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**MARCH 30, 2016**

**This brochure provides information about the qualifications and business practices of EIG Credit Management Company, LLC (“Adviser”). If you have any questions about the content of this brochure, please contact us at (202) 600-3321 or at [adv@eigpartners.com](mailto:adv@eigpartners.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Adviser refers to itself as a “registered investment adviser” in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, Adviser is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser is not an indication that Adviser or its directors, officers, employees or representatives have attained a particular level of skill or ability.**

**ITEM 2 – MATERIAL CHANGES**

Adviser’s last other than annual update to Part 2A was filed on January 28, 2016. Adviser is now providing its annual update, which reflects the following material changes:

ITEM 5: Enhanced information and disclosure regarding fees and compensation, including expenses.

ITEM 6: Enhanced information and disclosures regarding co-investment opportunities.

ITEM 8: Updated information and disclosures regarding investment strategy and portfolio company risks.

ITEM 10: Updated information and disclosures regarding potential conflicts of interest.

You may request the most recent version of Adviser’s Part 2B brochure by contacting Renee Davidovits at (202) 600-3313.

**ITEM 3 - TABLE OF CONTENTS**

<b><u>Item No.</u></b>	<b><u>Item Description</u></b>	<b><u>Page</u></b>
1	Cover Page .....	1
2	Material Changes.....	1
3	Table of Contents .....	1
4	Advisory Business .....	2
5	Fees and Compensation.....	5
6	Performance-Based Fees and Side-by-Side Management.....	9

7	Types of Clients.....	11
8	Methods of Analysis, Investment Strategies and Risk of Loss .....	12
9	Disciplinary Information .....	23
10	Other Financial Industry Activities or Affiliations.....	23
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	26
12	Brokerage Practices .....	29
13	Review of Accounts .....	30
14	Client Referrals and Other Compensation.....	31
15	Custody.....	31
16	Investment Discretion.....	32
17	Voting Client Securities .....	33
18	Financial Information .....	33
19	Requirements for State-Registered Advisers.....	33

#### **ITEM 4 – ADVISORY BUSINESS**

##### **A. Advisory Firm**

Adviser is a Delaware limited liability company that commenced operation in 2015, and is owned and controlled by EIG Asset Management, LLC, which is ultimately controlled by R. Blair Thomas, Randall S. Wade and William C. Sonneborn.

For a variety of operational, legal and regulatory reasons, Adviser conducts its advisory business through a group of related advisers (as defined below) who are also registered as relying advisers (“**Relying Advisers**”)<sup>1</sup>. Unless otherwise indicated, hereinafter any references to “Adviser” refer collectively to EIG Credit Management Company, LLC and its Relying Advisers.

Adviser is also affiliated by common ownership with EIG Management Company, LLC and certain related advisers and general partners of EIG Management Company, LLC (collectively, “**EIG Management Company**”)<sup>2</sup>, which are investment advisers registered with the SEC. Adviser, the Relying Advisers, and EIG Management Company and its related advisers, although organized as separate legal entities, conduct a single advisory business (sometimes under the name “**EIG Global Energy Partners**” or “**EIG**”)<sup>3</sup>. Adviser and EIG Management Company are subject to the same compliance policies and procedures and Code of Ethics, including the Investment Allocation Policy, described in Item 6.

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<sup>1</sup> Relying Advisers include EIG Global Private Debt Fund GP, LLC, EIG GPDP English GP 2, L.P., EIG GPDP English GP 3, L.P., and EIG Traverse Co-Investment GP, LLC.

<sup>2</sup> SEC File No. 801-71744.

<sup>3</sup> Prior to January 1, 2011, EIG Global Energy Partners was known as the Energy and Infrastructure Group of Trust Company of the West, and has since continued its now 34-year history of energy investing.

## B. Specialization

EIG has a long history and extensive experience investing in the energy sector. EIG specializes in investing across the capital structure of energy and energy-related infrastructure projects and companies throughout the energy value chain on a global basis and providing hybrid debt, structured equity and higher credit quality project finance instruments. EIG may provide advice with respect to direct lending loan origination or may provide advice with respect to syndicated and actively traded loans or securities. Adviser advises the EIG Credit Platform (with the exception of the Global Project Fund series and certain clients), which may include private funds, registered closed end funds, and managed accounts.

## C. Advisory Services

### Private Funds

Adviser provides investment advisory services with respect to private pooled investment vehicles and related parallel investment vehicles (each, a **“Private Fund”**). The Private Funds are typically U.S. and non-U.S. limited partnerships and other investment vehicles that are not registered or required to be registered under the Investment Company Act of 1940, as amended (the **“Investment Company Act”**) and whose securities have not been registered under the Securities Act of 1933, as amended (the **“Securities Act”**).

Adviser may, from time to time, and to the extent it deems advisable in its sole discretion, sponsor and manage investment vehicles on a transaction-by-transaction basis to allow certain investors or other persons to invest alongside one or more Private Funds in specific portfolio companies and other assets of the Private Funds (each such vehicle, a **“Co-Investment Private Fund”**). Co-Investment Private Funds are typically limited to investing in securities relating to the transaction or transactions with respect to which they were organized. As a general matter, any co-investment by a Co-Investment Private Fund in a portfolio company or other asset will be on terms and conditions not more favorable than the terms and conditions of the investment by the applicable Private Fund. Adviser is not obligated to offer Private Fund investors any opportunity to invest in any Co-Investment Private Fund, and Adviser may select investors for Co-Investment Private Funds at its discretion.

Adviser may also sponsor and manage certain other entities which are “feeder” vehicles organized to invest exclusively in a Private Fund and/or special purpose vehicles (**“SPVs”**) that have been formed to facilitate portfolio investments by the Private Funds or their investors for tax, regulatory or economic purposes.

As investment manager to each Private Fund, Adviser identifies investment opportunities and participates in the acquisition, management, monitoring and disposition of investments for each Private Fund. Adviser will manage each Private Fund based on the investment objectives and investment restrictions set forth in the investment management, governing agreement and/or confidential offering memorandum of a Private Fund (the **“governing agreements”**) and in any other written materials furnished from time to time by a Private Fund to Adviser. Such restrictions may be waived in certain cases with the consent of the applicable Private Fund’s advisory committee, if any, in accordance with such Private Fund’s governing agreements. The advisory committee consists of representatives of limited partners of such Private Fund who are not affiliated with Adviser. Investment advice is provided directly to the Private Funds, and not individually to the investors of the Private Funds. Investors in the Private Funds participate in a Private Fund’s overall investment program, subject to Adviser’s ability to excuse an investor from participating in an investment due to tax, legal, investment policy, or other constraints. Adviser may enter into side letters or other similar agreements with respect to certain investors that have the effect of establishing rights (including economic or other terms) under or altering or supplementing

the Private Fund's governing agreements. Adviser generally provides investment advisory services to each Private Fund pursuant to an investment management agreement ("**Management Agreement**") and/or the governing agreements of the Private Fund.

All descriptions of the Private Funds in this brochure, including, but not limited to, their investments, the strategies used in managing the Private Funds, the fees and other costs associated with an investment in the Private Funds, and conflicts of interest faced by Adviser in connection with management of the Private Funds are qualified in their entirety by reference to the relevant Private Fund's respective Offering Documents.

Persons reviewing this brochure should not construe this brochure as an offering of any of the Private Funds described herein, which will only be made pursuant to the delivery of a confidential offering memorandum to prospective investors.

### **Managed Accounts**

To a limited extent, Adviser may also manage separately managed accounts for institutional investors (collectively, "**Managed Accounts**") independently based on a determination of each client's financial situation, needs and investment objective and pursuant to a Management Agreement and/or governing agreements with each client, which may include certain investment restrictions imposed by clients.

### **Registered Funds**

Adviser also acts as sub-adviser to certain closed-end investment companies registered under the Investment Company Act ("**Registered Funds**"). Please refer to the prospectus of each Registered Fund (each, a "**Prospectus**") for more information regarding the Registered Fund's management, investment objectives, risks, fees, charges and expenses.

Adviser generally offers advice regarding investments in private companies which are not publicly traded. Although from time to time Adviser may provide advice regarding publicly traded securities, investments will generally be illiquid and may not be easily liquidated should investor desire to do so. In addition, privately-placed debt-instruments are generally "fair valued," which may vary substantially from any values actually realized on the securities. To a limited extent, Adviser may provide advice regarding publicly traded securities. Adviser generally also offers advice regarding investments in physical assets related to the energy sector, which may or may not constitute real estate or fixtures under applicable law, such as pipelines; transmission lines; mineral and mining projects; oil rigs; ports; oil and gas gathering and processing systems; and active and passive energy generating facilities.

The Private Funds, Co-Investment Private Funds, Managed Account clients and Registered Funds, as may be applicable, are collectively referred to herein as "**Clients**".

### **D. Wrap Fee Programs**

Not applicable.

### **E. Regulatory Assets Under Management (as of December 31, 2015)**

*Discretionary:* \$ 190,325,991

*Non-Discretionary:* \$0

## **ITEM 5 – FEES AND COMPENSATION**

### **Private Funds**

#### **A. Types of Fees**

Adviser generally is compensated for its advisory services to certain of the Private Funds based on a percentage of assets under management and performance-based amounts in accordance with each such Private Fund's governing agreements and/or Management Agreement, as applicable. Private Fund Investors should refer to the relevant governing agreements for a complete description of the applicable fees, compensation, and expenses.

#### *Management Fees*

Until the commitment period for a Private Fund has terminated, a Private Fund generally pays to Adviser annual advisory fees ("**Management Fees**") equal to a certain percentage of the total amount of invested capital or in some cases the Management Fee may be calculated based on total amount of committed capital. . Following the end of the commitment period of a Private Fund, the Management Fee of such Private Fund generally is equal to a certain percentage of the net invested capital of the investors in the applicable Private Fund. The Management Fee for the Private Funds vary depending on the investment strategy of the particular Fund. Adviser's Management Fees generally range from approximately 0.50% to 2.00% per annum.

Adviser, in its discretion, may waive or reduce the Management Fee as to all or any of the investors in a Private Fund or agree with an investor to waive or alter the Management Fee as to that investor. Certain Clients, such as Co-Investment Private Funds, do not pay Management Fees. See below for more information.

#### *Performance Based Compensation*

In addition to Management Fees, Adviser receives performance based compensation in the form carried interest distributions from a Private Fund ("**Carried Interest**") based on the net cash proceeds attributable to distributions of Private Fund investments, subject to a preferred return to that Private Fund's investors. Adviser, in its discretion, may waive, alter or reduce the Carried Interest as to all or any of the investors in a Private Fund or agree with an investor to waive or alter the Carried Interest as to that investor.

Carried Interest for the Private Funds vary depending on the investment strategy of the particular Private Fund. Adviser's Management Fees range from approximately 0.50% to 2.00% per annum, and Adviser's Carried Interest ranges from approximately 10% to 20% of the profits earned by such Private Fund. Adviser may receive lower Management Fees and Carried Interest with respect to those Funds it sub-advises. Investors should refer to each Private Fund's governing agreements for additional or supplementary information regarding the Private Funds as well as the fees paid by each Private Fund.

#### *Supplemental Fees*

The Management Fee charged by certain of the Private Funds may be reduced by all or a portion of any origination, transaction, monitoring, break-up or other fees received by Adviser as described in the governing agreements of the applicable Private Fund ("**Supplemental Fees**"), and/or side letter, if applicable. To the extent a Private Fund does not pay a Management Fee, or Supplemental Fees exceed the Management Fee for a Private Fund, the Fund will not receive the reduction and such Supplemental

Fees will accrue to the benefit of Adviser. Adviser may also elect, in its discretion, to share or allocate all or a portion of Supplemental Fees with or to Co-Investment Private Funds and Managed Accounts.

## **B. Payment Method**

Generally, the Management Fee, net of any Supplemental Fees, as applicable, will be paid quarterly in arrears or in advance by paying Management Fees from investment proceeds or other cash held by each Private Fund as set forth in the applicable Management Agreement.

The Carried Interest for each Private Fund generally is paid out as a distribution of the net cash proceeds attributable to dispositions of portfolio investments of the Private Fund. Generally, no payouts are made until Private Fund investors have first received invested capital together with a preferred return in accordance with each Private Fund's governing agreements.

## **C. Costs and Expenses**

Adviser pays all its normal operating expenses incidental to the provision of administrative services to the Private Funds, including related overhead. Subject to any expense limitation set forth in the applicable governing agreements, each Private Fund bears all expenses of its organization and operation (including the costs of winding up and liquidating the Private Fund), fees and expenses (including legal, accounting, auditing, travel and consulting) incurred in the purchase and sale of investments including transactional costs associated with the investments of the Private Fund and accounting fees in accordance with the Private Fund's governing agreements. Such expenses may include but are not limited to: (i) legal, auditing, custodial, administration, consulting, regulatory and compliance, financing and accounting fees and expenses of the Private Fund, including expenses associated with preparation of the Private Fund's financial statements, reports to Private Fund investors, tax returns, and Schedule K-1s; (ii) out-of-pocket expenses and other expenses incurred in connection with the operation of the Private Fund under the laws of the jurisdiction in which it is organized or the laws of any jurisdiction in which the Private Fund otherwise operates; (iii) out-of-pocket expenses of transactions not consummated; (iv) appraisals and valuation expenses; (v) expenses of litigation, participating in governmental or private investigations, inquiries or proceedings, and indemnification expenses; (vi) damages, fines and penalties; (vii) premiums and deductibles for insurance protecting the Private Fund and any covered person from liabilities in connection with the Private Fund's investments and other activities; (viii) expenses of advisory committee meetings, board of directors meetings, and annual meetings of the Private Fund's investors; (ix) other expenses associated with the acquisition, holding and disposition of the Private Fund's portfolio investments including brokerage and transaction costs, extraordinary expenses, and expenses associated with forming, administering and liquidating SPVs; (x) engineering, surveying, geological and geophysical evaluation fees in connection with evaluating loans, investments and other investments whether consummated or not (to the extent not paid by borrowers or issuers); (xi) reasonable banking and consulting expenses; (xii) costs of reporting to Private Fund investors and to government authorities with respect to the Private Fund investors, the Private Fund and/or the Private Fund's activities and investments; and (xiii) any taxes, fees or other governmental charges levied against the Private Fund.

Under certain circumstances specified in the governing agreements, the Private Funds are generally obligated to indemnify Adviser and its affiliates and other identified persons and entities as described in the relevant governing agreements.

To the extent Adviser uses broker-dealers for Private Fund transactions, each Private Fund will bear brokerage and transaction costs to the extent incurred. For additional information regarding brokerage and transaction costs, see Item 12 below.

### *Allocation of Expenses*

From time to time, Adviser may incur fees, costs and expenses on behalf of more than one Client or multiple Clients. Adviser endeavors to allocate such fees, costs and expenses on a fair and equitable basis. Any such fees and certain overhead and operational expenses generally will be allocated between the relevant Private Fund and any Co-Investment Fund or Managed Account in proportion to the size of its investment in the activity or entity to which the expense relates (subject to the terms of each Client's applicable governing agreements), in accordance with Adviser's written policies.

Any expenses incurred in analyzing potential investment opportunities that are determined to be unsuitable investments for a Fund and any Co-Investment Fund or Managed Account will be paid by Adviser, or in certain circumstances by third parties based on contractual agreements between such parties and Adviser as an inducement for Adviser to consider the potential investment opportunity.

### **D. Refunds**

From time to time, Management Fees with respect to a Private Fund are paid in advance. If Adviser's management services to the Private Fund are terminated prior to the end of the period in respect of which the fees have been paid (including, for example, situations in which the final distribution by a Private Fund occurs prior to the end of a period for which Management Fees have already been paid), they are generally returned to investors in such Private Fund. In general, the amount of such fees to be returned is calculated based on the number of days remaining in the applicable period.

### **E. Sales Compensation**

Adviser and its employees do not receive (directly or indirectly) any compensation from the purchase or sale of securities or investments for Private Funds. Adviser and its employees do not receive (directly or indirectly) sales commissions in connection with sales of interests in a Private Fund.

### **Managed Accounts**

#### **A. Types of Fees**

##### *Management Fees*

Fees paid to Adviser by Managed Account clients are negotiable and vary. Fees will be set forth in Adviser's Management Agreement with each Managed Account client and determined based on the size of the Managed Account, the client's needs, the complexity of the client's investment objective and the number of portfolio restrictions. Adviser's Management Fees generally range from approximately 0.50% to 2.00% per annum. Adviser may receive lower asset-based fees with respect to those Managed Accounts it sub-advises.

##### *Performance Based Compensation*

Adviser's performance based compensation for each Managed Account will be set forth in the applicable Management Agreement and will be determined based on, among other things, the size of the Account, the client's needs, the complexity of the investment objective and number of portfolio restrictions. Adviser's performance-based compensation range from approximately 10% to 20% of the profits earned by such Managed Account. Adviser may receive lower performance-based compensation with respect to those Managed Accounts it sub-advises.

## **B. Payment Method**

The management fee will be paid quarterly in arrears or advance by deduction from the assets held in a Managed Account or as invoiced from a Managed Account's custodian, as set forth in a Managed Account client's Advisory Agreement.

The performance-based compensation is also paid by deduction from the assets held in a Managed Account each year in which performance-based compensation is earned. If a client terminates its Management Agreement, performance-based compensation is based on negotiated terms depending on the reason for termination, but is generally based on the ultimate performance of assets since inception of the investment.

## **C. Costs and Expenses**

In addition to the management fee and performance-based compensation, a Managed Account client is responsible for any fees, expenses or charges incurred by or on behalf of the Managed Account, including certain of the fees and expenses listed above in Private Funds - Item 5(C) and is subject to the same expense allocation policies as Private Funds.

## **D. Refunds**

If Managed Account terminates its Advisory Agreement on a date other than the end of a calendar quarter, the management fee will be prorated for assets held in the Managed Account for less than a full quarter.

## **E. Sales Compensation**

Adviser and its employees do not receive (directly or indirectly) any compensation from the purchase or sale of securities or investments for Managed Accounts.

## **Registered Funds**

### **A. Types of Fees**

Adviser will serve as sub-adviser to certain Registered Funds pursuant to an investment advisory sub-agreement (the "**Sub-Advisory Agreement**").

Adviser, or an affiliate therefor, as-sub-adviser to the Registered Funds will receive a percentage of the management fee and incentive fee paid to the adviser to the Registered Funds ("**Registered Funds Adviser**").

The management fee is calculated and payable monthly in arrears to the Registered Funds Adviser at the annual rate of 2.0% of the Registered Funds' average gross assets at the end of the relevant month.

With respect to one of the Registered Funds (the "**Perpetual Fund**"), the incentive fee paid to the Registered Funds Adviser is earned on pre-incentive fee net investment income (as that term is defined in the Perpetual Fund's Prospectus) and is calculated and payable in arrears at the end of each calendar quarter during which the investment advisory agreement between the Registered Fund and the Registered Funds Adviser is in effect. The incentive fee is subject to a hurdle rate, expressed as a rate of return on the Perpetual Fund's average adjusted capital (as that term is defined in the Perpetual Fund's Prospectus)



equal to 1.875% per quarter (or an annualized hurdle rate of 7.5%), subject to a catch up feature further described in the Perpetual Fund's Prospectus.

The calculation of the incentive fee that is paid to the Registered Adviser is further described in the Registered Funds' Prospectuses.

## **B. Payment Method**

The management fee and incentive fee will be paid monthly, within ten business days after the management fee or incentive fee is paid by the Registered Funds to the Registered Adviser. For purposes of determining fees payable to the Adviser during a Term Year (as defined in the Registered Funds' Prospectuses) in which a termination of the Sub-Advisory Agreement occurs, the fees payable to Adviser shall be calculated as if the Registered Funds' management agreement with the Registered Funds terminated as of the termination date of the Sub-Advisory Agreement.

## **C. Costs and Expenses**

The Adviser shall pay all expenses incurred by or in connection with the activities it undertakes pursuant to its Sub-Advisory Agreement with the Registered Funds.

In addition to the management fee and incentive fee, each Registered Fund will be responsible for all its organizational, offering and operating expenses, subject to any expense limitation set forth in the Registered Fund's Prospectus. Adviser has entered into an expense support and reimbursement agreement with the Registered Funds pursuant to which Adviser has agreed to make payments to the Registered Funds for its operating expenses (including organizational and offering expenses) to ensure the Registered Funds bear a reasonable level of expenses in relation to its income. See the Registered Funds' Prospectuses for additional information.

Under certain circumstances, each Registered Fund will be obligated to indemnify Adviser and its affiliates as described in the Registered Fund's Prospectus.

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

As discussed in Item 5(A) above, pursuant to the applicable governing agreements, Adviser generally will be entitled to receive performance-based compensation from certain Clients in connection with advisory services provided to such Clients. Certain of the Clients, however, do not provide for any performance-based compensation to Adviser. Performance-based compensation will only be charged in accordance with requirements of the Advisers Act, the rules adopted thereunder, and any relevant no-action letters issued by the SEC staff.

Performance-based compensation may create an incentive for Adviser to make investments that are riskier than it would otherwise make due to the higher return potential associated with higher risk investments. In addition, the terms of the performance-based compensation could give Adviser an incentive to make decisions regarding the timing and structure of realization of transactions that may not be in the best interest of investors. However, Adviser believes that the equity commitment by the Adviser and its affiliates in the Clients themselves or alongside the Clients helps to align the interests of Adviser with those of the investors.

In the event that some Clients are charged higher performance-based compensation than others, Adviser may have an incentive to treat those Clients preferentially as compared to others because those Clients pay higher performance-based compensation to Adviser. Adviser may have an incentive to spend more

time and/or resources on such Clients or to allocate specific assets anticipated to be more profitable than others to portfolios subject to a higher performance-based compensation.

### *Investment Allocation*

To address potential conflicts of interest identified above, Adviser has adopted a policy to allocate portfolio transactions and investment opportunities across multiple Clients on a fair and equitable basis (“**Investment Allocation Policy**”). Adviser has established and maintains a single Allocation Committee for purposes of determining the appropriate allocation to or amongst Adviser’s Clients of investment opportunities originated by Adviser. In making allocation determinations, the Allocation Committee will follow the allocation guidelines set forth in the Investment Allocation Policy and any specific allocation policies contained in any governing document of any Client, while also taking into account the various investment considerations of any relevant investment recommendation in order to achieve a fair and equitable result. The Investment Allocation Policy provides that investment opportunities will be allocated by the Allocation Committee without consideration of different management or performance fees otherwise payable to Adviser.

The Investment Allocation Policy is meant to be consistent with, and to complement, the allocation protocols set forth in applicable governing agreements relating to a participating Private Fund, or Managed Account, or a Registered Fund’s Prospectus. In any case where the Investment Allocation Policy and any such protocols differ, such other protocols shall govern unless it is otherwise determined to be inappropriate under the circumstances.

Generally, and except as may be otherwise set forth in the governing agreements of a Private Fund, this conflict may be mitigated by provisions in certain Private Fund documents that restrict Adviser from admitting investors to any new pooled multiple-investment vehicle managed by Adviser (other than Co-Investment Private Funds and SPVs) having substantially similar investment objectives until the earlier of (i) a certain percentage, generally 75%, of a Private Fund’s commitments have been called, reserved or allocated for funding of portfolio investments or payment of Private Fund expenses or (ii) the last day of a Private Fund’s investment period.

### *Allocation of Co-Investment Opportunities*

Adviser may offer co-investment opportunities in Private Fund investments to one or more third-party co-investors to the extent it deems advisable in its sole discretion, including persons that are not Private Fund investors, regardless of whether or not EIG offers such co-investment to the Private Fund Investors. Co-investment opportunities may also be offered to Adviser’s affiliates, officers, employees, consultants, or other persons or entities. The general partner, board of directors or other managing body of a Client will determine the extent to which the investment opportunity will also be offered to co-investors, and to which co-investors and in what amounts, taking into account the relevant investment considerations and the following principles, among other factors: (i) the potential co-investor’s interest in making co-investments (including as expressed in side letters); (ii) any agreed upon priority of notification as spelled out in related organizational documents; (iii) the commitment amount of the potential co-investor to the Private Fund or other Client making the investment; (iv) the potential co-investor’s capacity to evaluate, commit to and fund the co-investment opportunity (and any follow-on investments) in the time period required; (v) the potential co-investor’s reliability and history of making similar co-investments; (vi) any specialized knowledge, skills or access that EIG believes the potential co-investor may possess that may enhance the value of a proposed investment, and/or the ability of a Private Fund to consummate that investment; and (vii) any other matter that causes EIG to believe that an investment by a particular co-investor would be in the best interests of that Private Fund or other Client. Investments made with third parties may involve carried interest and/or fees payable to such third

parties. In those circumstances where a co-investment opportunity with third parties involves a management group or “club deal,” such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

The Adviser is not obligated to offer Private Fund investors and Managed Account clients the opportunity to invest in any Co-Investment Fund and Adviser may select investors for Co-Investment Funds in its sole discretion.

Certain of the Registered Funds have submitted an application for exemptive relief from the SEC to engage in co-investment transactions with certain Private Funds. However, there can be no assurance that the Registered Funds will obtain such exemptive relief.

### *Asset Valuation*

Asset valuation is another area in which performance fee arrangements may pose a conflict of interest for Adviser. The fair value of assets owned by or managed for Clients for which there is no, or only a limited, liquid market may not be readily determinable. There is no assurance that the value assigned to an investment at a certain time will accurately reflect the value that will be realized upon the eventual disposition of the investment, and a Client’s performance could be adversely affected if such valuation determinations are materially higher than the value ultimately realized upon the disposition of the investment. There may be situations in which the Adviser is potentially incentivized to influence or adjust the valuation of Client assets. For example, the Adviser could be incentivized to: (i) employ valuation methodologies that may improve a Client’s track record; or (ii) employ valuation methodologies that may give rise to a higher valuation of a Client’s assets in order to increase fees, if a management fee is calculated as a percentage of the value of such Client’s invested capital. EIG has adopted valuation policies to manage the potential conflicts that may arise (“**Valuation Policy**”). Pursuant to the Valuation Policy, investments are fair valued at least quarterly in accordance with U.S. generally accepted accounting principles. Marketable securities listed on a national exchange generally are valued at the closing sales price on the securities exchange on the date of determination. Where reliable market prices are not available, Adviser will in good faith develop guidelines to determine the fair value of investments. The Valuation Policy may be amended by Adviser at any time without the consent of any Clients.

In an effort to address the types of conflicts presented in this section, Adviser regularly monitors its investment management activity no less than annually and generally, on a quarterly basis.

## **ITEM 7 – TYPES OF CLIENTS**

### **Private Funds and Managed Accounts**

Adviser organizes and serves as investment manager to private pooled investment vehicles and Managed Accounts that are generally established as single-investor limited partnerships. Investment advice is provided to the Private Funds and not individually to Private Fund investors.

Adviser generally requires that each Private Fund investor or Managed Account client be: (i) an accredited investor as defined in Regulation D under the Securities Act and a qualified purchaser as defined by the Investment Company Act, or (ii) a qualified employee. Adviser generally requires Private Fund investors to make a minimum capital commitment of at least \$10,000,000, although the amount of the minimum varies from Private Fund to Private Fund and investment thresholds may be waived. The minimum commitment requirements may be waived by or modified by Adviser in its sole discretion.

## **Registered Funds**

Adviser acts as sub-adviser to certain Registered Funds. Please refer to the Prospectus of each Registered Fund for more information regarding the Registered Fund's investment strategies and limitations.

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

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

The following is a summary of the investment strategies and methods of analysis employed by Adviser on behalf of Clients. This summary should not be interpreted to limit in any way Adviser's investment activities. Adviser may offer any advisory services, provide advice with respect to any investment strategies and make any investments, including those that may not be described in this brochure, that Adviser considers appropriate, subject to each Client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each Private Fund's private placement memorandum, limited partnership agreement or other governing agreements. In the case of Managed Accounts, investment strategies and methods of analysis employed on behalf of each Managed Account will be set forth in the Management Agreement between the Managed Account and Adviser. Please refer to the Prospectus of each Registered Fund for more information regarding the Registered Fund's investment strategies and limitations.

There can be no assurance that the investment objectives of any Client will be achieved, that any Client will otherwise be able to successfully carry out its investment program, or that an investor will receive a return on its capital contributed to any Client.

#### *Investment Analysis*

Investments for each Client are identified and selected by Adviser. In the case of a Client where Adviser serves as sub-adviser, the Client's investment adviser also must approve each investment. Adviser evaluates investments based on an intensive due diligence process and critical analysis of each potential portfolio company's fundamentals (e.g., financial statements, profitability, cash flow) and using the following analysis methods, as may be applicable: country risk analysis; analysis of political risks; analysis of geological, reserve engineering and consultant reports; analysis of proprietary data and analytical systems developed and maintained in-house; credit analysis based upon debt payment history, term of debt, price, equity kickers, interest rate, market interest rates, general market conditions, industry conditions and other similar factors; analysis of compliance statements; analysis of discounted cash flows; and discussions with third parties such as engineers, environmental and other consultants, attorneys and facility operators. Adviser emphasizes a comprehensive technical review of the assets underlying the investment opportunity.

To help develop its investment recommendations, Adviser conducts primary research, as may be applicable, with respect to private corporate documents, including business plans, financial records and projections, engineering or other technical data, legal documents and customer agreements, reviews, industry information and interviews with company management, key officers and employees, customers, suppliers and competitors. In certain instances, Adviser also retains outside consultants and advisers having special expertise in relevant fields. Adviser compiles the foregoing information and employs a variety of financial analysis tools and methodologies in valuing and evaluating potential investments.

Following an investment by Adviser for and on behalf of a Client, Adviser will continue to monitor the progress and suitability of portfolio investments as well as market and economic outlook.

## *Investment Strategies*

Adviser generally invests in a diversified portfolio of asset-based debt investments in energy, resources and energy-related infrastructure projects and companies on a global basis to support the strategies identified in Item 4, above. The investments will generally include senior and subordinated loans, structured equity, production payments, net profits interests, royalty interests, bonds, notes and other forms of debt and equity securities issued by companies globally, with emphasis on operations in the United States, Canada, Western Europe and Australia. Adviser may make investments in various currencies, including, but not limited to, U.S. Dollars, Euros, Pounds Sterling, Canadian Dollars and Australian Dollars.

Adviser generally targets investments in energy companies and projects throughout the energy value chain including (i) upstream oil and gas; (ii) midstream oil and gas; (iii) power generation, transmissions and distribution; (iv) renewable energy; (v) other oil and gas; (vi) other general infrastructure; and (vii) mining and similar natural resource extraction projects.

Certain Clients may focus on certain types of energy companies and projects. For example, certain Clients may focus on small and mid-cap energy companies and/or projects secured by hard assets such as proven oil and gas reserves, pipelines, gathering systems, processing facilities, liquefied natural gas terminals, power plants and similar energy and energy-related infrastructure opportunities. Other Clients may focus on investments primarily in clean energy projects or companies. Those Clients that focus on clean energy projects or companies will generally target investments in projects and related companies that use the following clean energy technologies, among others: wind, solar, hydro-electric, biomass, cogeneration, fuel switching, geothermal, combined cycle, clean coal, waste-to energy, district heating and electricity waste fuel, combined heat and power, efficiency retrofit and related projects and companies.

The investment strategy for each Private Fund, Managed Account or Registered Fund is more particularly described in its respective governing agreements or Prospectus. Prospective Private Fund investors and Managed Account Clients should carefully read the applicable governing agreements, and Prospective Registered Fund investors should carefully read the applicable Registered Fund's Prospectus. In addition, prospective investors should consult with their own counsel and advisers as to all matters concerning an investment in any Private Fund, Managed Account, or Registered Fund.

## **B. Investment Strategy Risks**

Acquiring interests in any Private Fund, Registered Fund and/or opening a Managed Account with Adviser is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment with Adviser and can accept a potential loss of their entire investment. There can be no assurance that the investment objective of any Client will be achieved, that any Client will otherwise be able to successfully carry out its investment program, or that an investor will receive a return on its capital contributed to any Client.

Investment risks specific to the investment strategy of each Private Fund or Registered Fund are described in the governing agreements of that Private Fund or Prospectus of that Registered Fund and risks specific to any investment strategy employed by Adviser in managing a Managed Account will be explained to the client prior to the opening of the Managed Account. Such risks may include (but are not limited to):

- *No Assurance of Investment Return.* There can be no assurance that any Client will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments in which such Client participates. Accordingly, an

investment in a Client should only be considered by persons who can afford a loss of their entire investment. There can be no assurance that projected or targeted returns for any Client will be achieved.

- *Portfolio Concentration.* As a global energy investor, inherent to the portfolio are the risks associated with a limited diversification of a portfolio. Such concentration of risk may increase the gains or losses in the portfolio. In addition, it is possible that Adviser may select investments that are concentrated in a limited number of types of financial instruments, which could result in disproportionate gains or losses if there are greater price movements in those financial instruments. In addition, a portfolio may hold a relatively small number of securities. Losses incurred in such securities could have a disproportionate effect on the portfolio's overall financial condition.
- *Limited Liquidity and Restrictions on Transfer.* There is currently no active trading market for any of the Private Funds advised by Adviser and generally an investor's interests in the Private Funds are subject to restrictions on transfer. The same risks will apply to any Registered Fund whose shares are not listed on a national securities exchange.
- *Reliance on Adviser of the Client.* Adviser will be responsible for a Client's activities, and, other than as may be set forth in such Client's governing agreement, investors will lack discretion to make investment or any other decisions concerning the management of a Client.
- *Competition for Portfolio Investments.* Identifying, completing and realizing attractive private equity investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that Adviser will be able to locate, consummate and exit investments that satisfy a portfolio's investment objectives or realize upon their values or be able to invest fully a Client's committed capital.
- *Illiquid Investments.* Return of capital and the realization of gains, if any, from the investments of a portfolio generally will occur only upon the partial or complete disposition of an investment which may not occur for a number of years after the investment is made. It is possible that there will not be a public market for the securities held by a portfolio at the time of their liquidation.
- *Dependence on Key Personnel.* The performance of a portfolio depends on the skill of Adviser and its principals to identify and consummate suitable investments, to structure and make prudent credit and investment decisions, and to dispose of investments of the portfolio at a profit. There can be no assurance that the senior executives of the Adviser will continue to be involved in the affairs of a portfolio throughout the life of the portfolio and a loss of the services of key personnel, unless and until replaced with other qualified personnel, could impair Adviser's ability to provide services to a Client.
- *Leverage.* A portfolio may invest in portfolio companies whose capital structures may have significant leverage. The use of leverage is a speculative technique that involves special risk considerations. To the extent a portfolio company in which a portfolio invests is leveraged, its leveraged capital structure will increase the exposure of the company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the company or its industry sector.
- *Non-Controlling Interests.* Although Adviser will seek appropriate shareholder rights to protect each Client's interests, a portfolio may hold a non-controlling interest in certain portfolio companies and, therefore, may have a limited ability to protect its position in such companies.

- *Co-Investments and Third Party Co-Investors.* A portfolio may co-invest with third parties, through partnerships, joint ventures, SPVs or other entities, which may have larger ownership interests in the portfolio's investments. Such investments may involve additional risks in connection with such third-party involvement, including the possibility that a third party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the portfolio or may be in a position to take (or block) action in a manner contrary to the portfolio's investment objectives.
- *Risks Associated with Non-U.S. Investments; Non-U.S. Currency and Exchange Risks.* Risks associated with non-U.S. investments include the following: the unpredictability of international trade patterns; the possibility of governmental actions adverse to business generally or to non-U.S. investors in particular; changes in taxation, fiscal and monetary policies or imposition or modification of controls on non-U.S. currency exchange, repatriation of proceeds, or non-U.S. investment; the imposition or increase of withholding taxes on income and gains; price volatility; absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation which may result in lower quality information being available and less developed corporate laws regarding fiduciary duties and the protection of investors; governmental influence on the national and local economies; and fluctuations in currency exchange rates. In addition, collateral that is located outside of the United States may be subject to various laws enacted for the protection of creditors, depending on the country and the issuer, which laws may differ substantially from those applicable in the United States. In addition, non-U.S. investments may be denominated in currencies other than the U.S. Dollar, and hence the value of such investments will depend in part on the relative strength of the U.S. Dollar. A portfolio may be affected favorably or unfavorably by currency control regulations or changes in the exchange rate between non-U.S. currencies and the U.S. Dollar. In addition, a portfolio will incur costs in connection with conversions between various currencies. A portfolio may, but is not obligated to, engage in currency hedging operations. There can be no assurance as to the success of any hedging operations that a portfolio may implement. See "Hedging" below.
- *Hedging.* Some portfolios, to a limited extent, may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of their portfolio positions as a result of changes in currency exchange rates and market interest rates. To the limited extent permitted by a Private Fund's governing agreements or a Managed Account's investment strategy, Adviser will generally only sell securities or other assets short and enter into similar transactions for the purpose of hedging currency exposure or managing the duration of its portfolio positions. Such hedging transactions also limit the opportunity for gain. The success of hedging transactions will be subject to the ability of Adviser to correctly predict movements in and the direction of currencies and interest rates. Unanticipated changes in currency exchange rates or interest rates may negatively impact the overall performance of a portfolio. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to hedge, the desired protection may not be obtained and a portfolio may be exposed to additional risk of loss. It is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Adviser may determine in its sole discretion not to hedge against certain risks, and certain risks may exist that cannot be hedged. There can be no guarantee that instruments suitable for hedging market shifts will be available at the time when a portfolio wishes to use them. The portfolio's hedging arrangements that are undertaken through brokers, banks or other organizations will subject the portfolio to the risk of default or insolvency of such organizations. In such event, there can be no assurance that

any money advanced to such organizations would be repaid or that the portfolio would have any recourse in the event of non-payment.

- *FCPA Considerations.* Adviser is committed to complying with the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, Clients may be adversely affected because of Adviser’s unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for Clients to act successfully on investment opportunities and for portfolio companies to obtain or retain business. In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. While Adviser has developed and implemented policies and procedures designed to ensure compliance with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of Adviser’s policies and procedures, affiliates of portfolio companies, particularly in cases where a Client does not control such portfolio company, may engage in activities that could result in FCPA or other violations of applicable law. Any determination that Adviser has violated the FCPA or other applicable anticorruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect Adviser’s business prospects and/or financial position, as well as a Client’s ability to achieve its investment objective and/or conduct its operations.
- *Investments in Emerging Markets.* Many of the risks with respect to foreign investments are more pronounced for investments in developing or emerging market countries, which include several countries in Asia, Latin America, South America, Eastern Europe, Africa, and the Middle East. Many of these countries may have government exchange controls, currencies with no recognizable market value relative to the established currencies of developed market economies, little or no experience in trading in securities, no financial reporting standards, a lack of banking or securities infrastructure, and a legal tradition which does not recognize rights in private property. In addition, the laws of some emerging markets governing business organizations, bankruptcy and insolvency may make legal action difficult and produce little, if any, legal protection for investors.
- *Fixed Income Securities.* The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions of an issuer’s creditworthiness. Generally, fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, with lower rated securities more volatile than higher rated securities. The duration of these securities affects risk as well, with longer term securities generally more volatile than shorter term securities. Debt securities are also subject to creditor risks, including (i) the possible invalidation of investment transactions or payment in connection with such transactions as fraudulent conveyances or preferential payments under relevant creditors’ rights laws or the subordination of claims under so-called “equitable subordination” common law principles, (ii) so-called “lender liability” claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to collateral securing the obligations in circumstances where the creditor has taken title to such collateral during the exercise of remedies.

Certain investments may have an interest only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In such cases, a portfolio



company's ability to repay the principal of an investment may be dependent upon the ability to refinance or a liquidity event or the long-term success of the company, the occurrence of which is uncertain. Certain debt investments may allow a borrower to avoid paying interest in immediately available funds in whole or in part and instead to capitalize such interest by adding it to outstanding principal amounts; such arrangements are commonly referred to as payment-in-kind ("PIK") interest. A debt obligation that is structured as PIK interest will generally have a higher risk of non-payment of interest because there will be no or reduced cash payments of interest from the borrower prior to maturity, refinancing, or a later date in time than would otherwise be the case if no PIK interest option was available to the borrower.

- *High Yield Bonds.* Many of the debt instruments invested in the portfolios may be unrated and have limited public information. Fixed income securities that are below investment grade or unrated involve greater risks of default and are more volatile than investment grade securities. High yield bonds involve a greater risk of price declines than investment grade securities due to actual or perceived changes in an issuer's creditworthiness. High yield bonds are subject to a greater risk that the issuer may not be able to pay interest or dividends and ultimately to repay principal upon maturity.
- *Credit Risk.* A fundamental risk associated with debt investments in loans or debt and debt related securities is credit risk. Credit risk is the risk that an issuer will be unable to make principal and interest payments on its outstanding debt obligations when due. Adverse changes in the financial condition of an issuer (including those associated with the effects of changes in commodity prices) or in general economic conditions (or both) may impair the ability of such issuer to make payments and result in defaults on, and declines in, the value of investments. There can be no assurance that a portfolio company will generate sufficient cash to service its debt obligations, and, in such case, a portfolio may suffer a partial or total loss of invested capital.
- *Derivatives.* Derivatives involve the risks separate from the risks of the underlying instrument, including improper valuation and ambiguous documentation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying instrument. Derivatives are also subject to other risks, such as the risk of an illiquid secondary market which may result in significant, rapid, and unpredictable changes in the prices for such derivatives, risks relating to the financial soundness and credit worthiness of the counterparty, and the risk of the failure of any of the exchanges on which a portfolio's positions trade or of their clearinghouses. The use of a derivative is speculative if Adviser is primarily seeking to enhance returns, rather than offset the risk of other positions. When Adviser invests client assets in derivatives for speculative purposes, the portfolio will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the cost of the derivative.
- *Subordinated Debt Investments.* A portfolio may make investments in hybrid debt investments at different levels of an issuer's capital structure, including subordinated debt instruments, which involve a high degree of risk with no certainty of any return of capital. Although subordinated debt obligations are senior to common stock and other equity securities in the capital structure, they may be subordinated to large amounts of senior debt and are often unsecured. The ability of the subordinated debt holders to influence a company's affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. For example, under the terms of subordination agreements, senior creditors are typically able to block the acceleration of the subordinated debt or other exercises by the subordinated creditors of their rights. Accordingly, a portfolio may not be able to take steps necessary to protect its investments in a timely manner or at all.

- *Secured Loans.* While an issuer's secured debt generally has priority over its unsecured debt, this is not always the case. For example, some secured loans may involve liens only on specified assets of an issuer. Furthermore, in the event of a filing by an issuer under chapter 11 of the U.S. Bankruptcy Code, the Bankruptcy Code authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a priority lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer provides "adequate protection" (as determined by the presiding bankruptcy judge) that may consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of priority liens on a portfolio's collateral would adversely affect the priority of the liens and claims held by the portfolio and could adversely affect the portfolio's recovery on its secured debt investments.
- *Second-Lien Debt.* A portfolio's investments in second-lien loans will entail risks, including (i) the subordination of the liens securing the portfolio's claims to a senior lien in terms of the coverage and recovery of the collateral and (ii) the prohibition of, or limitation on, the right to foreclose on a second lien or exercise other rights as a second-lien holder (including unsecured creditors' rights). In certain cases, therefore, no recovery may be available to the portfolio from a defaulted second-lien loan. The level of risk associated with investments in second-lien loans increases to the extent such investments are loans of distressed or below investment grade companies.
- *Potential Additional Government or Market Regulation.* Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental scrutiny and regulation of the "private equity" industry as private equity firms become more significant participants in the global economy. The SEC, Congress, state legislatures, state securities administrators and governing bodies of non-U.S. jurisdictions could seek to impose greater regulation on the "private equity" industry. It is impossible to predict what, if any, additional changes in regulation applicable to a Private Fund or Adviser, the markets in which they invest or the counterparties with which they do business may be instituted in the future. Any such regulation directly or indirectly could have a material adverse effect on the profit potential of a portfolio, as well as require increased transparency as to the identity of its investors.
- *Reliance on Corporate Management and Financial Reporting.* Adviser relies on the financial information made available by the issuers in which Clients invest. Adviser typically does not independently verify the financial information disseminated by the numerous issuers in which Clients may invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud, and accounting irregularities relating to the issuers of investments held by Clients may result in material losses.
- *Exposure to Material Nonpublic Information.* From time to time, Adviser may receive material nonpublic information with respect to an issuer of publicly traded securities. In such circumstances, a Client may be prohibited by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.
- *Alternative Investment Fund Managers Directive.* The Alternative Investment Fund Managers Directive ("AIFMD") provides a framework for the European Union ("EU") to regulate managers of alternative investment funds that are marketed or managed in the EU. The AIFMD is also likely to be implemented in the countries which form part of the European Economic Area (the "EEA"). The AIFMD imposes significant new regulatory requirements on investment managers

operating within the EEA, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing. Alternative investment funds organized outside of the EEA in which interests are marketed within the EEA are now subject to significant conditions on their operations. In the immediate future, such funds may be marketed only in certain EEA jurisdictions and in compliance with requirements to register the fund for marketing in each relevant jurisdiction and to undertake periodic investor and regulatory reporting. In some countries, additional obligations are imposed. For example, in Germany and Denmark, marketing of a non-EEA fund now also requires the appointment of one or more depositaries (with cost implications for the fund). Depending on the activities of the Funds, additional restrictions on investment activities may also apply if they are to be marketed to EEA investors. Accessing EEA investors may be more difficult and Client costs may increase to reflect the additional burdens.

In addition to the material risks set forth above, certain material risks specific to the Registered Funds include, but are not limited to:

- *Liquidity Risk.* The Registered Funds may invest without limit in securities that, at the time of investment, are illiquid as determined by using the SEC's standard applicable to registered investment companies, i.e., securities that cannot be disposed of by the Registered Funds within seven days in the ordinary course of business at approximately the amount at which the Registered Funds have valued the securities. The Registered Funds may also invest in restricted securities. Investments in restricted securities could have the effect of increasing the amount of the Registered Funds' assets invested in illiquid securities if qualified institutional buyers are unwilling to purchase these securities.

Illiquid and restricted investments may be difficult to dispose of at a fair price at the times when the Registered Funds believe it is desirable to do so. The market price of illiquid and restricted securities generally is more volatile than that of more liquid investments, which may adversely affect the price that the Registered Funds recover upon the sale of such investments. Illiquid and restricted investments may also be more difficult to value, especially in challenging markets. Adviser's and Registered Funds Adviser's judgment may play a greater role in the valuation process. Investment of the Registered Funds' assets in illiquid and restricted investments may restrict the Registered Funds' ability to take advantage of market opportunities. In order to dispose of an unregistered investment, the registered Funds, where it has contractual rights to do so, may have to cause such investment to be registered. A considerable period may elapse between the time the decision is made to sell the investment and the time the investment is registered, thereby enabling the Registered Funds to sell it. Contractual restrictions on the resale of investments vary in length and scope and are generally the result of a negotiation between the issuer and acquirer of the investments. In either case, the Registered Funds would bear market risks during that period.

To the extent that the traditional dealer counterparties that engage in debt trading do not maintain inventories of corporate bonds (which provide an important indication of their ability to "make markets") that keep pace with the growth of the bond markets over time, relatively low levels of dealer inventories could lead to decreased liquidity and increased volatility in the debt markets. Additionally, market participants other than the Registered Funds may attempt to sell debt holdings at the same time as the Registered Funds, which could cause downward pricing pressure and contribute to illiquidity.

- *Registered Funds' RIC Status.* The Registered Funds intend to qualify and be eligible to be treated as registered investment companies ("RICs") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), which generally will relieve the Registered Funds of

any liability for U.S. federal income tax to the extent its earnings are distributed to shareholders. To qualify and remain eligible for the special tax treatment accorded to RICs and their shareholders under the Code, the Registered Funds must meet certain source of income, asset diversification and annual distribution requirements. There can be no assurance that the Registered Funds will so qualify and be eligible.

### **C. Portfolio Investment Risks**

The Clients managed by Adviser invest primarily in companies providing products and services in the energy sector. Risks specific to this type of investment may include (but are not limited to):

- *Investments in Oil and Gas.* Certain of the portfolio companies may be subject to the risks inherent in acquiring or developing recoverable oil and natural gas reserves, including capital expenditures for the identification and acquisitions of projects, the drilling and completing of wells and the conduct of development and production operations. The presence of unanticipated pressures or irregularities in formations, miscalculations or accidents may cause such activity to be unsuccessful, which may result in losses. Furthermore, successful investment in oil and natural gas properties and other related facilities and properties requires an assessment of (i) recoverable reserves; (ii) production rates; (iii) future oil and natural gas prices; (iv) operating and capital costs; (v) potential environmental and other liabilities; and (vi) other factors; such assessments are necessarily inexact and their accuracy inherently uncertain. Also, the revenues generated by certain of the companies in which a portfolio invests may be dependent on the future prices of and the demand for oil and natural gas, or alternative fuel sources which can be used for energy generation in lieu of oil and natural gas.

Various factors beyond the control of a portfolio will affect the price of oil, natural gas and natural gas liquids, including the worldwide supply of oil and regional supply of natural gas, as well as political instability or armed conflict in oil and natural gas-producing regions, the price of non-U.S. imports, the value of the U.S. dollar, the level of consumer demand, the price and availability of alternative fuels, the availability of pipeline, terminal or refinery capacity and changes in existing government regulation, taxation and price controls. While natural gas prices are vulnerable to worldwide dynamics, because natural gas is typically consumed locally due to the high cost of transporting it over long distances, prices are more immediately affected by regional dynamics. Prices for oil, natural gas and natural gas liquids have fluctuated greatly in the past, and markets for oil, natural gas and natural gas liquids continue to be volatile.

Further, to the extent a portfolio invests in or receives royalty interests, the portfolio will generally receive revenues from those royalty interests only upon sales of oil, gas and other hydrocarbon production or upon sale of the royalty interests themselves. There can be no assurance that reserves sufficient to provide the expected royalty income will be discovered or produced.

- *Investments in the Power Industry.* For much of its history, the power sector, and particularly the utility industry within this broader sector, was characterized by institutional stability and predictability of financial performance. The advent of deregulation, privatization, technological change and market volatility has created a much less stable sector with substantially greater variability of company performance in developed markets as well as emerging markets, where these changes are much more recent. There can be no assurance that the pace or direction of the change will be in accord with the expectations of the Adviser, nor that the industry changes will benefit investments made by the portfolio. Investing in power facilities and related assets is subject to a variety of risks, not all of which can be foreseen or quantified, including operating,

economic, environmental, commercial, and financial risks. These risks may be magnified in emerging markets. See “Investments in Emerging Markets”.

Investing in power facilities and related assets is subject to a variety of risks, including operating, economic, environmental, commercial, regulatory, political and financial risks. Risks include higher than anticipated operating and maintenance costs, loss of sale and supply contracts or fuel contracts, bankruptcy of key customers or suppliers, the breakdown or failure of pipelines, transmission lines, power generation equipment or other equipment or processes and performance below expected levels of output or efficiency. Although each project typically contains certain redundancies and back-up mechanisms and insurance is maintained to protect against the effects of certain operating risks, such redundancies and back-up mechanisms may not cover every operating contingency, and the proceeds of such insurance may not be adequate to cover lost revenues or increased expenses. Actual cash flow generating ability of the portfolio companies will be influenced by (among other things) (i) the technology employed in the power generation plants or other assets; (ii) demand/pricing considerations; (iii) changes in regulations and subsidy regimes affecting the power industry; (iv) competition from other power generation plants that may have lower production costs and operating and maintenance costs; and (v) fluctuations in fuel prices. There is no assurance that a portfolio’s investments will be profitable or generate cash flow sufficient to service debt owed to the portfolio or provide a return on or recovery of amounts invested by the portfolio therein.

- *Possible Lack of Diversification.* Certain Clients may concentrate its portfolio investments by investing all of its assets in only a few issuers, industries or countries. By investing in a limited number of portfolio investments, the aggregate returns realized by a Client may be substantially affected by the unfavorable performance of a small number of such portfolio investments.
- *Construction Risks and Adequacy of Insurance.* The construction of any project involves many risks, including delays or shortages of construction equipment, material and labor, work stoppages, labor disputes, weather interferences, unforeseen engineering, environmental and geological problems, difficulties in obtaining requisite licenses or permits and unanticipated cost increases, any of which could give rise to delays or costs overruns. Adviser may attempt to minimize construction-related risks through fixed price or “turnkey” construction contracts with experienced and creditworthy construction contractors. The construction contracts will typically require the contractor to carry substantial insurance or have adequate resources and to pay liquidated damages in the event of failure of performance by the contractor. There can be no assurance, however, that liquidated damages or insurance payments would be sufficient to pay for any increased costs or to replace reduced revenues resulting from a completed facility that does not meet, or is late in meeting, its performance specifications.
- *Environmental Matters.* Energy and resource companies are subject to numerous environmental laws and regulations in each country in which they operate. Some of the most onerous requirements regulate air emissions of pollutants such as sulfur dioxides, nitrogen oxides and particulate matter. The uncertain and ever changing regulatory environment in which generators operate in the United States and elsewhere makes it likely both that generators will face increased operating costs in the years ahead and that the relative competitive position of various fuel types and generation technologies will change. Certain possible changes in the environmental laws and regulations applicable to generators in the United States and elsewhere could affect the performance of one or more of a portfolio’s investments to an extent that would have a material adverse effect on the portfolio. The environmental liability risks related to power generation and

other power facilities or other tort liability in excess of insurance coverage may adversely affect the value of the portfolio companies in a portfolio and the overall performance of a portfolio.

In addition, portfolio investments can have a substantial environmental impact. As a result, community and environmental groups may protest about the development or operation of a portfolio company, and these protests may induce government action to the detriment of such portfolio companies or other nearby facilities. Ordinary operation or occurrence of an accident with respect to portfolio companies could cause major environmental damage, which may result in significant financial distress to the particular asset. In addition, the costs of remediating, to the extent possible, the resulting environmental damage and repairing relations with the affected community, could be significant.

- *Legal and Regulatory Matters.* Power generation and transmission, as well as oil, natural gas and coal storage, handling, processing and transportation, are extensively regulated. 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. Moreover, the adoption of new laws or regulations, including those with respect to the emission of greenhouse gasses, or changes in the interpretation of existing laws or regulations or changes in the persons charged with political oversight or such laws or regulations, could have a material adverse effect upon a portfolio company 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.
- *Bankruptcy of Portfolio Companies.* Portfolio companies that may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of a portfolio. There is also a risk that a court may subordinate a portfolio's investment to other creditors or require a portfolio to return amounts previously paid to it by a portfolio company that became insolvent or files for bankruptcy, a risk that could increase if the portfolio has management rights in such portfolio company.
- *Nature of Equity Investments Generally.* A portfolio's capital may be invested in equity securities. The portfolio may structure its hybrid debt investments to carry certain equity features, such as warrants, options, net profits interests, royalties, cash flow participations and similar instruments. In addition, certain hybrid debt investments may be convertible, by the terms thereof, into equity securities after a triggering event. Equity investments generally will be the most junior in what typically will be a complex capital structure, and thus subject to the greatest risk of loss. The portfolio company may have a high level of debt, and such investments are inherently more sensitive to declines in revenues and to increases in expenses. Certain of a portfolio's investments may be in business with little or no operating history. In addition, in such investments a portfolio may designate directors to serve on the board of the applicable company. The designation of representatives and other measures contemplated could expose the assets of a portfolio to claims by a portfolio company, its security holders and its creditors, including claims that the portfolio is a controlling person and thus is liable for securities laws violations of a portfolio company. Depending on changes in the financial condition of a portfolio company, fluctuations in the equity markets (sudden or gradual) and other factors, the portfolio's investments in equity securities or participations, and/or instruments convertible into equity securities, may become worthless.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Adviser is obligated to disclose any disciplinary event that would be material to a Client when evaluating a client/adviser relationship. Adviser has no such legal or disciplinary events required to be disclosed pursuant to this Item 9.

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

### **A. Registration as a Broker-Dealer or Registered Representative**

Not applicable.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person**

Not applicable.

### **C. Material Relationships and Conflicts of Interest**

The general partners of certain of the Private Funds and the related advisers (identified in Item 4 as Relying Advisers) are generally affiliated with Adviser by common ownership. Managed Accounts organized as single investor limited partnerships have an affiliate of Adviser serve as a general partner. A portion of the compensation received by the Relying Advisers may be shared with Adviser and other affiliates and personnel of the Relying Advisers or Adviser.

Adviser is affiliated by common ownership with EIG Management Company and certain related advisers and general partners of EIG Management Company, which are investment advisers registered with the SEC. EIG Management Company provides investment advice to certain Private Funds and Managed Accounts. Adviser and EIG Management Company are subject to the same compliance policies and procedures and Code of Ethics, including the Investment Allocation Policy, as described in Item 6.

Certain inherent conflicts of interest arise from the fact that: (i) Adviser provides investment management services to more than one Client; and (ii) Clients may have one or more overlapping or conflicting investment objectives. Should conflicts of interest arise in the context of these common ownership relationships, they will be addressed in accordance with the EIG's Code of Ethics (described in further detail in Item 11 below), and in the governing agreements of the Clients, as applicable.

Adviser may from time to time enter into a side letter or similar agreement with one or more investors in a Private Fund which has the effect of establishing rights (including economic or other terms) under or altering or supplementing a Private Fund's governing agreements. Such agreements may provide for (i) a reduced management fee and/or reduced performance-based compensation, or (ii) greater or more frequent transparency with respect to the Private Fund. Any material economic change resulting from a side letter or similar agreement is required to be disclosed to all investors.

Certain persons nominated by the Adviser (who may or may not be officers or employees of Adviser or its affiliates) may serve as a director on the boards of directors (or similar oversight bodies) of portfolio companies in which Clients invest. Serving in such capacity may give rise to conflicts to the extent that such associated person's fiduciary duties to a portfolio company as a director may conflict with the interests of Clients. In general, such director positions are often important to Clients' investment strategies and may have the effect of enhancing the ability of Adviser to supervise or manage investments. However, such positions may also have the effect of impairing the ability of Adviser to sell

the related securities or to purchase other securities or make other investments when, and upon the terms, it may otherwise desire. In addition, such positions may place Adviser's investment personnel in a position where they must make a decision that is either not in the best interests of Clients or not in the best interests of the equity investors in a portfolio company. Depending on the nature of the conflict, Adviser may require a person to resign from a board to mitigate or eliminate such conflict. Should investment personnel make a decision that is not in the best interests of the equity investors of a portfolio company, such decision may subject Adviser and one or more Clients to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In general, Clients are required to indemnify Adviser, such directors and other specified parties from such claims.

Certain Private Funds have advisory committees that consist of the representatives of certain investors in such Private Fund. Any approval or consent given by such advisory committee is typically intended to bind such Private Fund and all of its investors. Advisory committees may in some instances also be authorized to give approvals or consents required under the Advisers Act, including under Section 206(3) of the Advisers Act. To the extent that an investor is not represented by a member of a Private Fund's advisory committee, such investor will have no influence over matters submitted to the advisory committee for approval. Although Adviser has adopted policies and procedures designed to manage certain conflicts among Private Funds, members of the advisory committees may themselves have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted for consideration or review to the investment committees on which they serve. For example, in a cross trade transaction where Adviser arranges for a Private Fund to purchase an investment from, or sell an investment to, another Private Fund, if an advisory committee member has an interest in both Private Funds involved in the cross trade, such member may favor one Private Fund over the other if such member's interests are more aligned with the Private Fund it favors. In addition, if the member has an interest adverse to Adviser, it may not act in the best interest of the Private Fund that it represents. While Adviser may adopt policies or procedures to address such conflicts in the future, it has not done so to date, and it may not be possible to entirely eliminate such conflicts.

In addition, Adviser and its personnel may have conflicts in allocating their time and service among Clients, and, subject to the provisions of a Client's governing agreements to the contrary, neither Adviser nor its related persons are obligated to allocate any specific amount of time to a particular Client. Adviser and its related persons intend to devote as much time as they deem necessary for the conduct of each Client's operation and portfolio management,

As disclosed in Item 5.A Adviser or its affiliates, may receive Supplemental Fees from companies in which a Client may invest. In addition, such companies may agree to reimburse Adviser for its expenses incurred in evaluating and/or consummating an investment. The existence of Supplemental Fees, if any, could create an incentive to acquire or dispose of assets based on compensation received versus a Client's needs and/or provide additional services to portfolio companies. Adviser may have a conflict of interest to the extent that it has an opportunity to earn a fee from an acquisition or disposition or other services provided to a Client. However, in many instances the Management Fee is offset for such fees and Adviser believes that the management fee offset provisions and the equity commitment by Adviser and its affiliates in certain Private Funds substantially mitigates this incentive. To the extent a Private Fund does not pay a Management Fee, or Supplemental Fees exceed Management Fees for a Private Fund, the Private Fund will not receive any offset to the Management Fee and the additional benefit accrues to Adviser and not the Private Fund. Any fees paid by a portfolio company or a Client are required to be on an arm's-length basis and on terms that are no less favorable to the Client or portfolio company that would be obtained in a transaction with an unaffiliated party.



Associated persons of the Adviser may, from time to time, come into possession of material non-public information in relation to certain parties that may be involved with one or more transactions contemplated on behalf of Clients. Adviser maintains a Code of Ethics, as described in Item 11 below and provides training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Adviser's policies and procedures. For example, Adviser maintains a list of restricted securities and associated persons are subject to trading restrictions and are prohibited from engaging in transactions with respect to the securities or instruments of any company to whom the material, non-public information relates. In addition, Adviser may establish information barriers to separate persons who make investment decisions from others who might possess material non-public information that could influence such decisions.

It is possible that the internal controls relating to the management of material non-public information could fail and result in Adviser, or one of its associated persons, buying or selling a security while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the reputation of Adviser, result in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact Adviser's ability to perform investment management services on behalf of Clients.

Adviser, its affiliates and/or personnel, including senior advisers or consultants retained by Adviser, 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 to, Adviser and/or its affiliates, and/or the Clients or other investment vehicles they advise. Adviser may have a conflict of interest with a Client in recommending the retention or continuation of a third-party service provider to such Client 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 Clients, will provide Adviser information about markets and industries in which Adviser operates (or is contemplating operations) or will provide other services that are beneficial to Adviser. Adviser may have a conflict of interest in making such recommendations, in that Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Client, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Client. To the extent a consultant or senior adviser is affiliated with any of Adviser's service providers, such as an approved broker-dealer, Adviser will adopt policies and procedures to ensure that transactions with the service provider are conducted at arm's length.

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of Adviser, its affiliates, and their respective personnel. Adviser will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances. With respect to the Private Funds, as described in Item 11.D below, certain conflicts may also be resolved subject to the approval of the respective advisory committee of the participating Private Funds.

To the extent permitted by the Investment Company Act and SEC staff interpretations, and subject to the Investment Allocation Policy, Adviser may determine it appropriate for the Registered Funds and one or more Clients managed by Adviser or any of its affiliates to participate in an investment opportunity. The Registered Funds have submitted an application for exemptive relief from the SEC to engage in co-investment opportunities together or with Adviser and its affiliates. However, there can be no assurance that the Registered Funds will obtain such exemptive relief. Any of these co-investment opportunities may give rise to conflicts of interest or perceived conflicts of interest among the Registered Funds and other participating Clients. To mitigate these conflicts, Adviser will seek to execute such transactions for all of the participating Clients, including the Registered Funds, on a fair and equitable basis and in

accordance with their respective allocation policies, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Registered Funds, the Clients for which participation is appropriate and any other factors deemed to be appropriate.

In addition, the Investment Company Act prohibits certain “joint” transactions with certain of the Registered Funds’ affiliates, which could include investments in the same portfolio company (whether at the same or different times), without the prior approval of the SEC. If a person, directly or indirectly, acquires more than 5% of a Registered Fund’s voting securities, the Registered Fund will be prohibited from buying securities or other property from or selling any securities or other property to such person or certain of that person’s affiliates, or entering into joint transactions with such persons, absent the availability of an exemption or prior approval of the SEC. Similar restrictions limit a Registered Fund’s ability to transact business with its officers or trustees or its affiliates. The SEC has interpreted the Investment Company Act rules governing transactions with affiliates to prohibit certain “joint transactions” involving entities that share a common investment adviser. As a result of these restrictions, the scope of investment opportunities that would otherwise be available to the Registered Funds may be limited.

To mitigate these conflicts, the Chief Compliance Officers of Adviser, the Registered Funds Adviser and Registered Funds will periodically meet to, among other things, review applicable policies and procedures and related compliance.

#### **D. Recommendation of Other Investment Advisers**

From time to time, certain Clients of Adviser may invest in other investment vehicles managed by Adviser’s affiliates.

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

#### **A. Code of Ethics**

In order to address conflicts of interest, Adviser has adopted a code of ethics (the “**Code**”) pursuant to Rule 204A-1 under the Advisers Act which is applicable to all of Adviser’s officers, managers, members, and employees (collectively, “**Employees**”). Adviser’s Code generally sets the standard of ethical and professional business conduct that Adviser requires of its Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code sets forth Adviser’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that Adviser and each of its Employees owe to each Client. The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or she has received and followed the Code and any amendments thereto. EIG will provide a copy of the Code to any Client or prospective client, free of charge, upon request.

#### **B. Participation or Interest in Client Transactions**

Adviser or its related persons may engage in securities transactions with certain Clients to restrictions set forth in a Client’s applicable governing agreements or Prospectus, may recommend investments in portfolio companies in which Adviser or a related person has a beneficial or financial interest. For example, employees, including, key personnel of EIG generally will also be invested directly or indirectly in the Private Funds offered to outside investors, subject to applicable law. In such instances, Adviser

may separately negotiate the performance-based compensation and/or Management Fees payable by such vehicle, which may result with employee investments in a Private Fund not being charged a Management Fee or Carried Interest. Potential conflicts also may arise due to the fact that Adviser and its associated persons may hold investments in some Private Funds but not in others or may have different levels of investments in the various Private Funds.

As set forth in Item 6, co-investment opportunities in portfolio companies may be offered to some but not all Private Fund investors, Managed Account clients, other persons or entities, and/or EIG's advisory personnel or employees. Because of the potential for conflicts of interest that could arise with respect to co-investments, any allocation by EIG of an investment opportunity to a co-investor or a Co-Investment Private Fund is subject to the Investment Allocation Policy.

Adviser may solicit qualified Managed Account clients to invest in a Private Fund or a Registered Fund, subject to applicable law. Adviser could be considered to have recommended an investment in the Private Fund or Registered Fund as suitable for a Managed Account client as a result of the relationship between Adviser and the Private Fund or Registered Fund. Adviser will inform each Managed Account client of its relationship with a Private Fund or Registered Fund prior to the client's investment, but does not intend to advise Managed Account clients as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in a Private Fund or Registered Fund (except to the extent that Adviser receives Management Fees and performance Compensations from all Fund investors).

Certain of the Registered Funds have submitted an application for exemptive relief from the SEC to engage in co-investment transactions with certain Private Funds. However, there can be no assurance that the Registered Funds will obtain such exemptive relief.

#### *Principal and Cross Transactions*

Adviser and its related persons generally do not purchase any securities for their own accounts from, or sell any securities for their own accounts to, Clients in a principal transaction. From time to time, however, and subject to applicable Client investment guidelines and restrictions and applicable law, Adviser may direct one Client to sell securities to another Client through an internal cross transaction. Cross transactions may be viewed as principal transactions due to the ownership interest in the Client by EIG and its related persons.

Cross transactions and principal transactions may give rise to conflicts of interest between Clients. For example, one Client could be advantaged to the detriment of another Client in the event that the securities being exchanged are not priced in a manner that reflects their fair value. In addition, Adviser could use its investment authority to transfer unappealing securities from one Client to another Client. To the extent that any such cross transaction may be viewed as a principal transaction due to the ownership interest in the Client by Adviser and its related persons, Adviser will comply with the requirements of Section 206(3) of the Advisers Act and its internal policies and procedures. For example, when reviewing a proposed principal transaction or cross transaction, Adviser will confirm, among other things: (i) that such transaction will be consistent with the investment objectives and policies of each Client involved in the transaction; (ii) that the transaction is effected at fair value in accordance with Adviser's Valuation Policy; and (iii) in the case of a principal transaction, that requisite consent was obtained.

Adviser discloses these potential conflicts of interest to investors in the applicable governing agreements of a Private Fund or Managed Account, and the Prospectus of a Registered Fund. These materials are delivered to Private Fund investors, Managed Account clients, and Registered Fund investors prior to their investment; and Private Fund investors, Managed Account clients, and Registered Fund investors are

given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving Adviser, its affiliates, or the executive officers of the foregoing. Adviser has instituted procedures designed to ensure that any affiliated transactions are at arms' length. For instance, in cases of principal transactions involving a Client and Adviser or a related person, approval by the advisory committee or investors, as set forth in the Client governing agreements, may be required as a condition to such a transaction.

### **C. Personal Trading**

Adviser recognizes that there is a risk that Employees will compete with a Client or otherwise engage in personal securities transactions at the expense of a Client's interest.

Adviser's Code requires that all Employee personal investment transactions comply with all applicable laws and regulations and do not endanger the interest of any Client. In addition, Employees are required to obtain prior approval for all securities transactions (including, but not limited to, private placements). The Code establishes certain pre-clearance procedures and a securities transaction reporting system that is designed to monitor transactions in Employees' personal accounts and seeks to prevent any conflicts that may arise between Employees' personal securities transactions and transactions for clients of EIG. For purposes of the policy, an Employee's "personal account" generally includes any account (i) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (ii) for which the Employee is a trustee or executor, or (iii) which the Employee controls, including Adviser's Client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

Under Adviser's Code, all Employees are generally prohibited from trading in securities of energy companies and key management personnel (as defined in the Code) are further prohibited from trading securities except in a non-discretionary account. Employees may trade in energy-related exchange-traded funds, subject to receiving a pre-clearance approval from the Chief Compliance Officer or her designee. Additional restrictions on personal trading of a Client's portfolio securities may be imposed on certain Employees at the discretion of EIG or pursuant to a Client's governing agreements.

### **D. Concurrent Trading Activity**

As Adviser deals primarily with private securities purchased directly from the issuer, Adviser will generally not be able to aggregate securities transactions for Clients. However, where available and appropriate, Adviser may aggregate purchases or sales of any security effected for a Client's account with purchases or sales of the same security effected on the same day for other Client accounts. When transactions are aggregated, the actual prices applicable to the aggregated transaction will be averaged, and all participating accounts will be deemed to have purchased or sold its share of the security, instrument or obligation involved at such average price. Further, all transaction costs incurred in effecting the aggregated transaction will be shared on a *pro rata* basis among all participating accounts.

Certain Clients may invest in different parts of the capital structure of the same portfolio company. For example, one Client may invest in debt securities issued by a portfolio company in which another Client has a controlling or other equity interest. The interests of the Clients may not always be aligned, which may give rise to actual or potential conflicts of interest, or the appearance of such conflicts of interest. Actions taken for a Client may be adverse to another Client. EIG recognizes that conflicts may arise under such circumstances and will endeavor to treat all Clients fairly and equitably.

Adviser may cause different Clients to invest at different times in a single portfolio company, for example, where a Client that made an initial investment in a portfolio company does not, when an

opportunity to make a follow-on investment in the company subsequently arises, have sufficient capital for such investment. Follow-on investments present conflicts of interest, including determination of the equity component and other terms of the new financing. In addition, a Client may participate in re-leveraging and recapitalization transactions involving portfolio companies in which other funds have invested or will invest. Recapitalization transactions may present conflicts of interest, including whether existing investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. Additionally, Adviser may give advice or take action with respect to the assets of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives, and strategies. Accordingly, Clients sharing similar strategies may not hold the same securities or instruments or achieve the same performance.

Since participation in specific investment opportunities may be appropriate, at times, for more than one Client, Adviser has established an Investment Allocation Policy, as described in Item 6 above. The Investment Allocation Policy has been adopted to ensure that each Client is treated in a manner that, over time, is fair and equitable and to take into account the fact that certain Clients may have broad investment mandates that overlap. Adviser expects to resolve all such conflicts in its sole discretion using its best judgment but subject, in certain cases, to approval by the respective advisory committees, if any, of the participating Private Funds.

## **ITEM 12 – BROKERAGE PRACTICES**

### **A. Selection of Broker-Dealers**

#### *Execution Quality*

While Adviser primarily makes investments on behalf of Clients directly with the issuers of the securities in which it is investing, there may be situations where it places trades through a broker, particularly if there has been a liquidity event. In such circumstances, Adviser will seek “best execution” in light of the circumstances involved in transactions. In selecting a broker for any transaction, Adviser may consider a number of factors, including, for example, a broker’s reputation, net price or spread, financial strength and stability, volume/capacity, market access, efficiency of execution and error resolution, and the size of the transaction. Adviser will not obligate itself to obtain the lowest commission or best net price for a client on any particular transaction. Adviser has established a Brokerage Oversight Committee that is responsible for the oversight of its brokerage practices. The Brokerage Oversight Committee monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

*Research and Other Soft Dollar Benefits.* Adviser generally acquires securities in direct transactions with the issuers and currently does not intend to have any soft dollar arrangements. Any soft dollar arrangements contemplated will be made in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. That is, Adviser will generally determine, considering all appropriate factors, that commissions and fees paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer.

*Brokerage for Client Referrals.* Not applicable.

*Directed Brokerage.* Adviser's authority may be subject to conditions imposed by a Managed Account client, examples of which may include: (i) where the Managed Account client restricts or prohibits transactions in a certain industry, issuer or security and/or (ii) where the Managed Account client directs that some or all account transactions be effected through specific brokers or dealers. In the latter case, a Managed Account client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such brokers. Adviser will assume no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for the Managed Account client. A Managed Account client must recognize that it may not obtain rates as low as it might otherwise obtain if Adviser had discretion to select brokers or dealers other than those chosen by the Managed Account client. Any Managed Account client providing instructions to Adviser regarding direction of brokerage transactions must notify Adviser in writing if the Managed Account client desires Adviser to cease executing transactions with or through any such broker or dealer.

## **B. Aggregation of Orders**

See Item 11(D) above.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **A. Periodic Account Review**

The investments made by the Clients are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. Adviser, through a team of investment professionals, closely monitors portfolio investments on an ongoing basis. In addition, Adviser may hold a position on the board of directors of certain portfolio companies and/or obtain observation rights.

Adviser has an internal structure which allocates responsibilities for oversight of the portfolio investment of the Clients to appropriate senior investment professionals. All Clients are reviewed on a regular basis, both informally and formally, through scheduled periodic meetings of the relevant investment professionals and investment committees. Account reviews focus on the review of all portfolio securities using fundamental and technical analysis and monitor operations performance, financial performance and strategic direction of each portfolio investment owned by the Client. Particular attention is given to changes in company fundamentals, industry outlook, market situation, general economic trends, and relative/absolute valuation levels.

### **B. Non-Periodic Account Review**

Other than the periodic review of accounts described above, a review of Client accounts may be triggered by any significant unexpected event, which may include market or liquidity events.

### **C. Client Reporting**

Adviser provides unaudited monthly written account statements to Private Fund investors and Managed Account clients that include summary investment information and quarterly unaudited financial statements to Private Fund investors. Investors have the ability to access these statements via a password protected website. The applicable qualified custodian provides hardcopies of unaudited account statements to each Managed Account client. In addition, each Private Fund investor also receives via electronic transmission annual audited financial statements and, if necessary, annual tax information for

completion of its individual tax returns. Hardcopies of any electronically transmitted quarterly and annual financial statements are provided upon request to investors.

Adviser, in its discretion, may provide more frequent reports and/or more detailed information to all or any of the investors in the Private Fund or Managed Account clients.

Adviser along with a Registered Fund's investment adviser will provide an unaudited semi-annual report and an audited annual report to shareholders of the Registered Fund.

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

### **A. Compensation by Non-Clients**

As described in Item 5, From time to time, Adviser or its affiliates, members, officers or employees may receive Supplemental Fees from companies in which a Client may invest. In addition, such companies may agree to reimburse Adviser for its expenses incurred in evaluating and/or consummating an investment.

### **B. Compensation for Client Referrals**

Adviser notes that it may from time to time engage, or cause the Private Funds to engage, one or more persons to act as a placement agent in connection with the offer and sale of interests to certain prospective investors. Adviser requires placement agents to have all appropriate licenses and registrations to conduct their business, including when applicable, to be registered as broker-dealers with the SEC and to be members of the Financial Industry Regulatory Authority. Adviser bears such fees or elects to reduce its management fee, or to the extent applicable, carried interest payments otherwise payable by a Private Fund to Adviser, to the extent of any placement fees borne by the Private Fund.

Adviser may enter into solicitation arrangements pursuant to which it compensates a third-party intermediary for client referrals that result in the provision of investment advisory services by Adviser. Any cash solicitation arrangements will comply with Rule 206(4)-3 under the Adviser's Act. Solicitors introducing clients to Adviser may receive compensation from Adviser, such as a retainer and/or a percentage of introduced capital. Such compensation will be paid pursuant to a written agreement with the solicitor and generally may be terminated by either party from time to time, any such compensation generally will be borne entirely by Adviser and not by any affected client.

## **ITEM 15 – CUSTODY**

### **Private Funds**

Except for certain privately offered securities, Adviser does not maintain physical possession of the funds or securities of the Private Funds. Custody of the Private Fund assets is maintained with a qualified custodian selected by Adviser in its sole discretion, which selection may change from time to time without the consent of investors in the Private Funds. Although Adviser does not have physical possession or custody of any Private Fund assets (other than certain privately offered securities), pursuant to Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”), Adviser is deemed to have “constructive” custody of Private Fund assets by virtue of Adviser's relationship with the Private Funds. Under the governing agreement, Adviser may cause management fees and, if applicable, performance-based compensation to be paid out of the Private Fund, by the qualified custodian.

In order to comply with the Custody Rule, the Private Funds undergo an annual audit performed by an independent accounting firm registered with, and subject to inspection by, the Public Company Accounting Oversight Board (“PCAOB”). The audited financial statements are distributed to all U.S. investors in each Private Fund within 120 days of the end of the fiscal year.

To the extent that Adviser is deemed to have custody of the underlying assets of a Private Fund that does not conduct an annual audit, Adviser engages a major accounting firm registered with the PCAOB to subject such assets to a surprise audit. In these circumstances, the qualified custodian will send quarterly account statements to Private Fund investors.

### **Managed Accounts**

Adviser does not maintain physical possession or custody of the funds or securities that a client transferred to a Managed Account. Unless otherwise instructed in writing by a Managed Account client, the assets transferred by a Managed Account client will typically be deposited with a qualified custodian selected in accordance with Adviser’s Advisory Agreement with the Managed Account client. Under the Advisory Agreement, Adviser may cause management fees and, if applicable, performance-based compensation to be paid out of the Managed Account by the qualified custodian.

Note: Managed Accounts will receive monthly account statements from Adviser and quarterly statements from the qualified custodian. **Adviser urges Managed Account clients to carefully review and compare the statements they receive from the qualified custodian with those they receive from Adviser.**

### **Registered Funds**

Adviser will not have custody of the assets of any Registered Fund, which must, pursuant to the Investment Company Act, employ a qualified custodian to hold its assets.

## **ITEM 16 – INVESTMENT DISCRETION**

Adviser’s discretionary authority is derived from its authority as the investment manager of each Private Fund or Managed Account and its authority pursuant to an investment management agreement entered into by Adviser and the Private Fund or Managed Account.

Subject to any investment restrictions set forth in a Client’s governing agreements (or the Management Agreement of a Managed Account), Adviser has discretionary authority to make the following determinations without obtaining the consent of any Private Fund investor or Managed Account client before the transactions are effected:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers, investment banks or placement agents through which securities are to be bought or sold; and
- the commissions, fees or other rates at which securities transactions for a Private Fund or Managed Account are effected.



For certain Managed Accounts, Adviser may provide non-discretionary investment advice. Adviser's discretionary authority with respect to a Managed Account client also may be subject to the client's ability to direct Adviser to effect brokerage business for its Managed Account to a particular broker. See Item 12(A) above.

With respect to any Registered Fund for which Adviser serves as sub-adviser, all investment decisions for the Registered Fund must be made by the mutual agreement of Adviser and the Registered Fund's investment adviser.

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

Generally, Adviser invests, on behalf of its Clients, in private securities (although on occasion Clients may hold publicly traded securities). In the event that Adviser is required to vote proxies on behalf of its Clients, except to the extent that a Client otherwise instructs Adviser in writing, Adviser will vote (by proxy or otherwise) in all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held by a Private Fund or in a Managed Account in accordance with EIG's proxy voting policies and procedures (the "**Policies**").

Regardless of how Adviser obtains voting authority in Client securities (at time of acquisition or upon certain triggering events), Adviser endeavors to vote in such a way as to satisfy the goals and objectives of the particular Client and pursuant to any applicable governing agreements. Consistent with the requirements of Rule 206(4)-6 under the Advisers Act, before voting Client securities, Adviser's investment teams will consider all the relevant facts and circumstances surrounding the matter to be voted upon and any documents provided in connection with such matter, and will establish that: (i) there is a clear understanding of the vote at hand, (ii) any potential conflicts of interest are identified and communicated to the Client prior to voting, and (iii) disclosure is provided as to how the Client may obtain information on how their securities were voted.

Clients may obtain a copy of Adviser's Policies or information regarding how Adviser voted shares on behalf of the Client, as applicable.

With respect to any Registered Fund for which Adviser serves as sub-adviser, all investment decisions for the Registered Fund must be made by the mutual agreement of Adviser and the Registered Fund's investment adviser.

#### **ITEM 18 – FINANCIAL INFORMATION**

At this time, Adviser is not aware of any financial condition that could impair its ability to meet its contractual obligations to its Clients. Adviser has not been the subject to any bankruptcy petitions, including in the past ten years.

#### **ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.