

**INVESTMENT ADVISER BROCHURE  
PART 2A OF FORM ADV**

**Orion Energy Partners, L.P.  
350 Fifth Avenue, Suite 6740  
New York, NY 10118  
[www.orionenergypartners.com](http://www.orionenergypartners.com)**

**+1 (212) 292-0345**

**[info@orionenergypartners.com](mailto:info@orionenergypartners.com)**

**March 30, 2017**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Orion Energy Partners, L.P. If you have any questions about the contents of this Brochure, please contact us at (212) 292-0345 or [mark@orionenergypartners.com](mailto:mark@orionenergypartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

Orion Energy Partners, L.P. is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Orion Energy Partners, L.P. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**ITEM 2            MATERIAL CHANGES**

---

Orion Energy Partners, L.P. is updating its Brochure, which was previously filed on June 15, 2016. There are no material changes to report in this annual update. Recipients of this Brochure are encouraged to read this Brochure in its entirety.

**ITEM 3      TABLE OF CONTENTS**

---

	<u><b>Page</b></u>
<b>Item 2</b>	<b>Material Changes .....2</b>
<b>Item 3</b>	<b>Table of Contents .....3</b>
<b>Item 4</b>	<b>Advisory Business .....4</b>
<b>Item 5</b>	<b>Fees and Compensation .....5</b>
<b>Item 6</b>	<b>Performance-Based Fees and Side-By-Side Management .....8</b>
<b>Item 7</b>	<b>Types of Clients .....9</b>
<b>Item 8</b>	<b>Methods of Analysis, Investment Strategies and Risk of Loss.....9</b>
<b>Item 9</b>	<b>Disciplinary Information.....30</b>
<b>Item 10</b>	<b>Other Financial Industry Activities and Affiliations.....30</b>
<b>Item 11</b>	<b>Code of Ethics, Participation or Interest in Client Transactions, Personal Trading and Other Potential Conflicts of Interest.....31</b>
<b>Item 12</b>	<b>Brokerage Practices .....37</b>
<b>Item 13</b>	<b>Review of Accounts.....38</b>
<b>Item 14</b>	<b>Client Referrals and Other Compensation.....38</b>
<b>Item 15</b>	<b>Custody .....39</b>
<b>Item 16</b>	<b>Investment Discretion .....39</b>
<b>Item 17</b>	<b>Voting Client Securities .....39</b>
<b>Item 18</b>	<b>Financial Information.....40</b>

#### ITEM 4                      ADVISORY BUSINESS

---

Orion Energy Partners, L.P. (the “Manager”) is a Delaware limited partnership and registered investment adviser founded in June 2015. The Manager and its affiliated investment advisers, described below (collectively with their affiliated entities, “Orion Energy”), provide investment advisory services to Orion Energy’s clients, which currently consist of private investment funds primarily focused on making debt investments in the energy industry.

Orion Energy Credit Opportunities Fund II GP, LP (“Fund II General Partner,” and together with any future general partner, managing member or other similarly authorized person of a private fund advised or sponsored by Orion Energy, the “General Partners”) is registered as an investment adviser pursuant to the Manager’s registration in accordance with SEC guidance under the Advisers Act. Fund II General Partner and the Manager (together with any future affiliated investment adviser, the “Advisers”) are under common control and operate as a single advisory business. The owners and co-founders of Orion Energy are Rob Rusk, Gerrit Nicholas and Nazar Massouh, with the last two being the principal owners of the Manager.

The Advisers’ clients include Orion Energy Credit Opportunities Fund II, L.P. (collectively with any parallel fund or alternative investment vehicle formed in connection with it, “Fund II”). The Advisers expect to advise additional private funds and separate accounts in the future. Additionally, from time to time, the Advisers may provide (or agree to provide) certain investors or other persons the opportunity to participate in co-invest vehicles (each a “Co-Invest Fund”) that will invest in certain portfolio companies alongside a Fund. Such Co-Invest Funds typically invest and dispose of their investments in the applicable portfolio company at the same time and on the same terms as the primary Fund making the investment. On occasion, however, a Co-Invest Fund or co-investor might purchase a portion of an investment from a Fund for strategic or other reasons. The Advisers generally expect any co-invest buy-down to occur shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment, and the Advisers may require a Co-Invest Fund or co-investor to pay interest on its buy-down in order to compensate the Fund for the holding period. See “*Participation or Interest in Client Transactions*” for additional information regarding co-investment arrangements, including Co-Invest Funds. References throughout this Brochure to “a Fund” or “Funds” are generally intended to cover any existing or future private fund advised or sponsored by the Advisers or their affiliates, including Fund II (which is Orion Energy’s first fund) and any Co-Invest Fund.

In general, each Fund’s General Partner has the authority to make investment decisions for such Fund but has delegated day-to-day management of to the Manager. The Advisers’ investment advisory services to the Funds include sourcing, identifying, evaluating, negotiating, overseeing, managing, monitoring and disposing of investments. The Advisers’ advisory services for each Fund are further described in, as applicable, the private placement memoranda (each, a “Memorandum”), limited partnership agreement (or similar operating agreement) (each, a “Partnership Agreement”), letter agreement or other similar agreement between a Fund or General Partner and an investor (collectively, “Side Letters”), an investor’s subscription agreement, and investment management agreement (each, an “Investment Management Agreement” and together with any applicable Memorandum, Partnership Agreement, Side

Letter, and subscription agreement, the “Governing Documents”) as well as below under “*Methods of Analysis, Investment Strategies and Risk of Loss*” and “*Investment Discretion*.”

The Advisers tailor their advisory services in accordance with each Fund’s investment strategy as disclosed in such Fund’s Governing Documents. Investors in Funds, however, are expected to participate in the overall investment program for the applicable Fund, but they may be excused from a particular investment due to legal, regulatory or other applicable constraints or for other agreed upon reasons.

The Advisers expect to enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under, supplementing or altering a Fund’s Partnership Agreement or an investor’s subscription agreement. Such rights or alterations could be regarding economic terms, fee structures, excuse rights, information rights, co-investment rights (including the provision of priority allocation rights to limited partners who have capital commitments in excess of certain thresholds to one or more Funds), or transfer rights. Furthermore, pursuant to a Fund’s Governing Documents, some of such rights, terms or conditions may be elected by certain sizeable investors with “most favored nations” (“MFN”) rights, but certain rights, terms or conditions will only be available to investors who participate in the first closing of the Fund and/or who invested in prior funds, with a similar strategy to the Fund, that were managed by one or more of the Fund’s principals.

As of January 23, 2017, the Advisers have \$428,813,578 in client assets under management.

## **ITEM 5 FEES AND COMPENSATION**

---

As detailed below, the Advisers may receive management fees and carried interest in connection with providing investment advisory services to the Funds. Generally, investors in a Fund pay management fees quarterly in advance until the termination of the respective Fund. Installments of the management fee payable for any period other than a full quarterly period generally are adjusted on a pro rata basis according to the actual number of days in such period. Investors in the Funds also bear certain Fund expenses as further described below. Except as otherwise described in the applicable Governing Documents, expenses, investment advisory and other fees are expected to be paid over the term of the applicable Fund and investors generally are not permitted to withdraw or redeem interests in such Fund.

With respect to Co-Invest Funds, the Advisers expect to negotiate any fee arrangements on a vehicle-by-vehicle basis, but fees may include commitment-based fees, performance-based fees or allocations, expense reimbursements or other administrative fees similar to those described below relating to the Funds. Any such management or administrative fees received by an Adviser relating to a Co-Invest Fund do not offset the management fees paid to the Advisers by the Funds (and Co-Invest Funds often do not pay a management fee so they do not participate in management fee offsets).

The Fund II General Partner has entered into certain side letter agreements with one or more large and/or strategic limited partners which provide such limited partners with priority co-investment rights (but do not obligate the Fund II General Partner to offer to such limited

partners any co-investment opportunities) and offer a reduction in management fees payable by such limited partners to Fund II in the event that a pre-determined amount of qualifying co-investment opportunities are not presented to such limited partners during the commitment period of Fund II. There may be limited availability of co-investment opportunities for other limited partners not party to such side letters.

The Advisers have the authority to exempt, and have exempted, certain investors, including Orion Energy principals and employees, friends and family, and members of the board of senior advisors (“Senior Advisors”), from paying all or a portion of a Fund’s management fees and/or carried interest. In addition, the Advisers may form Co-Invest Funds that are not subject to management fees and/or carried interest.

After payment of the Advisers’ overhead and expenses, Orion Energy principals and certain employees will receive residual portions of the management fee, carried interest or other compensation received by the Manager or the other Advisers.

As permitted under the applicable Governing Documents, the Advisers may waive a portion of the management fee payable by a Fund’s investors to the Advisers. Upon a waiver, the investors in a Fund are then required to make a *pro rata* contribution according to their respective commitments to fund any such waived management fee that the Advisers elect to treat as a contribution. As a result, the exercise of such waiver reduces the amount of capital the Advisers would otherwise be required to contribute to a Fund and may result in an acceleration of investor capital contributions.

The discussion herein regarding fees and expenses is generally applicable to the Funds (including, the Advisers believe, to any future Funds), but investors should refer to a Fund’s Governing Documents for specific details regarding management fees, performance-based fees or allocations, Fund expenses and other fee-related issues.

### ***Management Fee***

In general, Fund II pays an annual management fee equal to (i) during its commitment period, 1.75% of aggregate investor capital commitments, and (ii) following its commitment period, 1.00% of the aggregate amount of investor capital contributions in respect of the investments held by Fund II reduced by investor capital contributions for any investment with a fair market value of zero and, without duplication, the aggregate amount of distributions made in respect of repayments of principal amounts of Fund II’s debt investments (see Governing Documents for specific provisions). Investors that commit to Fund II after its initial closing are responsible for payment of the management fee from such date plus any applicable interest. Investors participating in the initial closing of the Fund, as well as certain investors who invested in prior funds, with a similar strategy to the Fund, that were managed by one or more Principals, may receive a discount in the management fee mentioned in item (i) above, depending on the size of their investment. Such discount was made available to all investors that participated in the initial closing of the Fund at the same size of commitment under the MFN provision.

### ***Performance-Based Fees***

Distributions to investors Fund II are subject to a carried interest for the benefit of Fund II's General Partner. Generally, this carried interest represents 20% of profits in excess of invested capital, allocable fees and expenses and a preferred return hurdle. Fund II's General Partner is subject to a giveback obligation to the extent it receives more carried interest than it was entitled to receive. Fund II employs a "European-style" carried interest structure where a Fund returns all called capital (including capital called for fees and expenses) plus a preferred return to investors before Fund II's General Partner receives a carried interest distribution.

### ***Other Fees***

To the extent that an Adviser is entitled to receive fees from a Fund portfolio company, the Fund's management fee will be offset by 100% of its pro rata share of such fees, as further described in the Fund's Governing Documents.

### ***Expenses***

Each Fund generally bears organizational expenses, including any legal, accounting, regulatory and other similar expenses, subject to a cap set forth in the Fund's Governing Documents. To the extent a Fund pays any organizational expenses in excess of such cap or pays any placement fees, such amounts offset dollar-for-dollar the management fee paid to the applicable Adviser. Investors should refer to a Fund's Governing Documents for specific information regarding expenses.

In general, in addition to the management fee and organizational expenses described above, a Fund will pay or reimburse the Advisers for the following (to the extent not paid or reimbursed by a portfolio company): (a) the costs and expenses incurred in connection with maintaining the organizational existence of the Fund; (b) the fees and expenses of the Fund's administrators, custodians, outside counsel, consultants, accountants (including, without limitation, audit and certification fees) and other similar outside advisors, including, without limitation, the investment bankers or other appraisers referred to in (or contemplated by) the Partnership Agreement; (c) the costs and expenses incurred relating to sourcing, researching, diligencing, investigating, identifying, analyzing, pursuing, negotiating, consummating, acquiring, purchasing, holding, monitoring, managing, seeking disposition (and sale) opportunities and selling (or otherwise disposing of) any actual or potential investments for the Fund (regardless of whether such investments or dispositions are subsequently consummated), including travel and related expenses, and meal, communication and certain entertainment expenses incurred in connection therewith and the costs of any research service; (d) broken deal expenses; (e) the costs and expenses incurred in holding, managing or selling investments, including record-keeping expenses; (f) the costs and expenses of reporting to the Limited Partners (or other investors) and of any meetings of any of the foregoing, and the out-of-pocket expenses of the Fund's advisory committee consisting of Limited Partners of the Fund(s) ("LPAC"); (g) principal, interest, fees and any other obligations and expenses incurred in respect of Fund borrowings; (h) any taxes, fees or other governmental charges levied against the Fund or any parallel Fund or on its income or assets or in connection with its business or operations (other than any such taxes, fees or charges levied in respect of or otherwise in connection with

any specific Partner(s) or allocated to Partners pursuant to the Partnership Agreement or other Governing Documents; (i) all other costs and expenses of the Fund, any parallel Fund or the General Partner in connection with Partnership Agreement (or other applicable Governing Document) (such as costs of insurance, costs of litigation, indemnification, extraordinary expense, liabilities, obligations or other matters and/or corresponding provisions in the parallel Fund Partnership Agreement (or similar governing documents) and costs of winding-up and liquidating the Fund and/or any parallel Fund(s) but excluding any expenses denoted as General Partner expenses in the applicable Governing Documents and expenses otherwise payable by the Manager pursuant to any management agreement); (j) expenses incurred in connection with the managed distribution of marketable securities; (k) the costs and expenses incurred in connection with the organization, management, operation, dissolution, liquidation and final winding up of any Fund (subject to apportionment amongst the participants in such Funds, in the good faith determination by the General Partner, as set forth below); (l) any other costs and expenses jointly incurred by or on behalf of the Fund and/or any parallel Fund(s) and not otherwise separately allocable among them; and (m), if the Advisers and their affiliates provide any of the above reporting and associated services, the reasonable costs and expenses of performing such services (including a reasonable allocation of the compensation of persons employed by the Advisers or their affiliates) not to exceed a specified annual limitation.

To the extent Fund expenses are incurred jointly or otherwise in connection with actions intended to benefit one or more Funds, then the Advisers may allocate Fund expenses based on any manner determined equitable, in the good faith judgment of the Advisers, including pro rata based on relative size and/or on perceived benefit derived by each Funds. Costs, expenses and reductions in proceeds attributable to a particular Fund including, without limitation, those related to the structuring, formation, operation and liquidation of, and all taxes incurred in connection with, related to or imposed on, such vehicle shall be borne solely by the limited partners investing through such vehicle.

Brokerage fees may be incurred in accordance with the practices set forth in “*Brokerage Practices*” below.

In addition, the Advisers generally expect that any Co-Investment Fund or co-investor will bear its pro rata share of any expenses relating to an investment, except they typically will not bear broken deal expenses, which are generally allocated entirely to the primary Fund that has an active commitment period.

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

As described in “*Fees and Compensation*” above, certain Advisers are entitled to receive a carried interest allocation on realized profits in a Fund. The Advisers do not currently advise any clients not subject to a carried interest or other performance-based fee. The Advisers may waive or lower carried interest with respect to certain persons as described above.

In allocating investments, the Advisers may have incentives to favor Funds with higher potential for carried interest distributions over Funds with lower or no potential for carried



interest. As described in more detail below, the Advisers have adopted allocation policies designed to treat all Funds fairly and equitably in accordance with the applicable Governing Documents.

---

**ITEM 7            TYPES OF CLIENTS**

---

The Advisers' clients are the Funds, although the Advisers may advise other types of clients in the future. Investment advice is provided directly to a Fund and not individually to the limited partners ("Limited Partners") of such Fund. Funds may include investment partnerships or other pooled investment vehicles formed under U.S. or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The investors participating in Funds may include individuals, banks or thrift institutions, sovereign wealth funds, pension and profit-sharing plans, trusts, estates, charitable organizations or other corporations or business entities and also may include, directly or indirectly, principals or other employees of the Advisers.

Typically, Fund investors are required to invest at least \$5 million, but such amounts may be and have been reduced with the prior agreement of an Adviser.

Fund interests are offered and sold generally to investors that are (i) "accredited investors" as defined under Regulation D of the Securities Act of 1933, as amended and (ii) "qualified purchasers" or other "knowledgeable employees" of the Advisers, in each case as defined under the Investment Company Act.

---

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

---

The Advisers provide day-to-day investment advisory services to the Funds. The following is a summary of the investment strategies and methods of analysis generally used by Orion Energy on behalf of its Funds. A general description of the strategies and the associated risks is provided below, but prospective and existing investors should review the more detailed descriptions of a Fund's investment strategies and process, methods of analysis, investment limitations, and risks in the applicable Fund Governing Documents. There can be no assurance that Orion Energy will achieve the investment objectives of each Fund and a loss of investment is possible.

***Methods of Analysis and Investment Strategy***

The Advisers expect to focus on investments in debt and preferred equity instruments (including, but not limited to, original issue, senior debt, subordinated debt, privately originated and/or undervalued loans, mezzanine debt, senior or preferred equity and similar investment structures) in existing and new build energy infrastructure projects across the entire energy value chain, inclusive of (but not limited to) fossil and renewable power generation, energy storage (including storage for power, oil, gas and other hydrocarbon-based products), batteries, electric

transmission, downstream (including refining, processing and blending of hydrocarbon-based products), midstream, distribution and transportation for oil, natural gas (including natural gas liquids) and other hydrocarbon-based products, energy efficiency and conservation, environmental, oil and natural gas exploration and production and asset-heavy energy services (including related consumables and logistics) for the aforementioned categories.

These investments generally will be accompanied by equity or similar participation interests (including co-investment rights) in the underlying project, entities affiliated with the project or other structured upsides related to project milestones, output levels or commodity price movements. In limited circumstances, a Fund may also (i) make common equity investments in energy companies or (ii) enter into transactions in derivative instruments, but only to the extent such transactions are primarily hedging transactions that are intended to reduce such Fund's equity, currency, commodity price and/or interest rate exposure or other risks relating to an investment or such Fund's portfolio of investments generally. A Fund's investments will primarily be acquired through negotiated situations with owners and developers of energy assets but may be acquired in a variety of other ways, including purchases in the public or secondary markets.

The Advisers expect to focus primarily on opportunities in the North American marketplace. The Advisers anticipate that Fund II will invest in approximately 10 to 15 portfolio investments with an average of \$50 to \$150 million per platform (including co-investment). The Advisers anticipate the average maturity of an investment will be between 4 and 7 years.

The Advisers intend to remain opportunistic but prefer investments in businesses that the Advisers believe have experienced management teams, visibility to strong cash flows and robust collateral. While the Advisers expect a Fund's investments may have terms that reflect operational and / or financial conditions precedent to a borrower's ability to draw funds, a Fund does not typically seek and will not typically have control rights over day-to-day operations of the businesses. In exchange for providing operational flexibility to borrowers, a Fund will seek priority repayment ahead of most equity distributions. The Advisers expect to incorporate covenants to protect their collateral interests including, but not limited to, covenants regarding asset sales, insurance, operating performance and incurrence of debt or other secured and unsecured obligations. The Advisers may also use their energy sector expertise to assist the businesses in optimizing financing and risk management structures, operational contacts, capacity arrangements, fuel purchasing or switching capabilities, expansion opportunities, exit strategies, recapitalizations and other value creation strategies.

Investment opportunities are generally sourced by the Advisers' investment professionals (the "Investment Team") given their extensive experience and sector specialist skill sets, management teams from prior funds, industrial partners, personal relationships in the industry and, in some cases external relationships with advisors such as investment banks and other investment advisory firms. Investment committee ("Investment Committee") approval is required for each Fund investment.

## ***Risks of Investment***

Fund investors should be aware that a Fund investment entails a high degree of risk, including potential loss of all capital. Below is a discussion of certain risk factors that the Advisers believe are generally applicable to the Funds. Prospective and existing Fund investors (Fund investors are generically referred to as “Limited Partners” below) should review the applicable Fund’s Memorandum for additional information regarding risks and conflicts of interest specific to that Fund.

### **Fund Investment Risks**

***No Assurance of Investment Return.*** No assurance can be given as to the Fund’s ability to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that the Fund 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 companies and transactions described herein. Investments made by the Fund are subject to a wide range of risks beyond the control of the Fund, the Manager or its affiliates – including as described in the applicable Memorandum with respect to the Fund, its portfolio investments and the energy sector generally, regulatory and tax matters, and potential conflicts of interest – any of which could cause the Fund’s investments to lose value. There can be no assurance that any Limited Partner will receive any distribution from the Fund. Accordingly, an investment in the Fund should only be considered by persons that can afford a loss of their entire investment. Past activities of investment entities associated with the Manager or the Investment Team provide no assurance of future success.

***Long-Term Commitment by Investors.*** An investment in the Fund represents a long-term commitment. There can be no assurance as to the length of time that the Fund may be required to hold any or all of its investments. Limited Partners will generally not be able to withdraw capital contributions or terminate their capital commitments, irrespective of material changes in the world economy, the energy industry, applicable laws and regulations or taxes. In addition, the interests in the Fund are subject to substantial restrictions on transferability. The interests in the Fund generally may not be transferred without the prior written consent of the General Partner. In addition, the interests will not be registered under the 1933 Act, or the securities laws of any states or any other jurisdictions and, therefore, cannot be resold unless they are subsequently registered under such laws or registration thereunder is not required pursuant to an exemption from such registration or otherwise.

***Lack of Operating History.*** Although the Manager and the Investment Team have extensive experience investing in the energy industry, the Fund has not commenced operations and therefore has no operating history upon which prospective investors may evaluate its performance. As with any performance data, the prior investment performance of any predecessor funds (if applicable) or any other activities of members of the Investment Team can provide no assurance of future results. The Manager is a newly formed investment adviser with no track record, and Fund II is its first client.

***Potential for Insufficient Investment Opportunities.*** The activity of identifying, completing and realizing attractive investments for the Fund is highly competitive and involves a

high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. The Fund will be competing for investments with other investors, including companies, public equity markets, individuals, financial institutions and other investors. Over the past several years, an increasing number of private investment funds have been formed, including in the energy and mezzanine sector (and many such existing funds have grown in size), resulting in greater capital available for investment. Additional funds with similar objectives may be formed in the future by other unrelated parties. Competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to the Fund and adversely affecting the terms upon which investments can be made. There can be no assurance that the Fund will be able to locate, consummate and exit investments that satisfy the Fund's return objectives or realize their values, or that the Fund will be able to invest fully its committed capital.

***Concentration of Investments.*** The Fund generally will seek to diversify its investment portfolio in a manner consistent with its investment objective and strategy. However, the Fund may participate in a limited number of investments, and as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of even a single investment.

***Valuation of Investment Opportunities.*** The Fund may make investments relying upon projections developed by the Manager or a company concerning such company's future performance and cash flow. Projections are inherently uncertain and subject to factors beyond the control of the Manager and the company in question. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of unforeseen events could impair the ability of a portfolio company to realize projected values and/or cash flow.

***Accuracy of Third Party Information; Financial Fraud.*** The General Partner may select investments for the Fund, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the General Partner by third parties. Although the General Partner will evaluate all such information and data and will ordinarily seek independent corroboration when the General Partner considers it is appropriate and when such corroboration is reasonably available, the General Partner may not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information may not be available. Further, information and data provided by portfolio companies and the senior management thereof cannot be guaranteed to be accurate. Instances of fraud and other deceptive practices committed by senior management of certain companies in which the Fund invests may undermine the Manager's due diligence efforts with respect to such companies and, if such fraud is discovered, negatively affect the valuation of the Fund's investments.

***Reliance on the Manager and General Partner.*** The General Partner and the Manager will have exclusive responsibility for the Fund's activities. Other than as may be set forth in the Governing Documents, Limited Partners will not be able to make investment or any other decisions in the management of the Fund. In general, the Limited Partners will have no opportunity to control or participate in the day-to-day operations, including investment and disposition decisions, of the Fund. As such, the Limited Partners will not have an opportunity to

evaluate for themselves the relevant economic, financial or other information regarding the investments made by the Fund, and instead will be relying on the ability of the General Partner and the Manager to select the investments to be made using the capital available to the Fund. Accordingly, the success of the Fund will depend in large part upon the skill and expertise of the Investment Team and other professionals employed by the Manager. There can be no assurance that the Investment Team and such other professionals will continue to be associated with the Manager throughout the life of the Fund. Were the services of certain of the Investment Team members to become unavailable, the effect on the Fund could be material and adverse. In order to maintain their limited liability status under applicable Delaware law with respect to the liabilities and obligations of the Fund, Limited Partners are expected to rely entirely on the General Partner and the Manager to conduct and manage, respectively, the affairs of the Fund. The Manager is a newly formed investment adviser with no track record, and Fund II is its first client.

***Potential Exclusion or Excuse from Participation.*** Under certain circumstances, the General Partner may prohibit a Limited Partner from participating in an investment, including but not limited to if such participation would be likely to result in violations of law or the imposition of materially burdensome regulatory or other legal requirements. In addition, a Limited Partner may be excused from participation in an investment under the conditions set forth in the Partnership Agreement. Excuse or exclusion of any Limited Partner from participation in one or more investments would reduce the diversification for both the excluded Limited Partner and the other Limited Partners and could magnify the adverse impact on the Limited Partners of any investment's underperformance.

***Failure to Make Capital Contributions; Default.*** Each Limited Partner is required to make capital contributions to the Fund upon notice from the General Partner. If a Limited Partner fails to pay installments of its Commitment to the Fund when due, it may be subject to the various remedies as provided in the Governing Documents, including without limitation forfeiture of its interests in the Fund. In addition, the non-defaulting Limited Partners may be required to make additional capital contributions to address a shortfall arising from such default. In turn, if the capital contributions made by non-defaulting Limited Partners and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners).

***Contingent Liabilities.*** From time to time the Fund may incur contingent liabilities in connection with an investment. For example, the Fund may enter into agreements pursuant to which they agree to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to the Fund. In addition, in connection with the disposition of an investment, the Fund may be required to make representations about the business and financial affairs of such companies typical of those made in connection with the sale of a business. The Fund may also be required to indemnify the purchasers of such investments to the extent that any such representations or disclosure documents prove to be inaccurate. These arrangements may result in contingent liabilities for the Fund, for which the General Partner may establish reserves or escrows.

Limited Partners may be required to return amounts distributed to them to fund obligations of the Fund, including indemnity obligations, subject to certain limitations set forth in the Partnership Agreement. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each Limited Partner that receives a distribution in violation of such Act will, under certain circumstances, be obligated to re-contribute such distribution to the Fund.

***Insufficient Capital for Follow-On Investments.*** Following its initial investment in a portfolio company, the Fund may have the opportunity to increase its investment in successful operations or may be asked to provide additional funds to such portfolio company. The amount of additional financing needed will depend upon the maturity and objectives of the particular portfolio company. There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient resources to, or be permitted to, make such investments. Any decision not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment, may result in missed opportunities for the Fund or may result in dilution of the Fund's investment. Further, there can be no assurance that portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

***Investments with Terms Longer than the Fund.*** The Fund may make investments that may not be advantageously disposed of prior to the date the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although the General Partner expects that investments will be disposed of prior to the Fund's dissolution, or be suitable for in-kind distribution at dissolution, and the General Partner has a limited ability to extend the term of the Fund, the Fund may have to sell, distribute or otherwise dispose of investments at disadvantageous terms as a result of dissolution.

***In-Kind Distributions.*** Under such circumstances as the General Partner deems appropriate, the Limited Partners may receive in-kind distributions of portfolio positions, if permitted by law and the Governing Documents. The investments distributed in-kind will be valued by the General Partner at what it deems their "fair market value," and this valuation will be conclusive for various purposes, including for the calculation of any carried interest owed.

***Recourse to the Fund's Assets; Indemnification.*** The Fund's assets, including any investments made by the Fund and any funds held by it, are available to satisfy all liabilities and other obligations of the Fund, including indemnification obligations. If the Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and may not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. Furthermore, Limited Partners could find the value of their Interests adversely affected by a liability arising out of an investment in which they did not participate because, for example, they were excluded by the General Partner or were permitted to opt-out or otherwise not participate in such investment.

The Fund will be required to indemnify the General Partner, the Manager, their affiliates and other specified related persons for liabilities incurred in connection with the affairs of the Fund. Members of the Fund's LPAC will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the Governing Documents. Such

liabilities may be material. The indemnification obligation of the Fund would be payable from the assets of the Fund, including the unpaid Commitments of the Limited Partners.

***Partner Clawback.*** Each Limited Partner will be required to contribute to the Fund its proportionate share of (a) any indemnification obligations incurred by the Fund or (b) liabilities of the Fund incurred in connection with indemnity, purchase price adjustment, tax or other obligations incurred in connection with an investment. For this purpose, the General Partner may recall distributions previously made to the Limited Partners in an amount up to 25% of the lesser of (i) such Limited Partner's Commitment to the Fund and (ii) the aggregate distributions received by such Limited Partner, provided that in general, no distributions will be required to be returned following the third anniversary of such distribution.

***Global Economic Conditions; Market Dislocation.*** General economic conditions may affect the Fund's activities. Interest rates, general levels of economic activity, fluctuations in the market prices of securities and participation by other investors in the financial markets may affect the value of investments made by the Fund. Instability in the securities markets may increase the risks inherent in portfolio investments made by the Fund. Events of the past decade in the sub-prime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high yield bond markets, as well as in the wider global financial markets. To the extent the Fund's portfolio companies participate in such markets, the results of their operations may suffer. In addition, to the extent that such marketplace events continue or worsen, this may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect the financial resources of the Fund's portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Fund could lose both invested capital in and anticipated profits from such portfolio companies.

In addition, current economic conditions may materially and adversely affect (i) the ability or willingness of certain counterparties to do business with the Fund or its affiliates; (ii) the Fund's exposure to the credit risk of others in its dealings with various counterparties (for example, in connection with joint ventures or the maintenance with financial institutions of reserves in cash or cash equivalents); (iii) demand for the products and services offered by the Fund's portfolio companies; (iv) growth opportunities for the Fund's investments; (v) the Fund's ability to exit its investments at desired times, on favorable terms or at all; (vi) availability of reliable insurance on favorable terms or at all; and (vii) the ability of the Fund's investors to meet their obligations to the Fund in a timely manner or at all.

***Non-United States Investments.*** Subject to certain restrictions, the Fund may invest in projects or portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex United States and non-United States tax rules to cross-border

investments, possible imposition of non-United States taxes on the Fund and/or the Partners with respect to the Fund's income, and possible non-United States tax return filing requirements for the Fund and/or the Partners.

Additional risks of non-United States investments include, without limitation: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-United States jurisdiction. Moreover, non-United States companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to United States companies.

***Alternative Investment Fund Managers Directive.*** The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). If the Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available: (i) the Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses; (ii) the Fund and/or such Fund's General Partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in such Fund incurring additional costs and expenses or otherwise affect the management and operation of the Fund; (iii) such General Partner may be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of the Fund in relation to EEA portfolio companies including, in some circumstances, the Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Fund to raise its targeted amount of commitments.

***Compliance with Anti-Money Laundering Requirements.*** In response to increased regulatory concerns with respect to the sources of funds used in investments activities, the General Partner may request Limited Partners to provide additional documentation verifying, among other things, such Limited Partners' identity and source of funds used to purchase Interests. The General Partner may decline to accept a subscription if this information is not provided or on the basis of such information provided. Requests for documentation and additional information may be made at any time during which a Limited Partner holds an interest in the Fund. The General Partner may be required to provide this information, or failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying the Limited Partners that the information has been provided. The General Partner will take steps as it determines are necessary to comply with applicable law, regulations, orders, directives or special measures. Governmental authorities are continuing to consider appropriate measures to implement, and at this point it is unclear what steps the General Partner may be required to take; however, these steps may include prohibiting a Limited Partner from making further contributions of capital to the Fund, depositing distributions to which a Limited



Partner would otherwise be entitled in an escrow account or causing the withdrawal of a Limited Partner from the Fund.

### **Portfolio Investment Risks**

***Resource and Time Intensive Strategy.*** The Manager's strategy is resource- and time-intensive. This aspect of its strategy constrains the Fund's ability to include a large number of significant investments in its portfolio and necessarily limits the amount of due diligence and research which can be completed on any given proposed investment.

***Risks of Investment in the Energy Industry.*** The Fund will make investments in the energy industry and market. It will invest in companies involved in, or supporting, the production and distribution of energy and power and the related infrastructure. These companies are sensitive to fluctuations in fuel supply and demand, interest rates, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation. Such fluctuations may, among other things, increase compliance costs and other costs of doing business. Furthermore, the energy markets may be subject to short-term volatility due to a variety of factors, including weather, international political and economic developments, breakdowns in the facilities for the production, storage or transport of energy and energy-related products, acts of terrorism, changes in government regulation and sudden changes in fuel prices. The Fund may be affected to a greater extent by any of these developments than would be the case with a more diversified portfolio of investments.

***Volatility of Oil and Natural Gas Prices; Recent Energy Price Trends.*** The performance of investments of the Fund may be substantially dependent upon prevailing prices of oil and natural gas. Historically, the markets for oil and natural gas have been volatile, and such markets are likely to continue to be volatile in the future. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, speculation and a variety of additional factors that are beyond the control of the Manager or the Fund. These factors include the level of consumer product demand, the refining capacity of oil purchasers, weather conditions, domestic and foreign governmental regulations, the price and availability of alternative fuels, political conditions in the Middle East, actions of the Organization of Petroleum Exporting Countries, the foreign supply of oil and natural gas, the price of foreign imports and overall economic conditions.

Recently, oversupply in the oil and natural gas markets has caused a sharp decrease in the price of oil and natural gas, leading to pressure on companies operating throughout the industry. Oil or natural gas prices may return to historic levels, or may continue to fall, and this heightened volatility may have a material adverse effect on the Fund's investment program. There can be no assurance as to the duration of any market cycle or market dislocation.

***Changes in the Utilities Industry.*** The Fund may make investments in the electric utility industry (and related industries and markets) both in the United States and abroad. A number of countries, including, without limitation, the United States, may consider or implement methods to influence supply and demand. To the extent the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation

projects (and other energy projects) into which the Fund may invest may come under increasing pressure. If restructuring of the energy industry and the electricity sector is reversed, discontinued, delayed or modified, this could have an adverse effect on the projects into which the Fund may invest.

***Renewable Energy.*** The Fund may make investments in renewable energy projects. The market for renewable energy is emerging and rapidly evolving, and its future success is uncertain. If renewable energy technology proves unsuitable for widespread commercial deployment or if the demand for renewable energy products fails to develop sufficiently (including, without limitation, as a result of changes in market conditions, such as a decrease in the price of fossil fuels), the Fund's investments in renewable energy projects may be adversely affected. While renewable energy projects currently enjoy widespread support from United States federal, state and local governments and regulatory agencies, there is no assurance that such support will continue in the future, and any reduction or elimination of governmental support will have an adverse effect on the Fund's investments in renewable energy projects. For example, it may not be economically feasible for some renewable energy projects to be developed without government incentives. These incentives include, for example, the United States federal production tax credit for wind projects, which generally is not available to new projects unless construction of the project began before December 31, 2014 and certain additional requirements are met and, the United States federal energy investment tax credit for solar projects, which generally is scheduled to be reduced for projects placed in service after December 31, 2016. In addition to incentives that support the development and construction of facilities, renewable energy projects rely on incentives that support the sale of energy generated from renewable sources, such as state-adopted Renewable Portfolio Standard ("RPS") programs, which vary among states but generally require power suppliers to provide a minimum percentage or base amount of electricity from specified renewable energy sources for a given period of time.

***Drilling, Exploration and Development Risks.*** The Fund may invest in businesses that engage in oil and gas exploration and development, a speculative business involving a high degree of risk and the use of new technologies. Oil and gas drilling and fracturing may involve unprofitable efforts, not only from dry holes, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks. In addition, in making such investments, the Fund must rely on estimates of oil and gas reserves. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise.

***Hydraulic Fracturing.*** Certain entities in which the Fund may invest may use hydraulic fracturing in their core programs, as a means of producing commercial quantities of oil and natural gas from reservoirs in which they operate. There have been a number of initiatives and proposed initiatives at the U.S. federal, state and local level to ban or regulate hydraulic

fracturing and to study the environmental impacts of hydraulic fracturing and further regulation of the practice. Such initiatives at the federal, state or local levels to expand or implement regulation of hydraulic fracturing, together with the possible adoption of new laws or regulations that significantly restrict hydraulic fracturing, could result in delays, eliminate certain drilling and injection activities, make it more difficult or costly for a portfolio company to perform hydraulic fracturing, increase the portfolio company's costs of compliance and doing business, and delay or prevent the development of unconventional hydrocarbon resources from shale and other formations that are not commercial without the use of hydraulic fracturing. These effects on a portfolio company's operations could have a material adverse effect on the financial condition of the Fund and the value of the Interests.

***Portfolio Company Development, Construction and Operational Risks.*** A portfolio company may face development and construction risks, including, but not limited to: (i) labor disputes, shortages of material and skilled labor or work stoppages; (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iii) less than optimal coordination with public utilities in the relocation of their facilities; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents, breakdowns or failures of equipment or processes; and (vi) catastrophic events such as explosions, fires and terrorist activities and other similar events beyond the Fund's control, such as any event of force majeure. Events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, construction or operation of portfolio company assets or businesses. Such delays or disruptions may result in lost revenues or increased expenses, including higher operation and maintenance costs related to a portfolio company.

While portfolio companies may maintain insurance to protect against certain operational risks, such as business interruption insurance, such insurance is subject to customary deductibles and coverage limits and may not be sufficient to recoup all of a portfolio company's losses. In addition, events outside the control of the portfolio company, such as force majeure events, could significantly reduce the revenues generated or significantly increase the expense of operating, maintaining or restoring facilities. Such operational interruptions or the occurrence of such force majeure events could adversely affect the amount of revenues from operations, which in turn may impair a portfolio company's ability to repay its debt or make distributions to the Fund.

***Natural Disasters, Terrorist Acts and Similar Dislocations.*** Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war, riot or civil unrest, the impacted country may not efficiently and quickly recover from such event, which can have a materially adverse effect on portfolio companies and other developing economic enterprises in such country. Terrorist attacks and related events can result in increased short-term economic volatility. U.S. military and related actions in Afghanistan and Iraq, other events in the Middle East, and terrorist actions worldwide could have significant adverse effects on U.S. and world economies and securities markets. The effects of future terrorist acts (or threats thereof), military action or similar events on the economies and securities markets of countries cannot be predicted. Such disruptions of the world financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to the Fund's investments.

***Cyber Security Breaches and Identity Theft.*** Information and technology systems of the General Partner, the Manager and the Fund's portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, the General Partner, the Manager, the Fund and/or a portfolio company may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the General Partner's, the Manager's, the Fund's and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the General Partner's, the Manager's, the Fund's or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

***Regulation of Greenhouse Gases.*** Both in the United States and globally, emissions of greenhouse gases ("GHGs") are increasingly regarded as linked to global climate change; this may lead to more stringent regulation of GHGs in the future. Increased public concern and mounting political pressure may result in more federal, state or international requirements to reduce or mitigate the effects of GHGs. Any such future laws and regulations imposing reporting obligations on, or limiting emissions of GHGs from, a portfolio company's equipment and operations could require it to incur costs to reduce emissions of GHGs associated with its operations. Substantial limitations on GHG emissions could also adversely affect demand for oil and natural gas. Changes in the regulation of GHGs could impact a Fund's portfolio company investment or make future investments undesirable.

***Risk of Loss.*** The Fund will invest in distressed securities and in other businesses, assets and instruments that may facilitate taking control of distressed issuers, assets and businesses. These securities, assets and instruments by their nature are issued by or relate to companies in unstable financial condition, and thus entail substantial inherent risks. Although the Manager will attempt to manage these risks, there can be no assurance that the Fund's investments will increase in value or that the Fund will not incur significant losses. The Manager anticipates that several of the Fund's investments may incur losses, and thus Investors should be prepared to lose all or substantially all of their Commitment to the Fund.

***Leveraged Nature of Mezzanine Investments.*** The projects and portfolio companies in which the Fund invests may be highly leveraged, thereby increasing the degree of credit risk inherent in each Fund investment. Leverage often imposes restrictive financial and operating covenants on a borrower, in addition to the burden of debt service, and may impair a project's ability to finance future operations and capital needs or to pay principal and interest on the Fund's investments when due. The leveraged capital structure of projects and portfolio companies will increase the exposure of the Fund's investments to any deterioration in a project's condition or industry, competitive pressures, an adverse economic environment or rising interest rates. The Fund's investments may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and bear

floating interest rates. In the event any project or portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the project or portfolio company, which could adversely affect the returns of the Fund. Furthermore, the securities in which the Fund will invest generally will not be rated by a credit rating agency.

***Ability to Lend on Advantageous Terms; Competition and Supply.*** The Fund may make and purchase loans. The Fund's success, in this area, will depend, in part, on the Fund's ability to obtain or originate loans on advantageous terms. In making and purchasing loans, the Fund will compete with a broad spectrum of lenders, many of which have substantially greater financial resources and are better known than the Fund and the Manager. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

***Loan Participations and Assignments.*** The Fund may invest in fixed- and floating-rate loans, which investments generally will be in the form of loan participations and assignments of portions of such loans. Participations and assignments involve special types of risk, including credit risk, interest-rate risk, liquidity risk and the risks of being a lender. Participations in commercial loans may be secured or unsecured. Loan participations typically represent direct participation in a loan to a corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates. When purchasing loan participations, the Fund assumes the credit risk associated with the corporate borrower and may assume the credit risk associated with an interposed bank or other financial intermediary, and may only be able to enforce its rights through the lender, and may assume the credit risk of the lender in addition to the borrower. The participation interests in which the Fund invests may not be rated by any nationally recognized rating service.

Investments in loans through a direct assignment of a financial institution's interests with respect to the loan may involve additional risks to the Fund. For example, if a loan is foreclosed, the Fund could become part owner of any collateral, and would bear the costs and liabilities (including tax liabilities) associated with owning and disposing of the collateral. It is unclear whether loans and other forms of direct indebtedness offer securities laws protections against fraud and misrepresentation. In the absence of definitive regulatory guidance, the Fund relies on the Manager's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the Fund.

***Nature of Junior, Unsecured Investments.*** The Fund expects to invest in debt instruments that are unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. The ability of the Fund to influence a portfolio company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors are typically able to block the acceleration of the mezzanine debt securities held by the Fund, or other exercises by the Fund of its rights as a creditor. Accordingly, the Fund may not be able to take the steps necessary to protect its portfolio investments in a timely manner, or at all. In

addition, the debt instruments in which the Fund will invest may not be protected by financial covenants or limitations upon additional indebtedness and may have limited liquidity. Such debt securities may be low-rated or unrated by a recognized credit rating agency, or may be below investment grade, and are thus subject to greater risk of loss of principal and interest than higher-rated debt securities, due to a possible default by, or bankruptcy of, the issuers of the securities. Such debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) environmental liabilities that may arise with respect to collateral securing the obligations, and (iii) significant risk of the issuer’s inability to meet principal and interest payments on the obligations (credit risk). Additionally, adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership or distressed exchange, can significantly diminish the value of the Fund’s investment in any such company.

The Fund’s investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Fund earlier than expected. In addition, depending on fluctuations of the equity markets and other factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer, warrants and other equity securities may become worthless (market risk). In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Furthermore, the market for credit spreads is often inefficient and illiquid, which can make it difficult to accurately calculate discounting spreads for valuing financial instruments. There can be no assurance that attempts to provide downside protection through contractual or structural terms with respect to the Fund’s portfolio investments will achieve their desired effect.

***Sub-Investment Grade and Unrated Debt Obligations.*** The Fund’s investment strategy is focused on investing in instruments that may include first lien loans and notes, second lien loans and notes, senior unsecured and senior subordinated notes and capital leases, each of which may be sub-investment grade debt obligations. Investments in the sub-investment grade categories are subject to greater risk of loss of principal and interest than higher-rated instruments and may be considered to be predominantly speculative with respect to the obligor’s capacity to pay interest and repay principal. Such investments may also be considered to be subject to greater risk than those with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with non-investment grade instruments, the yields and prices of such instruments may fluctuate more than those that are higher-rated. The market for non-investment grade instruments may be smaller and less active than those that are higher-rated, which may adversely affect the prices at which these investments can be sold and result in losses to the Fund, which, in turn, could have a material adverse effect on the performance of the Fund.

In addition, the Fund may invest in debt investments which may be unrated by a recognized credit rating agency, which may be subject to greater risk of loss of principal and interest than higher-rated debt obligations or debt obligations which rank behind other outstanding investments of the obligor, all or a significant portion of which, may be secured on

substantially all of that obligor's assets. The Fund may also invest in debt investments which are not protected by financial covenants or limitations on additional indebtedness. Any of these factors could have a material adverse effect on the performance of the Fund.

***High Yield Debt.*** The Fund may invest in debt securities that may be classified as "higher-yielding" (and, therefore, higher-risk) debt securities. In most cases, such debt will be rated below "investment grade" or will be unrated and will face both ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market for high yield securities has experienced periods of volatility and reduced liquidity. High yield securities may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these debt securities may reflect individual corporate developments. General economic recession or a major decline in the demand for products and services in the industry in which the borrower operates would likely have a materially adverse impact on the value of such securities or could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these high yield debt securities.

***Credit Ratings.*** Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating assigned to any corporate debt obligation is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such corporate debt obligation. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings may not fully reflect the true risks of an Investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of any corporate debt obligation are only a preliminary indicator of investment quality, and not a completely reliable indicator of investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time, with material adverse effects upon the corporate debt obligation. It is possible that many credit ratings of assets included in or similar to the corporate debt obligation will be subject to significant or severe adjustments downward.

***Prepayment Risk.*** The value of the Fund's assets may be affected by prepayment rates on loans. Pre-payment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Fund's control. Therefore, the frequency at which prepayments (including voluntary prepayments by borrowers and liquidations due to defaults and insolvency) occur on the Fund's investments can adversely impact the Fund and prepayment rates cannot be predicted with certainty making it impossible to insulate the Fund from prepayment or other such risks. Early prepayments give rise to increased re-investment risk, including, for example, when the prevailing level of interest rates falls, the Fund may be

unable to re-invest cash in a new investment with an expected rate of return at least equal to that of the Investment prepaid.

***Credit Risk.*** The Fund may invest in leveraged loans, high yield securities and other unsecured investments, each of which involves a higher degree of risk than senior secured loans. Furthermore, the Fund's right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of the senior lender. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In addition, certain instruments may provide for payments-in-kind, which have a similar effect of deferring current cash payments. In such cases, a portfolio company's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the portfolio company, the occurrence of which is uncertain. The Fund's return to Limited Partners would be adversely impacted if such an issuer becomes unable to make principal and interest payments on outstanding debt when due.

If the Fund invests in the credit products of a borrower or issuer and such borrower or issuer breaches any of the covenants or restrictions under the indenture governing notes or the credit agreement that governs loans of such issuer or borrower, such breach could result in a default under the applicable indebtedness as well as the indebtedness held by the Fund. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. This could result in an impairment or loss of the Fund's investment or result in a prepayment (in whole or in part) of the Fund's investment.

***Spread Widening Risk.*** For reasons not necessarily attributable to any of the risks set forth in the Memorandum (for example, supply/demand imbalances or other market forces), the prices of the debt instruments and other securities in which the Fund invests may decline substantially. In particular, purchasing debt instruments or other assets at what may appear to be "undervalued" or "discounted" levels (due to perceived market dislocations or otherwise) is no guarantee that these assets will not be trading at even lower levels at a future time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk. Additionally, the perceived discount in pricing from previous environments described in the Memorandum may still not reflect the true value of the assets underlying debt instruments in which the Fund invests.

***Lender Liability Considerations and Equitable Subordination.*** Holders of debt securities may also be subject to so-called "lender liability" claims by the issuer of the obligations. Such claims may be deemed to arise when an institutional lender has assumed a duty to the borrower (whether implied or contractual) of good faith and fair dealing or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty to the borrower or the other creditors or shareholders of the borrower, and then violated such duty. While believed to be unlikely because of the nature of the Fund's investments, the Fund could be subject to allegations of lender liability in certain circumstances.

Under common law principles that, in certain circumstances, can form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii)



engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain of the Fund’s investments, the Fund could be subject to claims from creditors of an obligor that the Fund’s investments issued by such obligor that are held by the Fund should be equitably subordinated because of actions by the Fund that are deemed to be inequitable to other creditors. Furthermore, a significant number of the Fund’s investments may involve investments in which the Fund would not be the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting the Fund’s investments could arise without the direct involvement of the Fund.

***Investments in Highly Leveraged Companies.*** The Fund may invest in portfolio companies which are expected to employ significant leverage (including substantial leverage senior to the Fund’s participation), a considerable portion of which may be at floating interest rates. The leveraged capital structure of such companies will increase their exposure to certain factors such as rising interest rates, downturns in the economy, or deterioration in the financial condition of such company or the energy industry. The Fund’s investment in a portfolio company may be among the most junior financing in such company’s capital structure. In the event a portfolio company cannot generate adequate cash flow to meet its debt service obligations, the portfolio company may default on its loan agreements or be forced into bankruptcy, resulting in a restructuring or liquidation of the company, and the Fund, particularly in light of the subordinated and/or unsecured position of its mezzanine debt securities, may suffer a partial or total loss of capital invested in the portfolio company.

***Counterparty Risk.*** To the extent that contracts for investment will be entered into between the Fund and a market counterparty as principal (and not as agent), the Fund is exposed to the risk that the market counterparty may, in an insolvency or similar event, be unable to meet its contractual obligations to the Fund. The Fund may have a limited number of potential counterparties for certain of its investments, which may significantly impair the Fund’s ability to reduce its exposure to counterparty risk. In addition, difficulty reaching an agreement with any single counterparty could limit or eliminate the Fund’s ability to execute such investments altogether. Because certain purchases, sales, hedging, financing arrangements and other instruments in which the Fund will engage are not traded on an exchange but are instead traded between counterparties based on contractual relationships, the Fund is subject to the risk that a counterparty will not be able to perform, or choose not to perform, its obligations under the related contracts. Although the Fund intends to pursue its remedies under any such contracts, there can be no assurance that a market counterparty will not default and that the Fund will not sustain a loss on an investment as a result.

***Illiquid Investments.*** Many of the Fund’s investments can be expected to be highly illiquid. The Fund will invest in non-publicly-traded securities, private debt instruments, and acquire assets and businesses for which the number of potential purchasers and sellers, if any, is very limited. The Fund will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws, or unless an exemption

from such registration requirements is available. In addition, in some cases the Fund may be prohibited by contract or regulatory reasons from selling certain securities for a period of time. There can be no assurances that private purchasers of the Fund's investments will be found, or otherwise as to the timing and amount of the distributions, if any, made by the Fund.

***Reliance on Portfolio Company Management.*** Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the General Partner and the Manager will be responsible for monitoring the performance of each investment and generally intend to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in a successful manner.

***Uncertain Exit Strategies.*** Due to the illiquid nature of the investments which the Fund expects to make, the Manager is unable to predict with confidence what, if any, exit strategy will ultimately be available for any given investment position. Exit strategies which appear to be viable when an investment is initiated may be precluded when the investment is deemed to be ready for realization due to economic, legal, political or other factors. The larger the transaction, the more uncertain the Fund's exit strategy tends to become, which increases risk to the Fund's total returns and success.

***Bankruptcy and Restructurings.*** The Fund may make investments in restructuring and workouts which involve portfolio companies that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may lead to uncertain outcomes, including becoming subject to bankruptcy proceedings. In such an event, the bankruptcy courts have broad discretion to control the terms of a reorganization, and political factors may be of significant importance in the more high profile bankruptcies, which brings an additional element of unpredictability.

There are a number of significant risks inherent in the bankruptcy process, including, but not limited to, the following:

- While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of the Fund. For example, in order to protect net operating losses of a company in bankruptcy, a bankruptcy court might take any number of actions, including prohibiting or limiting the transfer of claims held by certain classes of creditors. Such a prohibition could have a material adverse effect on the value of certain investments made by the Fund.
- Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Fund; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to reorganize and may be required to liquidate assets.

- The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during the reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.
- U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purposes of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Fund's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority over the claims of certain creditors (for example, claims for taxes) may be quite high.
- There are instances when creditors and equity holders lose their ranking and priority such as when they take over management and functional operating control of a debtor. In those cases when the Fund, by virtue of such action, is found to exercise "domination and control" over a debtor, the Fund may lose its priority if the debtor can demonstrate that it was adversely impacted or other creditors and equity holders were harmed by the Fund.
- A wide variety of considerations make any evaluation of the outcome of a reorganization proceeding and the timing of such outcome uncertain. Such considerations include the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others as well as legal and practical considerations which limit the access of the Manager to reliable and timely information concerning material developments affecting a company, or which cause lengthy delays in the completion of a reorganization or liquidation proceeding. Should the Manager's evaluation of the anticipated outcome prove incorrect, the Fund could experience losses.
- The Fund may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.
- Changes in bankruptcy or other applicable laws may have a material adverse effect on the Fund.
- Under certain circumstances, payments to the Fund and distributions by the Fund to the Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws.

There have been recent developments in the area of restructuring and bankruptcy that may raise additional complex issues that have not been dealt with previously. Second lien financings have grown exponentially, and it is expected that this form of financing will give rise

to an additional unique set of issues, such as the right to receive post-petition interest, whether adequate protection is appropriate, and the debtor's ability to obtain debtor-in-possession financing. Disputes among creditor groups and enforceability of inter-creditor agreements are anticipated to be frequent, and the case law with respect to these arrangements in the context of second lien financings has only recently begun to develop. Additionally, a recent amendment to the Bankruptcy Code has ended the multiple, sometimes lengthy extensions of exclusivity in an attempt to speed up Chapter 11 reorganization cases. Debtors in these cases will now be under significant time pressure to negotiate consensual plans that will survive the voting process, which will force parties to begin plan discussions and perhaps come to an agreement earlier. Given the inherently complex nature of these cases, it is unclear whether certain parties will have enough information to be able to propose a viable plan of reorganization within the tight timing deadline. It is possible that certain of these creditors or other constituents will take advantage of the automatic termination of exclusivity by proposing plans that are more beneficial to their own interests, and that these proposed plans will still have to be considered by the courts. These new developments are further compounded by the fact that many of the new institutions that are looking to become involved in the next wave of restructurings are inexperienced participants in the distressed field.

***Creditors' Committee Participation.*** The Fund may seek representation on creditors' committees of certain portfolio companies. Serving on an official or unofficial committee of a portfolio company increases the possibility that the Fund will be deemed an "insider" or a "fiduciary" of such company, and may restrict the Fund's ability to trade its investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, the bankruptcy court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" with respect to any claim or equity interest held by the Fund in such company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company. Claims of equitable subordination may also arise outside of the context of the Fund's managerial activities. In addition, participation in restructuring activities frequently provides the participant with material non-public information that may restrict the recipient's ability to trade. Determination of whether information is material and non-public and how long knowledge of such information restricts trading is a matter of considerable uncertainty and judgment. The Fund may trade in a company's instruments while engaged in restructuring activities relating to that company, and while the Fund intends to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, such trading may create a risk of litigation and liability that may cause the Fund to incur significant legal fees and potential losses.

***Non-Controlling Investments; Investments with Third Parties.*** The Fund may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including, for example, the risk that the outcomes of collaborative decision-making will vary adversely from those that the General Partner and the Manager would have reached themselves. In addition, a third-party co-venturer might become bankrupt or have other financial, legal or regulatory difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Fund or may be in a position to take (or block) action in a manner contrary to the Fund's investment objectives. If such co-venturer or partner defaults on its funding obligations,

it may be difficult for the Fund to make up the shortfall. If the Fund is required to make additional contributions in respect of such shortfall, the diversification of the Fund's overall investments could be reduced. The Fund may in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements. In addition, in negotiating an investment through a joint venture or other similar arrangement, the Fund may have to agree to less favorable terms (e.g., bearing a disproportionate share of expenses) than might be present in a direct investment.

***Litigation.*** One or more portfolio companies of the Fund may undergo a corporate reorganization. Corporate reorganizations are frequently contentious and adversarial. Stakeholders in a reorganization frequently use litigation, or the threat thereof, as a negotiating technique. The General Partner anticipates that during the term of the Fund, the General Partner, the Fund and perhaps certain of its larger investors may be named as defendants in civil proceedings. The expense of defending against such claims and paying settlements or judgments would be borne by the Fund and would reduce net assets or could require Limited Partners to return to the Fund distributed capital and earnings. Each of the Indemnified Parties are indemnified in connection with such litigation, subject to certain conditions, and any indemnification payments would adversely affect the Fund's returns. Indemnification obligations will survive the dissolution of the Fund.

***Hedging Transactions.*** The Fund may from time to time engage in the purchase or sale of forwards, swaps or options on commodities, securities and indices, or other derivative instruments. It is the intention of the Fund to engage in such transactions as a way to mitigate risk associated with its investments; however, it is generally impossible to fully hedge an investment given the uncertainty as to the amount and timing of projected cash flows and investment returns, if any, on the Fund's investments. This may lead to losses on both the Fund's investment and the related transaction. Conversely, there will be times in which the Fund believes that it is not advisable to enter into hedging transactions. Accordingly, the Fund may be exposed to fluctuations in commodities and other market conditions specific to the underlying asset. The success of the Fund's hedging transactions will be subject to its ability to predict correlations between the value of the portfolio's assets and the direction of commodity prices, interest rates and securities prices. Therefore, while the Fund may enter into such transactions to seek to reduce commodity price, interest rates or securities value risks, unanticipated changes in commodity prices, securities prices or interest rates may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.

***Derivatives.*** The Fund may utilize derivative instruments as part of its investment policy as well as for hedging purposes. These instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in

unquantifiable further loss exceeding any margin deposit. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter derivatives may involve additional risk as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, to access the value of a position or to assess the exposure to risk.

***Interest Rate Fluctuation.*** The prices of portfolio investments tend to be sensitive to interest rate fluctuations. Fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. For example, as interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. In addition, interest rate increases generally will increase the interest carrying costs to the Fund of borrowed securities and leveraged investments.

---

## **ITEM 9            DISCIPLINARY INFORMATION**

---

The Advisers and their management persons have not been subject to any material legal or disciplinary events.

---

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

---

The Manager is affiliated with Orion Energy Credit Opportunities Fund II GP, L.P., an investment adviser registered in accordance with SEC guidance under the Advisers Act pursuant to the Manager's registration.

Together, the Advisers operate as a single advisory business and serve as managers or general partners of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants or persons occupying similar positions. All of these Advisers are under common control and subject to Orion Energy's code of ethics and compliance programs adopted pursuant to the requirements of the Advisers Act.

Rob Rusk, an Orion Energy co-founder and partner, is a co-founder and registered representative of Cypress Partners LLC (doing business as Cypress Associates, "Cypress"), a broker-dealer registered with the SEC and a FINRA member, that focuses on providing mergers and acquisitions and private placement services. Mr. Rusk is no longer involved in the day-to-day operations of Cypress. While Orion Energy, its Funds and their portfolio companies may enter into business arrangements with Cypress, the Manager does not expect any such arrangements to create a material conflict of interest as Mr. Rusk will not receive compensation from Cypress for any transactions involving Cypress and Orion Energy, its Funds and their portfolio companies. Mr. Rusk also serves on the advisory board of Schultze Asset Management, LP ("SAM"), an SEC-registered investment adviser and hedge fund manager that focuses on

investing in distressed situations. The Manager does not generally expect this arrangement to create a material conflict of interest since Mr. Rusk is not involved in the day-to-day operations of SAM, and the investment strategies of SAM and Orion are not generally expected to overlap. Mr. Rusk's affiliation with, and board membership at, Cypress and SAM respectively are not expected to require a material allocation of time, with Mr. Rusk's time being fully devoted to his role as co-founder and partner of Orion Energy.

**ITEM 11            CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS,  
PERSONAL TRADING AND OTHER POTENTIAL CONFLICTS OF INTEREST**

---

***Code of Ethics***

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of the Advisers' principals and employees and addresses conflicts that may arise from personal trading. The Code requires Orion Energy personnel, on behalf of themselves and their family members living in the same household, to report personal securities holding and transactions and to pre-clear with Orion Energy's Chief Compliance Officer any direct or indirect acquisition of beneficial ownership in an initial public offering or private placement and any direct or indirect acquisition or disposition of beneficial ownership of securities on Orion Energy's restricted list. A copy of the Code will be provided to any client, prospective client or any investor in a Fund upon request to Orion Energy's Chief Compliance Officer, at (212) 292-0345 or mark@orionenergypartners.com.

Certain Orion Energy employees, by reason of their responsibilities with the Advisers or otherwise, may, from time to time, acquire or come into possession of confidential or material non-public information or be restricted from initiating transactions in certain instruments. Under applicable law, the Advisers and their personnel are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers and regardless of whether such information might affect an investor's decision to buy, sell or hold a security. Accordingly, should the Advisers or their principals or employees come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers are prohibited from communicating such information to clients, and the Advisers have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds. Due to these restrictions, the Funds will not be free to act upon any such information and may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold.

***Participation or Interest in Client Transactions***

Orion Energy engages in a broad range of advisory and non-advisory activities, including investment activities for its own account and for the account of its Funds, and providing transaction-related, investment advisory, management and other services to Funds and portfolio companies. Orion Energy participates in Fund investments and earns various forms of compensation from its Funds and their portfolio companies. In the ordinary course of Orion Energy conducting its activities, the interests of a Fund may conflict with the interests of Orion Energy, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein.

The Advisers expect to manage multiple Funds that are similar to each other and expect each of the Funds to make similar investments. The respective Fund Governing Documents allow new Funds to be formed in certain situations even though prior Funds are still active. This could create a conflict of interest. During the investment period of a Fund, the Investment Team generally pursues all appropriate investment opportunities exclusively through such Fund and the Advisers expect the Investment Team will focus a majority of its time and attention on such Fund, subject to certain limited exceptions as described in the applicable Governing Documents. The Advisers' Investment Team will, however, continue to manage and monitor all Funds and investments. The Advisers allocate potential investments according to the Advisers' investment allocation policy and will seek guidance from a Fund's LPAC when required to do so by the applicable Governing Documents and at other times in the Advisers' discretion.

The Advisers believe that the significant investment of the Advisers and their affiliates in a Fund, as well as the principals' interest in the carried interest of such Fund, operate to align, to a significant degree, the interests of Orion Energy with the interests of a Fund's Limited Partners. However, the Advisers recognize that this alignment is limited to some degree because the principals have, or expect to have, similar economic interests in all Funds, including the right to receive Management Fees and carried interest relating to such interests. The Funds, and any other investments that the principals may control, may compete with one another or the companies acquired by a Fund. Following the termination of a Fund's investment period, the principals expect to focus their attention on other opportunities and areas unrelated to such Fund's investments.

The Advisers serve as investment managers to certain Co-Invest Funds that invest alongside the Funds in certain portfolio companies. Certain affiliates and personnel of Orion Energy, third party investors and other persons may be permitted to participate in the Co-Invest Funds or in some cases co-invest directly in a particular portfolio company. Generally, the Advisers will select which investors or other persons are permitted to co-invest based on various factors, including (but not limited to) the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis, the investor's expression of interest or right to co-invest granted by such investor's side letter arrangement, and any other reason for including such investor or person. In circumstances where an entire investment could be made by a Fund, an Adviser may still allocate a portion of such investment to one or more Co-Invest Funds or co-investors, in accordance with the applicable Fund's Governing Documents and the Advisers' allocation policy, if an Adviser believes in its good faith judgment that such allocation is in the best interests of the clients. For example, the Advisers might believe that a Fund making the full investment would unreasonably limit the diversification of the applicable Fund



or that a particular co-investor would add value to the Fund or the investment. Investors that participate in co-investments may be in a position to obtain additional information regarding the applicable portfolio company that may not generally be available to investors in the Fund.

The Advisers and their affiliates may be entitled to receive cash and non-cash topping, break-up, monitoring, administrative agent, administration, director's, organizational, commitment, set-up, consulting, advisory, break-up, investment banking, underwriting, syndication and other similar fees in connection with the purchase, monitoring or disposition of investments or from unconsummated transactions including warrants, options, derivatives and other rights in respect of portfolio companies of the Fund. Limited Partners will receive the benefit from certain such fees only pursuant to offsets to the Management Fee, as described herein.

Since the Advisers may be reimbursed for certain compensation and other fees and expenses that relate to the employment of certain expected portfolio company employees (as described under "Fees and Compensation"), they could have a conflict of interest in connection with the applicable Fund's initial investment in such portfolio company and the resulting reimbursement of such amounts. In addition, as a result of the Funds' interests in portfolio companies, the Advisers and their affiliates may have the right to appoint, or influence the appointment of, board members to such portfolio companies and to determine, or influence a determination of, board member compensation and/or other amounts payable to the Advisers or their affiliates. The Advisers and their affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds. Additionally, the Advisers, their affiliates and/or personnel maintain relationships with (or may invest in) financial institutions or other service providers, some of which will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Advisers and/or their affiliates, and/or the Funds or other investment vehicles they advise. In addition, portfolio companies may from time to time pay certain fees and expenses of third party consultants and such fees and expenses will not offset the Management Fee as described herein. Any of these situations subjects the Advisers and/or their affiliates to potential conflicts of interest.

Additionally, a portfolio company (or a Fund in anticipation of a portfolio company investment) typically will reimburse the Advisers or service providers (including Senior Advisors and other consultants) retained at the Advisers' discretion for expenses (including without limitation travel expenses) incurred by the Advisers or such service providers in connection with its performance of services for such portfolio company. This subjects the Adviser and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements or may bear such expenses directly, and such amounts may be substantial. The Adviser determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to the Advisers or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These

factors help to mitigate related conflicts of interest. Principals and employees of the Advisers may serve as directors and officers of certain portfolio companies and, in that capacity, will be required to make decisions that they consider to be in the best interests of such portfolio company and their respective shareholders. In certain circumstances (for example in situations involving bankruptcy or near-insolvency of a portfolio company), actions that may be in the best interests of the portfolio company may not be in the best interests of the Funds, and vice versa. Accordingly, in these situations, there may be conflicts of interests between an individual's duties as an employee of the Advisers and an individual's duties as a director of such portfolio company.

The existence of the right of a General Partner to receive carried interest in respect of investments of a Fund may create an incentive for such General Partner to make riskier or more speculative investments on behalf of such Fund than would be the case in the absence of this arrangement or to allocate an investment to a Fund that the Advisers believe has a better potential to generate carried interest for a General Partner. The Advisers do not allocate investments based on a General Partner's perceived ability to earn carried interest, and the Advisers believe that the commitment of capital to a Fund by a General Partner and its affiliates generally mitigates the incentive to make riskier or more speculative investments. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by the General Partner in accordance with procedures set forth in the Partnership Agreement. An independent appraisal generally will not be required and is not expected to be obtained. In certain limited circumstances, the amount of carried interest will be calculated based on the fair market value of in-kind distributions, even though a Limited Partner may have elected to receive a distribution of cash in lieu thereof.

### ***Personal Trading***

The principals and employees of the Advisers may carry on personal investment activities for their own account, for family members or for others who do not invest in the Funds. The investment advice that such principals and employees give to such persons may differ from advice given to, or securities recommended or bought for, the Funds even though their investment objectives may be the same or similar.

### ***Other Potential Conflicts of Interest***

There will be occasions when the Advisers may encounter potential conflicts of interest in connection with the Fund. On any issue involving conflicts of interest, the Advisers will be guided by their good faith judgment as to the Fund's best interests. If any matter arises that an Adviser determines in its good faith judgment constitutes an actual conflict of interest, the Adviser may take such actions as may be necessary or appropriate to ameliorate the conflict (and upon taking such actions the Adviser will be relieved of any responsibility for such conflict). These actions may include disposing of the security giving rise to the conflict of interest, appointing an independent fiduciary or consulting the LPAC. By acquiring an interest in a Fund, each Limited Partner will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest to the extent permissible under applicable law.

Below is a discussion of certain potential conflicts of interest related to Orion Energy's business. Prospective and existing investors should refer to a Fund's Memorandum for additional information regarding conflicts related to that particular Fund.

***Board of Directors Participation.*** The Fund's investment strategy may from time to time enable it to place its representatives on the boards of certain of its portfolio companies predominantly in a board observer capacity. Such representation will give the Fund better access to information regarding the state of affairs of the business and may allow it to voice its opinion regarding certain decisions undertaken by voting members of the boards. In the unlikely event the Fund accepts full board membership, the Fund will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise its rights with respect to such companies (including whether or not such representation will cause the representative to be considered a fiduciary), but the exercise of such rights could produce adverse consequences in particular situations, including exposing the assets of the Fund to claims by a portfolio company, its security holders and its creditors. While the Advisers intend to manage the Funds to minimize exposure to such risks, the possibility of successful claims cannot be precluded.

In addition, in the unlikely event Orion Energy representatives are serving as directors of portfolio companies which are in the "zone of insolvency," such person may have a fiduciary obligation to the creditors of such entity as well as to the shareholders of such entity. The interests of such parties may be adverse to the interests of the Fund. This fiduciary obligation may conflict with the Advisers' obligation to the Fund, and the Advisers may resign from such board positions in order to reduce such conflicts.

***Diverse Limited Partner Group.*** The Limited Partners may have conflicting investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of individual Limited Partners may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments. Conflicts of interest may arise in connection with decisions made by the Advisers, including with respect to the nature or structuring of investments, that may be more beneficial for one Limited Partner than for another Limited Partner, especially with respect to Limited Partners' individual tax situations. Also, Fund investments may have a negative impact on related investments made by the Limited Partners in separate transactions. In selecting, structuring and managing investments appropriate for the Fund, the General Partner will consider the investment and tax objectives of the Fund and its Partners as a whole, not the investment, tax or other objectives of any Limited Partner individually.

***Limited Partner Advisory Committee.*** A Fund's LPAC may not have the same interests as all Limited Partners. Each member of the LPAC will have no duty to any Limited Partner other than the Limited Partner appointing such member. Furthermore, the LPAC cannot be expected to be expert in investing in the energy industry, and certain of its determinations may, in fact, adversely affect the performance of the Fund. The Fund will also indemnify members of the LPAC for any losses or damages incurred in connection with serving on the LPAC so long as such losses or damages did not result from such member's fraud.

***Side Letters.*** A Fund or its General Partner, on behalf of the Fund, may from time to time Side Letters with one or more Limited Partners, which provide such Limited Partners with additional or different rights (including with respect to access to information and liquidity terms) than such Limited Partners have pursuant to the applicable Governing Documents. As a result of such Side Letters, certain Limited Partners may receive additional benefits that other Limited Partners will not receive. A Fund and its General Partner, on behalf of the Fund, will not be required to notify any or all of the other Limited Partners of any such Side Letters or any of the rights or terms or provisions thereof, or offer such additional or different rights or terms to any or all of the other Limited Partners. The Fund or its General Partner, on behalf of the Fund, may enter into such Side Letters with any party as the General Partner may determine, in its sole and absolute discretion, at any time. The other Limited Partners will have no recourse against the Fund, the General Partner or any of their affiliates in the event that certain Limited Partners receive additional or different rights or terms as a result of such Side Letters.

***Other Activities of the Manager.*** The Advisers' personnel will devote such time as may be reasonably necessary to conduct the business affairs of a Fund in an appropriate manner. In general, except as otherwise provided in the Governing Documents, Orion Energy may sponsor, act as general partner or investment manager of, or provide advice to, managed accounts and other private investment funds or may otherwise engage in businesses in addition to, or unrelated to, the Fund. The members of the Investment Team may work on other projects, including, but not limited to, Orion Energy and advisory clients and other investment vehicles managed by the Advisers. The Advisers may give advice and take actions in the performance of their duties to the Fund that differ from the advice given, or the timing and nature of actions taken, with respect to their own accounts and/or other advisory clients' accounts that may invest in some of the same investments recommended to the Fund. Accordingly, conflicts may arise in the allocation of management resources.

In addition, certain members of the Investment Team, in connection with their prior employment or other business activities, have economic interests in registered investment advisers or broker dealers and affiliates and clients of such entities (e.g., a right to share in carried interest earned by an adviser in connection with a fund for which the person made investment decisions, a right to share in commissions generated when a broker-dealer's client consummates a transaction that was sourced by the person, etc.). In addition, certain persons may serve as directors or advisers to companies that are not related to Orion Energy's business. Orion Energy does not expect such economic interests and other business activities to create a material conflict of interest with its Funds or their portfolio companies since (i) the person's economic interest will be passive, and the person will not provide any services to the third party, or (ii) to the extent a person is providing ongoing services to a non-Orion Energy party, such person will not receive compensation from the third party for any transaction involving that third party and Orion Energy.

***Allocation of Investment Opportunities with Other Vehicles and Conflicting Fiduciary Duties to Other Collective Investment Vehicles.*** The Advisers may, from time to time, be presented with investment opportunities that fall within the investment objective of more than one Fund. Investment opportunities will generally be allocated first to the Fund(s) actively investing, subject to the terms and conditions of the Governing Documents. When two or more

Funds are formed to invest on a parallel basis, the Advisers will allocate investments to such Funds pro rata based on commitments, subject to any limitations in the applicable Governing Documents. In addition, one or more non-parallel Funds may invest together, subject to limitations set forth in the applicable Governing Documents. The Advisers will determine allocations of investment opportunities in a manner that they believe is fair and equitable to the Funds consistent with the Advisers' obligations to each such Fund, including as set forth in the applicable Governing Documents and the Advisers' allocation policy. When required by the applicable Governing Documents or in the Advisers' discretion, the Advisers consult and receive consent to conflicts from a LPAC subject to any conflict of interest.

## **ITEM 12      BROKERAGE PRACTICES**

---

Although the Advisers do not intend to regularly engage in public securities transactions, to the extent they do so, they generally expect to follow the brokerage practices described below.

If the Advisers sell publicly traded securities on behalf of a Fund, the applicable Adviser is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by such Adviser and to seek best execution with respect to each such transaction. Best execution is not determined only by lowest possible commission costs, but also by qualitative execution. In such event, the Adviser will seek to select brokers on the basis of favorable price and execution capability. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including, among other things: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

No Adviser has any duty or obligation to seek competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but each Adviser will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although each Adviser generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

The Advisers may, so long as they act consistently with their duty to seek to obtain best execution, direct brokerage transactions to certain brokers in exchange for research or other services furnished by them. The Advisers, however, do not expect to make use of such services and have not made use of such services since their inception.

Orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to

reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund is favored over another Fund. If such orders are not batched, it may have the effect of increasing brokerage commissions or other costs. When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a pro rata basis to each participating Fund in accordance with the amount of its original order. Each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to pro rata allocations are permissible provided they are fair and equitable to the Funds over time.

### **ITEM 13      REVIEW OF ACCOUNTS**

---

The Advisers closely monitor Fund portfolio investments. Orion Energy principals serve on the investment committee of the Advisers and work closely with other Orion Energy professionals to oversee and monitor the operations, financial performance and strategic direction of each portfolio investment.

Fund investors receive the following information: (i) annual U.S. GAAP audited financial statements, (ii) annual tax information necessary for each limited partner's tax return and (iii) quarterly reports providing a narrative summary of the status of each investment. In addition to the information provided to all investors, the Advisers may provide certain investors with additional information or more frequent reports that other investors will not receive.

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

---

The Advisers may provide certain services, including portfolio oversight and loan monitoring services, to the Funds' portfolio companies and may receive compensation from these companies in connection with such services. As described in the applicable Governing Documents and "*Fees and Compensation*" above, 100% of this compensation offsets the management fees payable by the Funds.

From time to time, the Advisers may enter into placement arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Fund II has entered into an agreement with Asante Capital Group Advisors LLC ("Asante"), an SEC-registered broker-dealer and FINRA member, pursuant to which Asante is entitled a monthly retainer and a fee based on a percentage of commitments made by investors solicited by Asante. Any fees payable to Asante will be borne by the Advisers, either directly or indirectly through a dollar-for-dollar offset against the management fee as described in "*Fees and Compensation*" above.

**ITEM 15            CUSTODY**

---

The Advisers use a qualified, unaffiliated third-party custodian to hold the required assets of the Funds in accordance with current SEC standards and guidance. Although the Manager and the applicable General Partner are generally deemed to have custody of the fund and securities of a Fund, the Advisers rely on the “pooled investment vehicle” exemption from certain obligations imposed by the SEC’s custody rule, including the surprise audit requirement. To qualify for this exemption, each Fund is required to be audited annually and upon its liquidation by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are then typically provided to each underlying Fund investor within 120 days of the end of the fiscal year (or promptly after the completion of a liquidation audit).

**ITEM 16            INVESTMENT DISCRETION**

---

The Advisers generally have discretionary authority to manage investments on behalf of a Fund pursuant to the terms of the applicable Partnership Agreement, Management Agreement and/or any powers of attorney executed by the limited partners of the Fund.

As a general policy, the Advisers do not allow clients, or limited partners of a Fund, to place limitations on this authority. Pursuant to the terms of the applicable Governing Documents, however, the Advisers may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under, supplementing or altering a Fund’s Partnership Agreement or an investor’s subscription agreement. Such rights or alterations could be regarding economic terms, fee structures, excuse rights, information rights, co-investment rights, or transfer rights. Certain such additional rights, terms or conditions may be elected by certain sizeable investors with “most favored nations” rights pursuant to a Fund’s Governing Documents.

**ITEM 17            VOTING CLIENT SECURITIES**

---

The Advisers have adopted Proxy Voting Policies and Procedures (the “Proxy Policy”) to address how they vote proxies for a Fund’s portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies in the best interest of the Funds, including where there may be material conflicts of interest. The Advisers believe their interests are aligned with those of a Fund’s investors through the Advisers’ and their principals’ substantial capital commitment to a Fund, and therefore do not generally expect to seek investor approval or direction when voting proxies. However, the Proxy Policy sets forth certain specific proxy voting guidelines for when the Advisers do vote proxies on behalf of a Fund.

In general, the Advisers do not consider service on portfolio company boards by Orion Energy personnel or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In the event that

there is a conflict of interest between an Adviser and a Fund in voting proxies, the Proxy Policy provides that such Adviser may address the conflict using certain procedures, including by seeking the approval or concurrence of such Fund's LPAC on the proposed proxy vote or through other alternatives set forth in the Proxy Policy.

A copy of the Advisers' Proxy Policy will be provided to any client, prospective client or any investor in a Fund upon request to Orion Energy's Chief Compliance Officer, at (212) 292-0345 or mark@orionenergypartners.com.

## **ITEM 18      FINANCIAL INFORMATION**

---

None of the Advisers requires prepayment of management fees more than six months in advance or has any other events requiring disclosure under this item of the Brochure. None of the Advisers has been the subject of any bankruptcy petition.