

Form ADV Part 2A: FIRM BROCHURE



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This Brochure provides information about the qualifications and business practices of Bayou City Energy Management, LLC ("BCEM" or the "Firm"). If you have any questions about the contents of this Brochure, please contact Darren Lindamood, Chief Compliance Officer, Director, and General Counsel, at (713) 400-8226 or darren@bayoucityenergy.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 securities authority.

BCEM is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about the Firm also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Since BCEM's last Brochure, dated March 29, 2018, the ownership of the Firm has changed, as is reflected in Item 4 of this update and in BCEM's Form ADV Part 1, Schedules A and B. An additional risk factor has been added to Item 8 to reflect this change.

Pursuant to SEC rules, BCEM provides a summary of material changes to its Brochure within 120 days of the close of BCEM's fiscal year. BCEM may provide further disclosures about material changes as deemed necessary. Additionally, BCEM will provide to clients and investors a new Brochure as necessary, without charge. BCEM's Brochure may be requested by contacting Darren Lindamood, Chief Compliance Officer, Director, and General Counsel, at (713) 400-8226 or darren@bayoucityenergy.com.

Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	3
Item 6 – Performance-Based Fees and Side-By-Side Management.....	7
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9 – Disciplinary Information	23
Item 10 – Other Financial Industry Activities and Affiliations.....	23
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...25	
Item 12 – Brokerage Practices.....	27
Item 13 – Review of Accounts	28
Item 14 – Client Referrals and Other Compensation.....	29
Item 15 – Custody	30
Item 16 – Investment Discretion.....	30
Item 17 – Voting Client Securities.....	31
Item 18 – Financial Information	32

Item 4 – Advisory Business

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

BCEM is a private equity firm formed in 2015 by William W. McMullen (“Founder and Managing Partner”), Mark N. Stoner (“Partner”) and Charles R. Cherington (“Senior Advisor”). BCEM is an upstream-focused energy private equity firm focused on investments in energy exploration and production (“E&P” or “upstream”) companies. The Funds make privately negotiated, control equity investments in the upstream space in the general range of \$5 million to \$50 million per company. BCEM also seeks to make dedicated drilling capital commitments to leading operators in order to gain access to low-risk, high-return, drilling locations.

BCEM serves as the investment adviser for and provides discretionary investment advisory services to private funds exempt from registration under the Securities Act of 1933, as amended, (“Securities Act:”) as well as to co-investment special purpose funds established to invest alongside a fund in a single portfolio company (each, a “Fund” and collectively, the “Funds”). Each Fund is affiliated with a general partner (“General Partner”) which is deemed to be a relying adviser with authority to make investment decisions on behalf of the Funds. These General Partners are deemed registered under the Investment Advisers Act of 1940, as amended (“Advisers Act”), pursuant to BCEM’s registration in accordance with SEC guidance. While the General Partners maintain ultimate authority over the respective Funds, BCEM has been designated the role of investment adviser. For more information about the Funds and General Partners, please see BCEM’s Form ADV Part 1, Schedule D, 7.A.(1). and 7.B.(1)

Principal Owners/Ownership Structure

BCEM is owned by Ara Partners Group (“Ara”), formerly Argus Energy Managers LLC, and indirectly owned primarily by Mr. McMullen and Mr. Cherington; Mr. Stoner also maintains a non-material ownership stake in Ara and therefore an indirect immaterial ownership stake in BCEM. While Ara owns BCEM, the General Partners and BCEM are controlled by the Managing Partner. For more information about BCEM’s owners and executive officers, see BCEM’s Form ADV Part 1, Schedule A.

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

BCEM provides advisory services as a private equity fund manager to its Funds. Interests in the Funds generally are privately offered to qualified investors in the United States and elsewhere. The

Funds invest through privately negotiated transactions in operating companies. BCEM's investment advisory services to the Funds consist of identifying and evaluating investment opportunities and negotiating the terms of purchase and sale of investments. The Firm's investment strategy is to specifically target investments in North American exploration and production companies through two complementary strategies: investing buyout and growth capital in operators with current production to sustain and expand operations (platform companies), and partnering with leading operators to provide dedicated drilling capital commitments (drill partnerships).

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

BCEM does not tailor its advisory services to the individual needs of investors in its Funds; BCEM's investment advice and authority for each Fund is tailored to the investment objectives of that Fund. These objectives are described in the private placement memorandum, limited partnership agreement, investment advisory agreement and other governing documents of the relevant Fund (collectively, "Governing Documents"). The Firm does not seek or require investor approval regarding each investment decision.

Fund investors cannot impose restrictions on investing in certain securities or types of securities. Investors in Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints, pursuant to the terms of the applicable Governing Documents. BCEM may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund's Governing Documents.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

BCEM does not participate in wrap fee programs.

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.

As of September 30, 2018, BCEM manages approximately \$ 1,789,207,248 in regulatory assets under management, all managed on a discretionary basis.

Item 5 – Fees and Compensation

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

BCEM or an affiliate receives a management fee and its affiliated General Partners are allocated carried interest as compensation for providing investment advisory services to the Funds (as described more fully below as well as in Item 6). The following is a general description of fees, compensation and expenses of the Funds. Differences exist from Fund to Fund, and certain Funds may not charge certain fees, compensation or expenses that other Funds charge. In addition, the General Partner of each relevant Fund may, in its sole discretion, waive or reduce an investor's management or performance fee. Fees may differ from one Fund to another, as well as among investors in the same Fund. The General Partners or other BCEM entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies of the Funds (e.g., monitoring, transaction, advisory board and other fees, as described more fully in Item 5.C below) or for other entities or vehicles. Such additional compensation generally will reduce the management fees otherwise payable to BCEM. Investors in the Funds also bear certain Fund expenses, as described in Item 5.C below. Each Fund's Governing Documents describe fees, compensation and expenses in greater detail.

Management Fees

BCEM charges each Fund a management fee (the "Management Fee"), generally 2% per annum for the Funds. The Management Fee charged to each Fund is specified in the Governing Documents of each Fund. Generally, Management Fees are initially calculated based upon each investor's committed capital for the period of time during which each Fund is making investments; thereafter, the Management Fee will be equal to a percentage of the cost basis of portfolio investments held by the Funds (excluding portfolio investments that have been fully written off). The General Partners may, in their sole discretion, waive all or a portion of the Management Fee. Management Fees differ from one Fund to another, as well as among investors in the same Fund. Such differences can arise from the size of an investor's commitment to a Fund, different investor classes, provisions of side letter agreements or other negotiated terms. Fees are generally waived for BCEM employees, affiliates and their families investing in a Fund. For more specific information on the Management Fees for each Fund, please refer to the relevant Fund's Governing Documents. In addition, investors who also co-invest in a BCEM investment may not be charged a Management Fee on the co-investment portion of their investment. Those investors who are offered a co-investment opportunity but are not Fund investors will generally pay a Management Fee in accordance with the policies described above.

Co-Investment Management Fee

BCEM has in the past and may again in the future receive a Management Fee from a co-investment party for the ongoing management of an investment. Such fee is paid directly to BCEM and does not offset the Management Fee charged to a Fund.

Carried Interest

As described more in detail in Item 6 below, each Fund's General Partner generally is entitled to be allocated carried interest ("Carried Interest") with respect to the Funds, which is typically equal to 20% of all realized profits following a compounded preferred return. Each Fund's Carried Interest arrangement may differ, and each calculation is further described in the relevant Fund's Governing Documents.

Third Party Advisors

BCEM may retain the services of one or more third party advisors to assist the Firm in sourcing investors. Such third party advisors do not receive any cash payments for investor referrals but rather receive a reduction on fees paid for an investment made in a Fund.

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

Management fees are generally paid on a quarterly basis in advance.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

BCEM and General Partner Expenses

The General Partners and BCEM, as investment advisers to the Funds, are responsible for their normal administrative and overhead expenses, including compensation of employees, rent, utilities, equipment and other office expenses.

Fund Expenses

The Funds will be responsible for all fees, costs and expenses relating to its activities and operations (to the extent not reimbursed by a portfolio company), including, without limitation: (i) the legal, consulting, administrative, custodian, appraisal, brokerage, service provider and similar fees and expenses (including, without limitation, courier fees and expenses related to conference calls), accounting and auditing expenses of the Funds (including, without limitation, fees and expenses of the annual audit of the Funds, the preparation and delivery of the annual and interim financial statements of the Funds and the federal, state and local tax returns of the Funds); (ii) federal, state, county and municipal taxes and assessments of any nature imposed on the Funds, their business, or operations; (iii) filing fees of the Funds under all federal, state, county, and municipal laws, statutes, and ordinances, and the rules and regulations thereunder (including but not limited to regulatory and compliance expenses, preparation of Form PF, and third party costs and expenses related to BCEM's

general compliance with the Advisers Act); (iv) expenses of reports and notices to and meetings of investors and of the relevant advisory board, all costs and expenses of any votes or consents of the investors or the relevant advisory board or any amendments to or waivers of the Governing Documents or any related agreement; (v) fees and disbursements of custodians, disbursing agents, and the like; (vi) brokerage commissions, investment banking fees, valuation fees, finders' fees and custodial, legal, consulting and accounting expenses, commitment fees or other lenders fees, printing expenses, fees related to negotiating non-disclosure and confidentiality agreements, invest and all other expenses, including travel and ancillary costs (which may include first or business class commercial airfare or private or charter airfare) and any group purchasing costs, as applicable, in each case, incurred in connection with any sourcing, investigating, analyzing, researching pursuing acquiring, purchasing, investing, seeking disposition opportunities and disposing of investments (and prospective investments) of the Funds (whether or not any such acquisition or disposition is consummated) or the holding and monitoring of investments of the Funds, all to the extent not reimbursed by the Funds' portfolio companies; and (xiv) all other costs, liabilities and expenses substantially comparable to any of the foregoing or otherwise payable to third parties unaffiliated with the relevant General Partner or BCEM on behalf of the Funds and, to the extent any such costs or expenses are paid by the relevant General Partner or BCEM, the relevant General Partner or their affiliates, as the case may be, shall be reimbursed by the Funds.

Solely with respect to Fund II, such Fund will also be responsible for the following fees, costs and expenses: (i) all fees, costs and expenses for transactions not consummated, including all amounts payable to third parties and all fees and expenses of lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated, and any deposits or draw-down payments that are forfeited in connection with unconsummated transactions (including travel costs and ancillary expenses (which may include first or business class commercial airfare or private or charter airfare, incurred in connection therewith) ("Broken Deal Expenses"), but only to the extent that such fees and expenses exceed topping and break-up fees applied against such expenses; (ii) all debt service obligations, including interest, premium and other costs, fees, charges, and assessments respecting funds borrowed and any fees and expenses incurred as a result of the implementation, utilization and refinancing of any credit instruments or facilities; (iii) insurance premiums and expenses (including, without limitation, the costs and expenses of D&O and or E&O liability insurance or other insurance); (iv) all expenses, liabilities and other obligations associated with any pending or threatened claim or litigation involving such Fund including, without limitation, any indemnification obligations, and including fees, costs and expenses related to litigation, audits, investigations, and all judgments, fines, penalties or settlements paid in connection with such claim, investigation, audit or litigation; (v) and costs and expenses related to attendance at industry conferences and subscription to industry publications and research services attributable to a specific portfolio investment (or proposed portfolio investment); (vi) all fees, costs and expenses of maintaining Fund II and its General Partner, including, without limitation, franchise taxes and registration and registered agent fees and expenses; and (vii) all fees, costs and expenses of the wind down and its General Partner and the liquidation of the assets in connection therewith.

BCEM does not anticipate using broker-dealers to effect securities transactions and thus does not incur brokerage commissions. For more information about BCEM's brokerage practices, please see Item 12, below.

Offering and Organizational Expenses

The Funds shall pay for all reasonable costs and expenses related to the Fund's establishment, including legal, accounting, filing, marketing, travel, capital raising and other organizational expenses (the "Organizational Expenses"), provided that the Management Fee will be reduced by Organizational Expenses in excess of \$1,000,000 and any placement fees paid by the Fund. Similarly, organizational expenses of other pooled investment vehicles managed by BCEM are paid by such vehicles pursuant to the terms of the relevant limited partnership agreements.

Portfolio Company Remuneration and Fee Offset

BCEM may receive transaction, directors, consulting, investment banking, monitoring, topping, break-up and other remuneration (including any options, warrants or other equity securities), the amount of which are paid by the Funds (directly, or indirectly by the portfolio companies) and are determined by BCEM on a transaction by transaction basis, subject to the terms set forth in each Fund's Governing Documents. Transaction fees are generally calculated based on the total enterprise value of the portfolio company involved in the transaction, while monitoring fees are determined based on the complexity of the transaction and the associated portfolio company. Transaction fees are payable upon consummation of a portfolio transaction while monitoring fees are generally payable quarterly in advance. As described below, all such fees are offset in whole against Management Fees. However, any reimbursement by a portfolio company of out-of-pocket expenses incurred by BCEM, a General Partner or their respective affiliates will not be offset against the Management Fee payable by the Funds. Similarly, any fees or other compensation paid by one or more portfolio companies to employees of BCEM or its affiliates who are devoting a majority of their business time to such portfolio companies shall not be subject to offset. To the extent that the Management Fee would be reduced for a given quarterly period below zero as a result of these reductions, the reduction amounts are carried forward and reduce future installments of the Management Fee or may be distributed at the end of the relevant Fund's life. BCEM does not accelerate monitoring fees.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

BCEM Funds pays Management Fees quarterly, in advance. The Funds are closed-ended investment vehicles intended for a long-term investment. Accordingly, Management Fees are expected to be paid, except as otherwise described in the relevant Governing Documents, and investors generally are not permitted to withdraw or redeem interests in the Funds.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

Neither BCEM nor any supervised person accepts compensation for the sale of securities or other products, other than as described in Item 6 below.

Item 6 – Performance-Based Fees and Side-By-Side Management

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

Each General Partner receives a Carried Interest allocation on certain realized profits in the Funds equal to 20% of all realized profits subject to an annually compounded preferred return (or hurdle) as specified in each Fund's Governing Documents and subject to reimbursement of all relevant Fund partnerships expenses, including Management Fees. Each Fund's Carried Interest calculation, as well as the clawback provisions of each Fund, is further described in the relevant Fund's Governing Documents. A Carried Interest allocation represents an adviser's compensation based on a percentage of net profits of the Funds it manages. The Carried Interest allocated to a General Partner is subject to a potential giveback if the respective General Partner has received excess cumulative distributions.

These performance fee arrangements have been structured subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (the "Advisers Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The General Partner of each Fund may, in its sole discretion, waive or reduce the amount of Carried Interest for an investor in a Fund. Specifically, if principals and employees, and their respective family and friends are Fund investors, they will generally pay reduced Carried Interest or none at all. Additionally, to the extent permitted by the relevant Governing Documents, BCEM may have the right to permit investors, affiliated with BCEM or otherwise, to invest through the relevant General Partner or other pooled investment vehicles that do not bear Management Fees or Carried Interest.

The fact that each General Partner's Carried Interest allocations are based on the performance of each Fund may create incentive for a General Partner to make investments that are more speculative than would be the case in the absence of such distributions. This incentive is mitigated, however, due to the fact that any losses the Funds sustain will reduce each General Partner's Carried Interest

distribution and the fact that Carried Interest is generally calculated only after investors have received as distributions 100% of their capital contributions plus a preferred return.

Item 7 – Types of Clients

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

BCEM provides investment advice to the Funds. The Funds limit their investors to persons who are both “accredited investors” as defined in the Securities Act of 1933 and “qualified clients” and “qualified purchasers” as defined in the Investment Company Act of 1940. The Funds are not registered or required to be registered under the Investment Company Act of 1940; its securities are not registered or required to be registered under the Securities Act of 1933 and are privately placed to qualified investors in the United States and elsewhere. Investors in the Funds must meet certain suitability and net worth qualifications prior to making an investment in the Funds. The Funds typically require capital commitments from each investor of at least \$1.5 to \$2.5 million, depending on the Fund, although commitments of less than these amounts have been accepted in the discretion of the applicable Fund’s General Partner.

The investors participating in the Funds include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of BCCEM and its affiliates and members of their families, Executive Partners or other service providers retained by the Firm.

BCCEM also may serve as the manager for co-investment vehicles that may invest in certain Fund portfolio companies, and may serve as investment manager for other investors in certain Fund portfolio companies. Opportunities to invest in a portfolio company may be made available to select persons or entities, including, without limitation, strategic investors, lenders, deal sources, other private equity or venture capital firms, Fund investors, third party sponsors, consultants, other persons or entities affiliated, associated or otherwise known to BCCEM or its personnel and unrelated third parties. These may arise whenever BCCEM has the opportunity for an investment in an existing or prospective portfolio company and BCCEM determines that all or a portion of the applicable opportunity is not required to be offered to, or is not appropriate for, a Fund. Such determinations are based on the provisions of the applicable Governing Documents and such other factors as BCCEM may consider in its sole discretion, including those that may be specified from time to time in its policies on investment allocation and co-investments. A General Partner has in the past and may in the future receive compensation in connection with co-investment activities which will not result in an additional offset to the Management Fees charged to a Fund. In addition, those investors who are offered a co-investment opportunity but are not current Fund investors may pay to the Firm a Management Fee.

BCEM will select the investors that are permitted to co-invest in a particular portfolio company in its sole discretion based on various factors, including those detailed in its Governing Documents and that may be outlined in its internal policies and procedures. While one or more investors in the Funds may be invited to co-invest in a Fund's portfolio companies, BCEM may, in its sole discretion, offer any or all of any co-investment opportunity to investors that are not investors in one or more of the Funds. BCEM may, in its sole discretion, offer co-investment opportunities to some investors in its Funds while not offering them to other investors in its Funds, and may cause some Fund investors and/or other co-investors to bear a Management Fee and/or Carried Interest while not imposing a Management Fee and/or Carried Interest (or imposing a different Management Fee or Carried Interest) on other Fund investors and/or other co-investors. In BCEM's sole discretion, some co-investment vehicles and/or co-investors may bear all or a portion of certain expenses (e.g., legal and other expenses associated with a portfolio company investment), while other co-investment vehicles and/or co-investors do not share in such expenses. In certain cases, co-investment opportunities may include opportunities to invest in Fund portfolio companies at a time when there is not a corresponding Fund investment or on different terms than any Fund investment. Some co-investors may also be provided the opportunity to sit, or have a representative sit, on the board of directors or board of advisers of the portfolio company. Positions on boards of directors or advisers of such portfolio companies may provide such persons with voting rights, access to information and potentially the ability to influence the operations and decision-making of the portfolio company that are not necessarily available to other investors. Any board fees received by such co-investors are paid by the relevant portfolio company and are not subject to any offset against Management Fees.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

The Funds' focus on achieving attractive risk-adjusted returns primarily by making privately negotiated equity and equity-related investments in the North American upstream oil and gas sector. BCEM's investment strategy is to specifically target investments in North American E&P companies through two complementary strategies: (i) investing buyout and growth capital in small operators with current production to sustain and expand operations; and (ii) partnering with leading operators to provide dedicated drilling capital.

The applicable Governing Documents of each Fund set forth more detailed descriptions of each Fund's investment strategies and methods of analysis. There can be no assurance that BCEM will achieve the investment objectives of the Funds and a loss of investment may be possible. Investing in securities involves risk of loss that investors should be prepared to bear.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent

trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

The Funds and their investors bear the risk of loss that BCEM's investment strategy entails. Although the following risk factors generally apply to all BCEM Funds, investors should also refer to a Fund's Governing Documents for a description of the risk factors specific to the Fund in which they invest. All investors should be aware of certain risk factors, which include, but are not limited to, the following:

Investment Risks

Dependence on Key Personnel. The success of the Funds will be highly dependent on the expertise and performance of the Managing Partner and BCEM's other investment professionals. There can be no assurance that BCEM's other investment professionals will continue to be associated with the General Partners or BCEM throughout the life of the Funds, as they are under no contractual obligation to remain with the General Partners or BCEM for all or any portion of the term of the Funds. The loss of the services of one or more of these individuals could have a material adverse effect on the performance of the Funds. Furthermore, although investment professionals employed by BCEM will commit a significant amount of their business efforts to the Funds, they are not required to devote all of their business time to the Funds' affairs.

Illiquidity of Investments. An investment in the Funds requires a long-term commitment with no certainty of return. It is unlikely there will be near-term cash flow available to investors. Many of the Funds' investments may be illiquid, and there can be no assurance that the Funds will be able to realize such investments at attractive prices or otherwise be able to affect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the investors. Additionally, the Funds may acquire securities that cannot be sold except pursuant to a registration statement filed under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for the Funds' investments.

No Assurance of Investment Return. The General Partners cannot provide assurance that they will be able to choose, make and/or realize investments in any particular company or portfolio of companies. There is no assurance that the Funds will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the types of companies and transactions described herein. The marketability and value of any such investment will depend upon many factors beyond the control of the Funds. The expenses of a Fund may exceed its income, and an investor could lose the entire amount of its contributed capital. Therefore, an investor should only invest in any Fund if it can withstand a total loss of its investment. The past investment performance of the entities with which officers and employees of BCEM have been associated cannot be taken to guarantee future results of any Fund or any investment of any of the Funds.

Nature of the Fund's Investments. A substantial portion of the Funds' investments will be in equity or equity-related investments in the energy sector that, by their nature, involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that may result in substantial losses. There can be no assurance that the Funds will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities. As a result, the Funds' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

Non-Controlling Investments. Although the Funds intend to make primarily control-oriented investments, a Fund may make minority equity investments in portfolio companies where it may have limited influence. Such a portfolio company may have economic or business interests or goals that are inconsistent with those of the Fund, and the Fund may not be in a position to limit or otherwise protect the value of its investment in the company, although as a condition of making such investments, it is expected that appropriate shareholder rights generally will be sought to protect the Fund's investments. The Funds' control over the investment policies of these companies may also be limited.

Leverage. In addition to the Funds' limited ability to borrow as set forth in the relevant Governing Documents, the Funds' investments may involve leveraged acquisitions, which by their nature require companies to undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks to investors. The leverage provided will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow. While leverage may enhance total returns to the investors, if investment results fail to cover borrowing costs then returns to the investors will be lower than if there had been no borrowings.

Investments with Third Parties. The Funds may co-invest with third parties including strategic investors and management team members through joint ventures or other entities. Such investments may involve risks in connection with such third party involvement, including the possibility that third party investors may have 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 Funds or may be in a position to take (or block) action in a manner contrary to the Fund's investment objectives. In addition, the Funds may in certain circumstances be liable for the actions of its third party investors. 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.

Contingent Liability on Disposition of Investments. Most of the Funds' investments will involve private securities. In connection with the disposition of an investment in private securities, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. The Funds also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied by the investors to the extent of their commitments.

Reliance on Portfolio Company Management. The day-to-day operations of each portfolio company in which the Funds invest will be the responsibility of such portfolio company's management team. Although the General Partners will be responsible for monitoring the performance of each Fund investment and generally intends to invest in portfolio companies operated by strong management, there can be no assurance that the existing management team or any successor will be able to operate any such portfolio company in accordance with the Funds' expectations.

Risks of Derivative Transactions. The Funds are permitted to engage in certain derivative transactions, including swaps, short sales, forward contracts or options or other hedging transactions which are intended to reduce each Fund's equity, debt, currency, interest rate, commodity or other exposure, however there is not any obligation to enter into any such transactions. The use of such instruments, even when used with the intent to reduce the risks associated with a Fund's investments, involves additional expenses as well as risks that are different than those of the Fund's direct or indirect investments including the possible default by the counterparty to the transaction and the illiquidity of the instrument acquired by a Fund relating thereto. Unanticipated changes in securities prices, interest rates or currency exchange rates may result in a poorer overall performance for a Fund than if it had not entered into any such derivative transaction. In addition, any hedging transaction in which a Fund enters may be imperfect, leaving such Fund exposed to some risk from the position that was intended to be protected. The successful use of hedging strategies depends upon the availability of a liquid market and appropriate hedging instruments and there can be no assurance that a Fund will be able to close out a position when deemed advisable by the relevant General Partner. Although such transactions may reduce a Fund's exposure to certain market fluctuations or decreases in the value of investments, the costs associated with these arrangements may reduce the returns that a Fund would have otherwise achieved if it had not entered into these transactions.

Available Opportunities and Competitive Marketplace. The success of any Fund depends on the availability of appropriate investment opportunities and the ability of the principals to identify, select, close and exit those investments. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable a Fund to invest all of its committed capital or that such investment opportunities will lead to completed investments by the Fund. The Funds will be competing with other private equity funds, as well as institutional investors and strategic investors, for investments in prospective portfolio companies. As a result of this competition, there can be no assurance that a

Fund will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve its targeted rate of return or fully invest its committed capital.

Follow-On Investments. A Fund may be called upon to provide follow-on funding for its portfolio companies or have the opportunity to increase its investment in portfolio companies. There can be no assurance that a Fund will wish to make such follow-on investments or that a Fund will have sufficient capital to do so. Any decision not to make follow-on investments or the inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish a Fund's proportionate ownership in such portfolio company and thus its ability to influence such portfolio company's future development.

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

Co-Investments with Fund I or Successor Fund. Fund II may, from time to time, make investments in association with Fund I or a successor fund. In these cases, such investment will generally be on the same terms and conditions in all material respects, with amounts for investment allocated between Fund II and Fund I or successor fund (as applicable), subject to available capital, including reasonable reserves, or other investment limitations on Fund II and Fund I or successor fund, in the sole discretion of the General Partner. Additionally, Fund II may have differing and/or conflicting interests with Fund I or successor fund in respect of any such investment.

Early Stage Investments. The Funds may invest in newly-formed or pre-revenue companies. Many of these types of investments are made at an early point in a company's life cycle. These "early stage" or "seed" investments can create value inherent in particular companies or situations that can be realized only with substantial effort or expense. Often the success of the investment will depend not only on the efforts of BCEM, but also upon actions of other key individuals, or extraneous factors including political or economic developments over which BCEM has little or no control. These companies are typically dependent on the abilities of key individuals, including founding entrepreneurs, owners or employees with critical technological skills or ownership of important patents or other intellectual property, and marketing and financial professionals. The growth and development of early stage companies may depend on the regular injection of additional capital and financing beyond that which the Funds are prepared or able to invest; such financing may not be available from other sources. Early stage companies are typically thinly staffed and may lack the internal resources or procedures and controls to detect and prevent accounting errors, or more serious losses caused by the misconduct or negligence of officers, employees or agents.

Failure to Fund Commitments; Consequences of Default. The Funds' investments in portfolio companies will require capital calls on investors over an extended period of time. If investors fail to fund their commitment obligations when due, a Fund's ability to complete its investment program or otherwise to continue operations may be substantially impaired. A default by a substantial number of investors or by one or more investors who have made substantial commitments would limit opportunities for investment diversification and likely would reduce returns to the relevant Fund. In the event that an investor defaults, such investor may be subject to various penalties, including forfeiture of a portion of its interest, as provided in the relevant Governing Documents.

Investments Longer than Term. A Fund may invest in investments that may not be advantageously disposed of prior to the date that the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although the General Partners expect that investments will be either disposed of prior to dissolution or suitable for in-kind distribution at dissolution, a Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Provision of Managerial Assistance and Control. The Funds typically designate principals to serve on the boards of directors of the Funds' portfolio companies. The designation of directors and other measures contemplated could expose the assets of the Funds to claims by a portfolio company, its security holders and its creditors. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability which the limited liability characteristic of business operations usually ignores. If these liabilities were to occur, a Fund could suffer losses in its investments. While the General Partners intend to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Restrictions on Transfer; No Market for Investor Interests. Interests in the Funds will not be registered under the Securities Act, the securities laws of any U.S. state or the securities laws of any other jurisdiction, and, therefore, cannot be sold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. The Funds have no plans, and are under no obligation, to register the interests in the Funds under the Securities Act or other securities laws. No market exists for the interests in the Funds and none is expected to develop. An investor may not sell, assign or transfer any of its interests, rights or obligations with respect to its interest in a Fund without the prior written consent of the relevant General Partner, which the General Partner may grant or withhold in its sole and absolute discretion. Further, an investor may not withdraw any amount from a Fund except under limited circumstances, primarily for regulatory or other legal reasons. Consequently, an investor may not be able to liquidate its investment in a Fund and must be prepared to bear the risks of owning an interest for an extended period of time.

Tax Considerations. An investment in a Fund may involve complex U.S. federal income tax considerations that will differ for each investor. Under certain circumstances, the investors could be required to recognize taxable income in a taxable year for U.S. federal income tax purposes, even if a Fund either has no net profits in such year or has an amount of net profits in such year that is less

than such amount of taxable income. Furthermore, the investors could incur U.S. federal income tax liabilities without receiving from a Fund sufficient distributions to defray such tax liabilities. In addition, a Fund may invest in securities of corporations and other entities organized outside the United States. Income from such investments included in an investor's distributive share of Fund income related to such investments may be subject to non-U.S. withholding taxes, which may or may not be reduced or eliminated by an income tax treaty.

Adequacy and Availability of Insurance; Catastrophic Events. While the Funds will seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. In addition, certain losses of a catastrophic nature, such as those caused by wars, riots or civil unrest, earthquakes, hurricanes, tornados, floods, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the Funds' profitability. The impacted location 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 location. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance. As a result, it is unlikely that any of the Funds' investments will be insured against damages attributable to acts of terrorism. If a major uninsured loss were to occur with respect to an investment, a Fund could lose both its capital invested in and anticipated profits related to such investment. The effects of future catastrophic events and/or 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 global financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to the Funds' investments.

Broken Deal Expenses. Investments in the energy industry often require extensive due diligence activities and regulatory approvals prior to acquisition. Due diligence may include feasibility and technical studies, preliminary engineering and marketing studies and legal and environmental review, any or all of which may entail significant third party expenses. In the event that an investment is not consummated, some or all of such third party expenses and any termination fees will be borne by the Fund. In the event that any potential investment of Fund II results in broken deal expenses and all or a portion of such broken deal expenses are not paid or reimbursed by any potential co-investment vehicles, co-investors or other third parties or transaction participants, as applicable, the Fund (together with any parallel funds and alternative investment vehicles, as applicable) shall bear 100% of the amount of any such broken deal expenses.

Risks in Effecting Operating Improvements. In some cases, the success of the Funds' investment strategy will depend, in part, on the ability of the relevant Fund to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements. In addition, the Funds may seek management rights, including board representation or other rights, where appropriate. However, there is no assurance that these rights, if sought, will be obtained.

Uncertainty of Financial Projections. The General Partners and BCEM will generally establish the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. Projected operating results will typically be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

Accuracy of Third Party Information. The General Partners and BCEM may select investments for the Funds, in part, on the basis of information and data made available directly or indirectly by third parties. The General Partners and BCEM 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.

Over-Commitment. In order to facilitate the acquisition of investments, BCEM or its affiliates may make (or commit to make), or may cause a Fund to make (or commit to make), an investment in a potential portfolio company with a view to selling a portion of such investment to co-investors or other persons prior to or within a period after the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, the Fund may bear the entire portion of any breakup fee or other fees, costs and expenses related to such investment, or hold a larger than expected investment.

Reinvestment. Under certain circumstances, proceeds distributable (or previously distributed) to the investors that constitute a return of capital contributions may be retained and reinvested (or recalled for reinvestment) by the Funds or used (or recalled for use) by the Funds for any other proper purpose, as detailed in each Fund's Governing Documents. Amounts available for recall are in addition to an investor's remaining unfunded capital commitment. Accordingly, an investor may be required to fund for investments or expenses during the term of the relevant Fund in an aggregate amount that significantly exceeds its committed capital.

Risks upon Dispositions of Investments. In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of

itself or such portfolio company typical of those made in connection with the sale of a business. It may also be required to indemnify the purchasers of such investment to the extent that any such representation turns out to be inaccurate. These arrangements may result in contingent liabilities of the relevant Fund, which might ultimately have to be funded by the investors to the extent that such contingent liabilities exceed the reserves and other assets of the Fund and such investors have received prior distributions from the Fund.

Environmental Liabilities. The Funds could face substantial risk of loss from environmental claims arising from investments made with undisclosed or unknown environmental problems or inadequate reserves or insurance for previously identified matters, as well as from occupational safety issues and concerns. Under certain circumstances, U.S. courts have held that a parent company is responsible for the environmental clean-up obligations of its subsidiary imposed by applicable laws. In the event a Fund is the parent of a portfolio company with such obligations, a U.S. court or a court of any other applicable jurisdiction might find that the Fund is liable for such obligations. Environmental claims with respect to a specific investment may exceed the value of such investment.

Difficulty in Valuing Investment Portfolio. The General Partners will value the portfolio company investments of the Funds from time to time at their fair market values. Fund assets that are publicly traded securities for which market prices are readily available will be valued based on their trading prices, however, for almost every portfolio company, there will likely be no public market for its securities. Thus, the valuation of portfolio company investments inherently is highly subjective and imprecise and requires the use of techniques that are costly and time consuming and ultimately provide no more than an estimate of value. In establishing the value of the Funds' portfolio company investments, the General Partners may also consult with accounting firms, investment banks and other third parties when needed, to assist with the valuation of the Funds' investments. The value set by the General Partners may not reflect the price at which the Funds could dispose of its interests in a particular portfolio company at any given time.

Cyber Security Breaches and Identity Theft. Information and technology systems of BCEM, the Funds and the 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, BCEM, a 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 BCEM's, the Funds' 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 BCEM, the Funds' or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance. BCEM has purchased cyber insurance in an attempt to mitigate any such losses.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

Risk Inherent in the Energy Industry. The companies in which the Funds will invest are inherently subject to numerous risks arising from their operations. For example, companies involved in the drilling and production of oil and natural gas face risks that include, without limitation: (i) the risks of conducting drilling operations (including risks of substantial losses to properties, bodily injury and environmental damage arising from operations that do not proceed as planned and the risk of failing to find commercially productive reserves); (ii) risks of compliance with increasingly burdensome environmental regulations and other regulations governing the production of natural resources; (iii) risks involved in offshore drilling and in locations in foreign countries, including political unrest, terrorism, kidnapping, expropriation, increased costs and operational delays and disruptions; and (iv) risks of catastrophic and other force majeure events. The occurrence of losses as a result of the risks inherent in operating in the energy industry could have a materially adverse impact upon actual results of the Funds' investments.

Commodity Risk; Price Volatility. The Funds are targeting investments primarily in companies serving the energy industry and, as such, they will be indirectly subject to commodity price risk, including, without limitation, the demand and price of oil and gas. Historically, the markets for oil, gas, coal and power have been volatile, and such markets are likely to continue to be volatile in the future. Because of their relation to the energy industry as a whole, operation and cash flows of the Funds' portfolio companies could depend upon prevailing market prices for energy commodities. These market prices may fluctuate materially depending upon a wide variety of factors that are beyond the control of the General Partners or the Funds, including, without limitation, market supply and demand, geopolitical conditions and events, including political conditions in the Middle East and other oil and gas producing nations, weather conditions, tax policy, changes in law and regulation, the price and availability of alternative fuels and energy sources, terrorist acts or threats thereof, actions of the Organization of Petroleum Exporting Countries (and other oil and natural gas producing nations), the foreign supply of (and demand for) oil and natural gas, the price of foreign imports and overall economic conditions.

Conflicts of Interest

The BCEM Code requires Firm principals and employees to place the interests of clients first, and on an annual basis each principal and employee must certify that he or she has read and understands the BCEM Code and has complied with its provisions. If any matter arises that BCEM determines in its good faith constitutes an actual conflict of interest, BCEM may take such actions as may be necessary or appropriate, within the context of any applicable Fund's Governing Documents, to address the conflict.

The Governing Documents for each Fund include a description of what BCEM believes to be the most significant conflicts of interest associated with an investment in such Fund. Investors should

carefully consider the conflicts of interest herein, those outlined in Item 8 above as well as each applicable Fund's Governing Documents prior to investing in a Fund. This does not purport to be a comprehensive list or complete explanation of all potential conflicts of interests.

Other Investment Activities. BCEM and the Managing Partner may, in the future, organize and manage one or more entities with objectives similar to or different than those of the Funds, including successor funds. Some of these entities may have interests that conflict with those of the Funds. A Fund may, subject to certain limitations set forth in the relevant Governing Document, acquire an interest in an existing Fund investment or co-invest in the existing investments or with a competing fund in the future. Any such co-investments or related transactions may raise potential conflicts of interest, particularly if investments are made in different classes or types of securities of the same portfolio company. In that regard, actions may be taken by such other fund that are adverse to a Fund.

Relationship with Ara; Ara Affiliate Firms. BCEM is an affiliate of Ara, a Houston-based energy private equity group managed by Messrs. Cherington McMullen and Troy Thacker. Ara has an ownership interest in BCEM and six other firms that specialize in the energy complex, including: Intervale Capital, LLC; Cibolo Energy Partners, LLC; Junction Energy Capital, LLC; Aksiom Partners, LLC; Ara Advisers, LLC; and Teleios Commodities LLC (collectively, the "Ara Affiliate Firms"). While each Ara Affiliate Firm is separately managed by its partners and investment professionals, the Ara Affiliate Firms comprise a network that fosters the sharing of investment opportunities, relationships, industry knowledge and operating company expertise. Ara also provides BCEM with access to Ara professionals who may provide the Firm with certain non-investment compliance, finance, legal and fund administration services, ensuring best practices and cost-effective delivery of non-investment administrative functions.

Mr. McMullen has an economic interest in Ara and by extension an economic interest in the performance of the Ara Affiliate Firms. The Ara Affiliate Firms engage in and will continue to engage in private equity, debt and other investment activities for their respective funds. In addition, Mr. McMullen serves on the investment committee of Ara Fund I, L.P (the "Ara Opportunities Fund") and may in the future serve on additional investment committees of other investment vehicles managed or sponsored by an Ara Affiliate Firm.

Certain potential investment opportunities that may be appropriate for a BCEM Fund may also be appropriate for the Ara Opportunities Fund and/or another Ara Affiliate Firms' fund. BCEM does not believe there will be significant overlap of investment opportunities between the Funds and other Ara Affiliate Firms' funds due to the different investment focus of each of the Ara Affiliate Firms.

When a BCEM Fund determines, in its reasonable discretion, that it would be advantageous to co-invest in an opportunity with the Ara Opportunities Fund and/or one or more other Ara Affiliate Firms' funds, then the Fund may co-invest with the Ara Opportunities Fund and/or the other Ara Affiliate Firms' funds in such an investment. These co-investment opportunities may be subject to the approval of the co-investing Ara Affiliate Firms' funds valuation committees or limited partner advisory committees in accordance with their respective governing documents. BCEM expects that

the relative amounts co-invested by the Ara Opportunities Fund and/or the Ara Affiliate Firms will be determined in the reasonable discretion of BCEM, the Ara Opportunities Fund and the other applicable Ara Affiliate Firms' funds based on factors including but not limited to who sourced the investment and the relative available capital, investment objectives, financing capacity and diversification limits of each fund participating in the co-investment.

As a result of the conflict resolution process described above, the amount a BCEM Fund invests in a particular investment opportunity may be less than it otherwise would be willing and able to invest, and in certain cases, a BCEM Fund may be required to forego certain investment opportunities that otherwise would be appropriate for the Fund. In addition, co-investment by the Ara Opportunities Fund and/or the other Ara Affiliate Firms may curtail the co-investment opportunities available to BCEM Fund limited partners.

In addition, BCEM Fund portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of the Ara Opportunities Fund and/or other investment funds managed by the Ara Affiliate Firms that, although BCEM determines to be consistent with the requirements of such funds' governing agreements, may not have otherwise been entered into but for the affiliation with the Ara Opportunities Fund and/or such Ara Affiliate Firms (as applicable), and which may involve fees and/or servicing payments to the Ara Opportunities Fund and/or such Ara Affiliate Firms (as applicable) that are not subject to the management fee offset provisions.

In addition, a member of a BCEM Fund advisory board has a minority, non-voting economic interest in Ara, which has an interest in BCEM. This may present conflicts of interest.

Allocation of Investment Opportunities. BCEM may, in the future, manage other investment funds and accounts which invest in assets eligible for purchase by a Fund (collectively, the "Other Managed Accounts"). The investment policies, fee arrangements and other circumstances of the Funds may vary from those of Other Managed Accounts. BCEM, the General Partners and their respective affiliates intend to allocate investment opportunities to the Funds and Other Managed Accounts in a manner that they believe in their judgment to be fair and equitable given the investment objectives, liquidity, diversification and other limitations of the Funds and such Other Managed Accounts. BCEM, the General Partners and their affiliates may also adopt certain procedures to address such conflicts. All of the foregoing procedures could, in certain circumstances, adversely affect the price paid or received by the Funds or the size of the position purchased or sold by the Funds (including prohibiting the Funds from purchasing a position) or may limit the rights that the Funds may exercise with respect to an investment. Further, the allocation of investment opportunities otherwise eligible for the Funds to Other Managed Accounts may serve to decrease certain investment opportunities to the Funds.

Overlapping Investments. Other Managed Accounts may hold or may acquire positions in portfolio companies in which the Funds invest or have invested. Similarly, the Funds may hold or acquire positions in which such Other Managed Accounts hold investments, or may acquire positions from

such Other Managed Accounts. Such investments may be coincident or precede one another. For example, a Fund may acquire a position in an existing investment, either directly from the issuer or from the holders of the existing investment. A Fund may have divergent interests from such Other Managed Accounts with respect to exit strategies from such investments, restructuring the capital structure or business of such companies or other matters affecting the relevant Fund's investment in such companies. In addition, conflicts may arise since Other Managed Accounts may invest in different levels of the capital structure of a portfolio company than a Fund.

Investments by Other Managed Accounts may cause a General Partner to become subject to legal or contractual restrictions on its ability to effect transactions for a Fund, for example, due to the receipt of nonpublic information or due to the existence of a control relationship between BCEM's affiliates and a portfolio company. In that regard, actions may be taken by such Other Managed Account that are adverse to a Fund. In addition, it is possible that in a bankruptcy proceeding a Fund's interest may be adversely affected by virtue of such Other Managed Accounts' involvement and actions relating to its investment.

Diverse Investors. The investors may have conflicting investment, tax and other interests with respect to their Fund investments. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of a Fund's investments, the structuring or the acquisition of investments and the timing of disposition of a Fund's investments. As a consequence, conflicts of interests may arise in connection with decisions made by a General Partner, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Funds, the General Partners will consider the investment and tax objectives of the Funds and the Funds' investors as a whole, and not the investment, tax or other objectives of any investor individually.

Side Letters. The Funds and the General Partners will be authorized, without the approval of any investor, to enter into side letters or similar written agreements with investors that have the effect of establishing rights under, or altering or supplementing the terms of the relevant Governing Documents or other related agreements. The ability of other investors to elect to receive the benefit of such side agreements will be limited.

Allocation of Shared Expenses. BCEM and its affiliates may from time to time incur fees, costs and expenses on behalf of more than one BCEM Fund, portfolio company or their respective affiliates. In that event, expenses will be allocated in BCEM's good faith discretion with a view to being fair and reasonable and having regard to all relevant and available information, including the extent to which the relevant entity(ies) or group(s) required or benefitted from the good or service giving rise to the expense and whether all or a portion of a multiple-purpose expense should be viewed as overhead and absorbed by BCEM.

Management Fee; Fees for Services. BCEM will be entitled to receive a Management Fee from each of the Funds. The General Partners, BCEM, the principals or their affiliates may receive customary break-

up and topping fees, commitment fees, monitoring and directors' fees and organization, transaction, financing, divestment and other similar fees from portfolio companies or prospective portfolio companies as compensation for financial advisory and similar services (as more fully described in Item 5 above) ("External Fees"). In addition, non-affiliated co-investors or joint owners of such prospective portfolio companies may have the ability to influence the terms of the arrangements giving rise to External Fees, including, without limitation, the timing and amount of payments and the inclusion of acceleration provisions in circumstances in which the Funds may not have otherwise included such provisions. Investors will receive the benefit of certain, but not all, of such External Fees as set forth in the relevant Governing Documents. Any offsets to the Management Fee that would otherwise be allocable to any co-investment vehicle, any co-investor or any other transaction participant will not be applied to reduce the aggregate Management Fee payable in respect of the investors and will be retained by the recipient thereof or its designees. The Management Fee provisions and the arrangements relating to the allocation of External Fees and certain fee offsets among BCEM and the Funds may also create an incentive to seek out investments which would provide the opportunity to earn such External Fees, and to make investments earlier during the term of a Fund than would be the case in the absence of such arrangements. Further, BCEM or its affiliates may be incentivized to hold on to investments that have poor prospects for improvement in order to receive ongoing Management Fees in the interim.

Portfolio Company Board Participation. It is expected that principals or other members of the investment team of BCEM will serve as directors of certain of the portfolio companies and, as such, may have duties to persons other than the Funds. Although such positions, in certain circumstances, may be important to the Funds' investment strategy and may enhance the General Partners' and BCEM's ability to manage investments, they may also have the effect of subjecting the General Partners, BCEM and the Funds to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will indemnify their respective General Partner, BCEM, the principals and other members of the investment team of BCEM from such claims.

Transactions with Fund Investors. BCEM may enter into transactions with certain Fund investors such as, for example, investors who are also business partners, such as insurance agents, investment banks, broker-dealers, legal counsel or others who provide services (including mezzanine and/or other lending arrangements) to the Firm, its Funds and portfolio companies. The terms of these transactions are negotiated on an arm's-length basis; however, BCEM is subject to a conflict of interest when determining such terms because BCEM may benefit from retaining such investors' investment in the Funds.

Advisory Boards. Although an advisory board is intended to act as the representative of the investors in respect of certain matters, including reviewing certain valuations of the Funds' assets and addressing certain potential conflicts of interest, the advisory board may not have the same interests as all investors. Furthermore, an advisory board cannot be expected to be experts in such matters, and certain of its determinations may, in fact, adversely affect the performance of the Funds.

Item 9 – Disciplinary Information

If there are legal or disciplinary events that are material to a client’s or prospective client’s evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Like other registered investment advisers, BCEM is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor’s evaluation of BCEM or the integrity of BCEM’s management. BCEM and its management persons have not been subject to any material legal or disciplinary events applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

BCEM is not actively engaged in a business other than giving investment advice to its clients, the Funds. Neither BCEM nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.

Neither BCEM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing.

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
3. Other investment adviser or financial planner
4. Futures commission merchant, commodity pool operator, or commodity trading advisor
5. Banking or thrift institution

- 6. Accountant or accounting firm**
- 7. Lawyer or law firm**
- 8. Insurance company or agency**
- 9. Pension consultant**
- 10. Real estate broker or dealer**
- 11. Sponsor or syndicator of limited partnerships.**

As described above in Item 4, BCEM is affiliated with General Partners which are deemed registered with the SEC under the Advisers Act pursuant to BCEM's registration. These affiliated investment advisers operate as a single advisory business together with BCEM and serve as General Partners or managing members of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants or persons occupying similar positions.

BCEM does not have arrangements with a related person who is a broker-dealer, investment company, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services, the Funds or its investors.

BCEM has relationships with other investment advisers and general partners. McMullen Management LLC is a general partner which is 100% owned and controlled by BCEM's Managing Partner. McMullen Management LLC serves as the general partner of Bayou City Energy Partners II, L.P., a private equity partnership. Bayou City Energy Partners II, L.P. holds one investment and will not be making any future capital calls or further investments. McMullen Management LLC may receive a carried interest allocation as the general partner of this fund in the event certain performance hurdles are met. The Managing Partner devotes some of his time as principal of McMullen Management LLC in connection with the management and oversight of these investments, although such time does not significantly impact Mr. McMullen's ability to perform his role as Managing Partner of BCEM. Additionally, the Managing Partner and BCEM personnel may provide other services to the other affiliated entities.

As mentioned in Item 4 above, BCEM is affiliated with Ara, a network of six Houston-based energy-related firms. These firms are separately managed by their partners and investment professionals and offer independent advisory services. Each Ara-related firm is specialized and distinct, managing their own investments in their own verticals. Ara is an owner of BCEM with the right to receive distributions but holds no governance rights at BCEM. Ara is owned and controlled by Mr. McMullen and Mr. Cherington. More information regarding Ara and any potential conflicts of interest are described more fully in Item 11, below.

In addition, as mentioned in Item 8 above, Ara has formed an investment vehicle, Ara Fund I, L.P. (together with any of its parallel vehicles, alternative investment vehicles and/or co-investment vehicles, the "Ara Opportunities Fund") to co-invest alongside the investment vehicles sponsored by each of the Ara Affiliate Firms, including BCEM Fund(s). The Ara Opportunities Fund may co-invest

alongside the Fund in accordance with the terms of the relevant Governing Documents and policies and procedures regarding co-investment.

As mentioned in Item 4 above, BCEM's Senior Advisor, Mr. Cherington, is also affiliated with other SEC, CFTC and other energy advisers and companies through his ownership and affiliation with Ara. A conflict of interest related to investment allocations between these firms and BCEM is unlikely given the differing strategies of the investment vehicles. If a conflict did arise, however, it would be presented to the respective advisory boards of the relevant Fund for approval.

BCEM has and will continue to develop relationships with professionals who provide services it does not provide, including: legal; accounting; banking; investment banking; tax preparation; insurance brokerage; investment management services; and other personal services. To the extent that BCEM does transact with such professionals, the terms of such relationships will be negotiated on an arm's-length basis.

From time to time, BCEM may receive training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will BCEM accept any benefits, gifts or other arrangements that are conditioned on directing individual client transactions to a specific security, product or provider. The Firm's Code of Ethics addresses disclosure of any potential conflicts of interest and is discussed below in more detail.

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

BCEM does not recommend or select other investment advisers for the Funds.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.

Pursuant to Rule 204A-1 of the Advisers Act, BCEM has adopted a written code of ethics ("Code of Ethics" or the "Code") that sets forth standards of conduct expected of supervised persons and addresses conflicts that can arise from personal trading. The Code of Ethics requires all supervised persons to place Fund interests ahead of the Firm's interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws.

Employees are required to certify to their compliance with the Code on an annual basis. Employees of BCEM who violate the Code may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Employees are also required to promptly report any violations of the Code of which they become aware.

BCEM will provide a copy of its Code to any existing or prospective investor upon request to Darren Lindamood, Chief Compliance Officer and General Counsel, at (713) 400-8226 or darren@bayoucityenergy.com.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Participation or Interest in Client Transactions

Certain BCEM employees and family members of BCEM employees have invested in the Funds through their General Partners and/or as investors. BCEM may reduce all or a portion of the Management Fee and Carried Interest related to investments held by such persons.

C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

Personal Trading

The personal trading policy for all BCEM personnel is set forth in BCEM's Code of Ethics and is acknowledged as received and understood by each supervised person. BCEM's personal trading policies are designed to ensure that no Fund is disadvantaged in any respect by the transactions executed by any supervised person and that supervised persons in no respect misappropriate any benefit properly belonging to any Fund.

The Code of Ethics establishes guidelines for personal trading requirements, insider trading, reporting of personal securities transactions, including certain pre-clearance and reporting obligations. Under the Code of Ethics, BCEM employees are required to file certain periodic reports with the Chief Compliance Officer, as required by Rule 204A-1 under Advisers Act.

BCEM's employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding publicly traded securities or communicating material non-public information about such securities to others. The Firm maintains a restricted list regarding issuers about whom it has material non-public information. Pre-clearance is required for certain personal securities transactions, including initial public offerings and certain

limited offerings, by its supervised persons. In addition, supervised persons are required to submit their brokerage account statements to the Chief Compliance Officer for review.

The principals and employees of BCEM may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which 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. In addition, principals, employees and affiliates may buy securities in transactions offered to but rejected by the Funds. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds.

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Please refer to Items 11.A, 11.B and 11.C.

Item 12 – Brokerage Practices

A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

BCEM seeks to make securities investments for clients in such a manner that the total costs or proceeds in each transaction are the most favorable under the circumstances ("best execution"). BCEM's investment strategy generally involves making direct private equity investments in leveraged acquisitions of companies. The terms of such transactions are typically subject to negotiation and brokerage firms are not usually involved. Therefore, BCEM does not currently anticipate using broker dealers to effect securities transactions. In the event BCEM is in a position to select a broker or dealer to execute a client transaction, the Firm may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) gross compensation paid to the broker.

- 1. *Research and Other Soft Dollar Benefits.* If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.**

BCEM does not receive research or other soft dollar benefits in connection with securities transactions for the Funds.

- 2. *Brokerage for Client Referrals.*** If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

BCEM does not receive client referrals in connection with selecting or recommending broker-dealers for the Funds.

3. Directed Brokerage.

BCEM does not engage in directed brokerage.

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

BCEM does not aggregate the purchase or sale of securities for client accounts.

Item 13 – Review of Accounts

A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

The investment portfolios of each Fund are generally private, illiquid and long-term in nature and accordingly, the Firm's review of them is not directed toward a short-term decision to dispose of securities. However, BCEM closely monitors the portfolio companies of its Funds and generally maintains an ongoing oversight position in such portfolio companies. BCEM performs various weekly, monthly, quarterly and periodic reviews of the Funds' portfolio companies. Such reviews are conducted by BCEM's principals.

B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

The Chief Compliance Officer would perform additional reviews in the event that a portfolio company needed subsequent financing, in the event of a potential acquisition or liquidity event, or if there were a serious performance issue.

C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

BCEM generally will provide to its investors: (i) audited financial statements annually within 120 days of year end, commencing with the first year in which it either is in operation for at least six months or makes an investment; (ii) unaudited financial statements for the first three quarters of

each fiscal year (iii) annual tax information necessary for each partner's U.S. tax returns; (iv) a statement of the determination of the value of each of investment as of the end of the preceding calendar year; and (v) a quarterly report and account statement. All reports are sent to investors electronically. The Firm also has contact with investors (personal visits, telephone, email) throughout the year as conditions warrant. Upon request, certain investors may receive additional information and reporting that other investors may not receive.

In the course of conducting due diligence, Fund investors periodically request information pertaining to their investments. BCEM responds to these requests, and in answering these requests provides information that is not generally made available to other Fund investors who have not requested such information. While BCEM does not have an obligation to update any such information provided, the Firm endeavors to provide the information requested in the most current form available.

Item 14 – Client Referrals and Other Compensation

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

As described in Item 5 above, BCEM may receive other fees (including, without limitation, External Fees) from the portfolio companies held by the Funds. These other fees are paid pursuant to separate agreements entered into with some portfolio companies to provide certain consulting services to the companies that BCEM believes will ultimately enhance the value of the companies and benefit the Funds and their investors and may, in many cases, offset Management Fees paid by the Funds. However, in other cases (e.g., reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees as further described in Item 5, above.

These types of arrangements present potential conflicts of interest and provide BCEM with an incentive to recommend investments based on compensation received rather than the best interests of the Fund. To help mitigate this potential conflict, such benefits received by BCEM or its employees in connection with services rendered to portfolio companies or transactions of the Fund are offset against (and therefore reduce) advisory fees payable by the Fund, to the extent described above and detailed in each Fund's Governing Documents.

As previously stated, each General Partner may, at its option, provide priority to co-investment opportunities (ability to invest at the same time in the same portfolio companies as a Fund) to certain persons, including strategic investors, third party sponsors, consultants, advisors or lenders, investors and others, subject to certain limitations. A General Partner may receive compensation in connection with these co-investment activities. Such compensation will not result in additional offsets to the Management Fee.

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

As of the date of this brochure, BCEM has not retained the services of any placement agents.

Item 15 – Custody

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

The Advisers Act Rule 206(4) (the “Custody Rule”) requires that pooled investment vehicles which BCEM advises either undergo an annual audit pursuant to generally accepted accounting principles (“GAAP”) or be subject to a surprise custody examination by a Public Company Accounting Oversight Board-registered auditing firm. BCEM is deemed to have custody of various of the Funds’ assets because of its affiliation with each Fund’s General Partner and the General Partner’s ability to deduct fees from investor accounts. In order to comply with the Custody Rules, BCEM has elected to undergo an annual GAAP financial statement audit for each of the Funds over which it is deemed to have custody, copies of which are delivered to the Funds and their respective investors within 120 days of fiscal year end.

BCEM does not, however, have physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly sent or wired into the relevant Fund’s qualified custodial account. BCEM receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about BCEM’s qualified custodians, please see Form ADV Part 1, Schedule D, 7.B.(1).

Item 16 – Investment Discretion

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

Investment advice is provided directly to the Funds, subject to the discretion and control of the relevant General Partner, and not to investors in the Funds individually. The Firm has discretionary authority from the Funds it advises to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives as described in the Governing Documents for the relevant Fund. To become

an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement with such Fund. Such Governing Documents generally contain a power of attorney that grants BCEM or its General Partner certain powers related to the orderly administration of the affairs of the Funds. Once an investor executes these documents, BCEM is not required to contact the investor prior to transacting any business. An investor may impose limitations on BCEM's authority through a side letter agreement and the Firm may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed by an investor must be presented to BCEM in writing and agreed to by all parties. No investors to date have limited the Firm's discretion to provide investment advice.

Item 17 – Voting Client Securities

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

The Securities and Exchange Commission adopted Rule 206(4)-6 under the Investment Advisers Act of 1940, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Although BCEM generally has authority to vote client securities, it generally is not called upon to participate in proxy voting because of the types of securities in which the Firm transacts on behalf of the Funds. However, in compliance with such rules, BCEM has adopted proxy voting policies and procedures should the Firm have proxy voting responsibility at any time in the future. As a general matter, BCEM's goal is to vote such proxies in the best long term interests of its clients.

In connection with each exercise of voting authority, BCEM will assess whether any material conflicts of interest exist between the interests of BCEM and the interests of the relevant Fund with respect to the matters to be voted upon. BCEM generally believes its interests are aligned with those of the Funds' investors through the principals' beneficial ownership interests in the Funds. In the event that there is or may be a conflict of interest in voting proxies, BCEM's proxy policy provides that the Firm may address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory committee on the proposed proxy vote, or through other alternatives set forth in BCEM's proxy policy. Investors in the Funds cannot direct how BCEM votes proxies nor is BCEM required to seek investor approval or direction from investors when voting proxies.

Firm principals and affiliated or unaffiliated third parties appointed by BCEM often sit on the boards of portfolio companies to which BCEM provides operational, management and consulting services and, as such, exercise authority with respect to various issues faced by the portfolio companies. BCEM does not consider service on portfolio company boards by BCEM personnel and affiliated and

unaffiliated third parties or BCEM's receipt of nominal board fees, if any, to create a material conflict of interest in voting proxies with respect to such companies.

BCEM will provide a copy of its proxy voting policy to any existing or prospective investor upon request to Darren Lindamood, Chief Compliance Officer and General Counsel, at (713) 400-8226 or darren@bayoucityenergy.com. Investors may also obtain information from the Firm, free of charge, about how BCEM voted any previous proxies, if any.

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

This Item is not applicable to BCEM.

Item 18 – Financial Information

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

BCEM does not require prepayment of more than \$1,200 in fees per client six months or more in advance.

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

BCEM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

BCEM has not been the subject of a bankruptcy proceeding.