deteriorating business environment in one or more EU Member States.

### *New Rules Regarding U.S. Federal Income Tax Liability Resulting from IRS Audits*

For taxable years of the Funds beginning on or after January 1, 2018 (or earlier, if an entity so elects), U.S. federal income taxes arising from an IRS audit of an entity will be paid by such entity, absent an election to the contrary. In addition, a newly designated “partnership representative” will have the power to act on behalf of such entity and its member/partners in all IRS audits and other proceedings involving such entity’s U.S. federal income, loss, deductions and credits. These new rules may be less favorable than current partnership audit rules for certain partners in certain cases.

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

The Funds may not invest in portfolio companies that conduct a majority of their operations outside of North America without the consent of a Fund’s advisory board. 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 and/or more restrictive laws, regulations, regulatory institutions, judicial systems 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; Related Regulations*

The General Partners may (but are not obligated to) endeavor to manage the Funds' or any portfolio company's currency exposures, interest rate exposures, commodity 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.

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, as an example, may expose the Funds to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements with respect to the Funds may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

### *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 or that increase their respective commitments 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 or to hold an investment longer 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 a direct or indirect 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.

#### *Distressed Investments*

The Funds may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties, liabilities and/or operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the General Partner will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Funds may lose some or all of their investments or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Funds invested.

#### *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.

#### *Limitation of Recourse and Indemnification*

The limited partnership agreements will limit the circumstances under which the General Partners and their affiliates will be held liable to the Funds. As a result, limited partners may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the limited partnership agreements will provide that the Funds will indemnify the General Partners and their affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Funds. Such indemnification obligations could materially impact the returns to limited partners.

#### *Litigation*

In the ordinary course of its business, the Funds and/or their subsidiaries may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Funds and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partner's and the principals' time and attention, and that time and the devotion of these resources to litigation, including in respect of an individual's capacity as an officer or a member of a board of directors of a portfolio company, may, at times, be disproportionate to the amounts at stake in the litigation.

### *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, Social and Political Environment*

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. 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. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn 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 slow the rate of future investments by the Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon portfolio companies in which the Funds make investments.

### *Market Conditions*

The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Funds' investments and could have a negative impact on the performance and/or valuation of the portfolio companies in which the Funds make investments. The Funds' performance can be affected by deterioration in the capital 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. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Funds to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Funds to pay break-up, termination or other fees and expenses in the event the Funds are not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Funds to dispose of investments at prices that the General Partners believe reflect the fair value of such

investments. The impact of market and other economic events may also affect the Funds' ability to raise funding to support its investment objective.

#### *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*

A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, could dramatically reduce investor demand for high yield debt and senior bank debt, which in turn may lead 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.

#### *Significant Developments Stemming From Recent Changes in the U.S. Administration*

Public comments by key personnel within the current U.S. administration have suggested that the administration may not be supportive of certain existing international trade agreements, including the North American Free Trade Agreement ("NAFTA"). Further, the administration has announced the withdrawal of the U.S. from certain proposed trade agreements, like the Trans-Pacific Partnership, and appears to support greater restrictions on trade generally and significant increases on tariffs on goods imported into the United States, particularly from China. At this time, it remains unclear what further actions the administration may take with respect to trade agreements, individual companies or countries, including whether and when tariffs on imports into the U.S. may be increased. The General Partners also cannot predict how other countries will respond to the new administration's actions, for example, whether legislation or regulations that would have adverse impacts on the Funds or their investments may be passed in other jurisdictions in response or related to any measures that may be imposed by the new administration. If the administration takes action to withdraw from or materially modify NAFTA or certain other international trade agreements, or to implement greater restrictions on free trade and significant increases on tariffs or duties, the business, financial condition and results of operation of



certain of the Funds' portfolio companies or portfolio investments, and the performance of the Funds' investments in general, could be adversely affected.

The administration has also indicated its intention to direct federal agencies to proceed with deregulating the Financial Services industry through a series of executive actions. However, such actions have been and may continue to be subject to judicial and/or congressional scrutiny and even if implemented, may be replaced by regulatory actions at the state level. While there can be no assurance that the administration will be successful in implementing such actions, any measures that are implemented in connection therewith may result in material changes to the regulations applicable to Financial Services and may impact the business operations and performance (even adversely) of the Funds' investments.

In addition, changes in U.S. social, policy, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where the Funds may invest, and any negative sentiments towards the United States as a result of such changes, could adversely affect the performance of the Funds' investments. Existing restrictions regarding foreign direct and indirect ownership of assets in certain sectors could impact the Funds' ability to invest in the U.S. and elsewhere, and any changes to current rules and regulations could make it more difficult for the Funds to consummate investment opportunities. In addition, negative sentiments towards the United States among non-U.S. customers and among non-U.S. employees or prospective employees could adversely affect sales or hiring and retention, respectively, in portfolio companies.

#### *Sanctions, Anti-boycott, and Anti-corruption Considerations*

Economic sanction laws and regulations in the United States, European Union, and other jurisdictions may prohibit or restrict the General Partners, the Funds, and their respective professionals from transacting with or in certain countries or territories and with certain individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing and enforcing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of products and/or services to, certain foreign countries, territories, entities and individuals. These entities and individuals include specially designated nationals and other parties targeted by OFAC sanctions and embargo programs. OFAC's lists of sanctioned or restricted countries, territories, persons and entities, including the Specially Designated Nationals and Blocked Persons List, as such list may be amended from time to time, can be found on the OFAC website at [www.treas.gov/ofac](http://www.treas.gov/ofac).

In addition, certain U.S. sanctions programs administered and enforced by OFAC broadly prohibit any dealings by U.S. persons with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions restrictions may also restrict the General Partner's and the Fund's investment activities.

EU sanctions are administered by the European Commission and enforced at Member State level. Such sanctions also prohibit, among other things, transactions with, and the provision of products and/or services to, certain foreign countries, territories, entities and individuals. EU sanctions also prohibit dealings with certain individuals or entities listed on the EU Consolidated List ([http://ec.europa.eu/dgs/fpi/what-we-do/sanctions\\_en.htm](http://ec.europa.eu/dgs/fpi/what-we-do/sanctions_en.htm)).

Accordingly, the Funds may require investors to represent that they are not named on any export- and/or sanctions-related prohibited entities and individuals list maintained by the United Nations, OFAC, the European Union, any EU Member State or any other applicable authority, and are not operationally based

or domiciled in a country or territory in relation to which current sanctions have been issued by the United States, United Nations, European Union, any EU Member State or other relevant authority (collectively, “Sanctions Lists”). Where an investor is on a Sanctions List, the Funds may be required to cease any further dealings with the investor’s interest in a Fund until such sanctions are lifted or a license is sought under applicable law to continue dealings.

#### *Contingent Liabilities Upon Disposition*

In connection with the disposition of an investment, the Funds and the General Partners may be required to make (and/or be responsible for another person’s or entity’s breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that, among other things, any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which may be borne by the Funds and, ultimately, their investors.

#### *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, including penalties by regional transmission operators for such delays and costs to buy out any obligations to regional transmission operators if capital expenditures are not completed.

#### *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 performance of certain investments of the Funds may be dependent upon prevailing prices of certain commodities, including the price of electricity and the price of fuel. Historically, the markets for certain

commodities, including oil, gas, coal and power have been volatile, and such markets are likely to continue to be volatile in the future. Prices for certain commodities are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for such commodities, market uncertainty and a variety of additional factors that are beyond the control of the General Partners or the Funds. These factors include the following: (i) worldwide and regional economic conditions impacting the global supply and demand for commodities generally, including natural gas, coal, natural gas liquids, and oil; (ii) the price and quantity of imports of foreign natural gas, including liquefied natural gas; (iii) political conditions in or affecting other producing countries, including conflicts in the Middle East, Asia, Africa, South America and Russia; (iv) the level of global exploration and production; (v) the level of global inventories; (vi) prevailing prices on local price indexes; (vii) localized and global supply and demand fundamentals and transportation availability; (viii) weather conditions; (ix) technological advances affecting energy consumption; (x) the price and availability of alternative fuels; (xi) domestic, local and foreign governmental regulation and taxes; (xii) refining capacity; and (xiii) actions of the Organization of Petroleum Exporting Countries. In addition, governments may intervene from time to time, directly and by regulation, with the intent to influence price directly, which may cause rapid movement in commodity prices.

#### *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, strikes, equipment failures, casualties, inability to procure equipment or parts, eminent domain, war, riots, terrorist attacks, cyber-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*

It may not always be practicable or feasible for the Funds 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. 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, environmental changes, terrorist attacks cyber-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 or cyber-attacks 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, and might not be borne by any prospective co-investors.

#### *Changes in the Utilities Industry*

The Funds may make investments in the power and energy infrastructure industries (and related industries and markets) both in the United States and abroad. A number of countries, including the United States, are considering or implementing methods to introduce and promote competition with respect to both supply and demand. To the extent competitive pressures increase and the pricing and sale of products assume more characteristics of a commodity business, the economics of the projects into which the Funds may invest may come under increasing pressure. If restructuring of the energy industry, including the electricity sector, is reversed, discontinued, delayed or modified, this could have an adverse effect on the projects into which the Funds may invest.

#### *Governmental Contract Risk*

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

#### *Renewable Energy*

The Funds may make investments in renewable energy projects. The market for renewable energy continues to evolve and its future success is uncertain. If renewable energy technology proves unsuitable for widespread commercial deployment or if the demand for renewable energy products fails to develop sufficiently (including as a result of changes in market conditions, such as a decrease in the price of fossil fuels), the Funds' investments in renewable energy projects may be adversely affected. In particular, certain of the Funds' renewable energy products may be structured to seek to incorporate renewable energy tax credit, the terms of which may change or which may be discontinued altogether. While renewable energy projects currently enjoy support from governments and regulatory agencies, there is no assurance that such support will continue in the future, and any reduction or elimination of governmental support may have an adverse effect on the development and construction of such projects. For example, it may not be economically feasible for some renewable energy projects to be developed without government incentives that support the sale of energy generated from renewable sources, such as state-adopted Renewable Portfolio Standard programs, which vary among states but generally require power suppliers to provide a minimum percentage or base amount of electricity from specified renewable energy sources for a given period of time. Additionally, changes to the market for traditional fuel sources could adversely affect the competitiveness of alternative fuel sources and renewables.

The Funds or a portfolio company may base their investment decisions with respect to a renewable generation facility on the findings of related wind, hydroelectric and solar studies conducted on-site prior to construction or based on historical conditions at existing facilities. However, actual climatic conditions at a facility site, particularly wind conditions, may not conform to the findings of these studies. Similarly, global climate conditions may change such that the favorable historical conditions for a renewable facility are no longer present. If solar, water or wind conditions are unfavorable, a portfolio company's electricity

generation and revenue from renewable generation facilities may be substantially below its expectations. The electricity produced and revenues generated by a solar electric, hydroelectric or wind energy generation facility are highly dependent on suitable solar, water or wind conditions, as applicable, and associated weather conditions, which are beyond the Funds' control. Unfavorable weather and atmospheric conditions may cause a portfolio company's solar, hydroelectric and wind energy facilities to not meet anticipated production levels or the rated capacity of its generation assets, which could adversely affect the business, financial condition and results of operations and cash flows.

#### *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 growing consensus in the United States and globally that emissions of GHGs have been linked to global climate change, which may lead to more stringent regulation of GHGs in the future in the United States and globally. Increased public concern and mounting political pressure may result in more international or U.S. federal, regional or state requirements to reduce or mitigate the effects of GHGs. For example, under the Regional Greenhouse Gas Initiative, states in the Northeast United States are in the process of implementing rules to stabilize and reduce emissions of GHGs while giving states flexibility in the distribution of their carbon dioxide allocations. Similarly, California's climate change law known as AB 32 requires California to reduce its GHG emissions to 1990 levels by 2020.

In addition, in 2015, the EPA issued GHG emissions regulations for new and existing fossil fuel-fired power plants. The regulations governing existing fossil fuel-fired power plants, known as the Clean Power Plan, would require individual states to meet specific standards with respect to reduction of GHG emissions. However, the U.S. Supreme Court has stayed implementation of the Clean Power Plan, and pending challenges to the Clean Power Plan in the U.S. Court of Appeals for the D.C. Circuit, have been held in abeyance while the EPA, under the new administration, takes steps to repeal and replace the regulations. Future changes in the regulation of GHGs could impact a portfolio company or make future investments undesirable.

Furthermore, in December 2015, the United States joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France. The resulting agreement (the "Paris Agreement") calls for the parties to undertake "ambitious efforts" to limit the average global temperature, and to conserve and enhance sinks and reservoirs of greenhouse gases. The Paris Agreement entered into force on November 4, 2016. In June 2017, the United States announced its withdrawal from the Paris Agreement, although the earliest possible effective date of withdrawal is November 4, 2020. Despite the planned withdrawal, certain U.S. city- and state-governments have announced their intention to satisfy their proportionate obligations under the Paris Agreement. Such continued political uncertainty and inconsistency around GHGs could materially and

adversely impact a portfolio company or make future investments undesirable. Further, if efforts to regulate GHG emissions (or other types of generating facility emissions) within the United States are delayed or reversed, this could in turn impact decisions to retire certain existing fossil fuel-fired power plants (e.g., coal-fired plants), which could have an adverse effect on the projects into which the Fund may invest.

#### *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 value of for these assets generally range from \$50 million to over \$1.0 billion per asset, and 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 in order 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, 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 could 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. 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, Jeffrey 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, Jeffrey 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.