



Bluescape Energy Partners, LLC
Form ADV Part 2A – Disclosure Brochure
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This brochure provides information about the qualifications and business practices of Bluescape Energy Partners LLC. If you have any questions about the contents of this brochure, please contact us at (713-238-9500) or rhulme@bluescapepartners.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Bluescape Energy Partners LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Bluescape Energy Partners LLC (“Bluescape”), (“Manager”) or (“BEP”) is a Delaware Limited Liability Company formed in May 2015 and is registered with the SEC as an investment adviser. Registration with the SEC as an investment adviser does not imply that Bluescape or any principals or other persons associated with Bluescape possess a particular level of skill or training in the investment advisory or any other business.

Item 2: Material Changes

Item 4 has been amended to reflect discretionary assets under management of approximately \$845,600,570 as of December 31, 2017.

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Item 4: Advisory Business

Description of Business

Bluescape is a Delaware Limited Liability Company founded in Month Year.

Bluescape provides investment advisory services, pursuant to the investment guidelines as set forth in the applicable offering memoranda, to Bluescape Energy Recapitalization and Restructuring Fund III L.P., a Delaware limited partnership (“ERR III”), Bluescape Energy Recapitalization and Restructuring Fund III (TE) L.P., a Delaware limited partnership (“ERR TE III”), Bluescape Energy Recapitalization and Restructuring Fund III (IP) L.P., a Delaware limited partnership (“ERR IP III”), and Bluescape Energy Recapitalization and Restructuring Fund III (ECI) L.P., a Cayman Island exempted limited partnership (“ERR FI III” and together with ERR III, ERR TE III and ERR IP III, the “ERR III Funds” or “Fund”). Bluescape Energy Partners III GP LLC, a Delaware limited liability company (the “General Partner”) is the sole general partner of the Fund. The General Partner is controlled by Bluescape Resources GP Holdings LLC, a wholly-owned subsidiary of Bluescape Resources Company LLC. ERR III Funds are a privately-offered private equity funds formed by BEP that will seek to make investments (equity or debt) in deep value and distressed opportunities in the energy sector, typically with board participation and other control elements, which will be primarily in the North American oil and gas and power sectors.

The General Partner may, in its sole discretion, offer co-investment opportunities to certain Limited Partners and third parties, including limited partners of any Parallel Fund, investors in any Feeder Fund, the General Partner, the Manager, the Sponsor, the Sponsor Related Parties (as defined below) principals, or their respective affiliates. Such co-investors may include entities formed by the General Partner, the Manager, or their respective affiliates (in each case, with or without the participation of other Persons, including the Limited Partners) (“Co-Investment Vehicles”). Co-Investment Vehicles will invest side-by-side with the Fund in some or all of the Fund’s investments and may or may not be subject to a management fee or carried interest. Co-investments may take place concurrently with the Fund or subsequent thereto and will be made on substantially the same terms as the investment made by the Fund. The disposition of any co-investments will be made at the same time and on the same terms as disposition of the Fund’s investment. In general, expenses related to any Co-Investment Vehicles will be split pro rata among the applicable co-investors whereas expenses related to a portfolio company will be split pro rata among the Fund, the co-investors, any Co-Investment Vehicles, any Parallel Funds, and any Alternative Investment Vehicles based upon invested capital. The General Partner, in its sole discretion, may structure a co-investment so that co-investors and, if applicable, Co-Investment Vehicles, do not share in any broken-deal expenses.

The General Partner will allocate available investment opportunities among the Fund, any Parallel Fund, and any Alternative Investment Vehicle, on the one hand, and the applicable co-investors (including any Co-Investment Vehicles), on the other hand. Participation in co-investment opportunities that the General Partner determines to offer will be offered initially to the Partners and the partners, shareholders, or other members of any Parallel Funds, Alternative Investment Vehicles, or Feeder Funds, pro rata based upon capital commitments, and such offer will include the

opportunity to subscribe for a share of any under-subscribed amounts resulting from other offerees declining to participate for their full pro rata share. The General Partner may in its reasonable judgment determine the manner for conducting such allocation and offering process. The General Partner will have no obligation to offer, and may determine in its sole discretion whether or not to offer, co-investment opportunities to any Partner that has defaulted on a required capital contribution or any co-investor that has defaulted on any of its obligations with respect to any co-investment.

In the event the Fund transfers any portion of a portfolio investment to any co-investor or Co-Investment Vehicle, the proceeds from such transfer shall be distributed among the Limited Partners pro rata and shall be deemed, on a dollar-for-dollar basis, to increase each Limited Partner's Commitment and decrease each Limited Partner's capital contributions previously made to the Fund. Such distributions will not be considered in computing the preferred return or the General Partner catch-up.

“Sponsor Related Party” means the Sponsor, an investment fund managed by the Sponsor or its affiliates, an employee of the Sponsor or its affiliates who is actively involved in the business of the Fund or an officer or employee of the Manager or the General Partner.

The Funds will issue two classes of limited partner interests:

- (i) Series A Limited Partner Interests (“Series A Interests”) will be issued to all investors other than those who are eligible to hold Series B Interests (as described below), and
- (ii) Series B Limited Partner Interests (“Series B Interests”) will be issued to the General Partner or its affiliates (including the Sponsor), an officer, director or employee of the Manager, the General Partner, the Sponsor or any of their respective affiliates. Series B Interests will be non-voting interests and will not be subject to Management Fees or Carried Interest.

Series A Interests, together with Series B Interests, are referred to as “Interests”.

As of December 31, 2017, Bluescape had \$845,600,570 in discretionary assets under management.

Item 5: Fees and Compensation Management Fees

Performance-based fees or carried interest profit allocations are subject to regulation under Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Bluescape seeks to ensure that any Client or investors in a Fund that are directly or indirectly assessed performance-based fees or are subject to carried interest profit allocations satisfy the qualifications of Rule 205-3 and have been advised of such fees or allocations and their risks.

The Funds will pay a management fee (the “Management Fee”) to the Manager payable quarterly, in advance, by all Series A Limited Partners. During the period commencing on the Initial Closing Date and ending at the conclusion of the quarter following the earliest to occur of (i) the end of the

Investment Period, and (ii) the time at which a Successor Fund (as defined below) has been formed and commences to charge or accrue a management fee (the “Initial Period”), the Management Fee will be equal to 2% per annum of Commitments of the Series A Limited Partners.

After the Initial Period, the Management Fee will be equal to 2% per annum of Commitments of the Series A Limited Partners that are invested in portfolio companies (net of distributions constituting a return of capital and any permanent write-downs). The Management Fee will be reduced to 1% per annum of Commitments of the Series A Limited Partners that are invested in portfolio companies (net of distributions constituting a return of capital and any permanent write-downs) following the date that a Successor Fund commences to accrue management fees in an amount that equals or exceeds 100% of the annual Management Fees then-payable by the Fund.

The General Partner’s interest in the Fund and the Series B Interests will not be subject to a management fee. The Management Fee is subject to reduction.

The organizational documents of the ERR III Funds do not contemplate repayments of management fees to the extent that Bluescape’s services terminate prior to the end of the relevant quarterly payment period. Management fees paid by an investor in the ERR III Funds impact Bluescape’s performance-related compensation.

The management fees of the ERR III Funds are generally are not negotiable; however, Bluescape may reduce the management fee due with respect to any investor in the ERR III Funds in its sole discretion and it has done so for certain investors.

Performance-Related Compensation

Subject to the limitations below, Bluescape will receive a special allocation of profits, or “performance allocation,” from the Funds of 20% of the net profits, if any, of the Funds after taking into account a preferred return to investors (subject to catch-up), as well as the expenses of the applicable ERR III Fund, including management fees. The performance allocation is calculated each time the Funds makes a distribution to its investors.

The performance allocation of the Funds generally is not negotiable; however, Bluescape may reduce the performance allocation due with respect to any investor in the Fund in its sole discretion. Certain investors in the Fund and are not subject to the performance allocations described above.

Transaction, Break-Up and Other Fees

BEP and certain other persons associated with BEP may charge transaction fees, monitoring fees, advisory fees, break-up fees, and other similar fees to the Fund’s portfolio companies, and BEP or such certain other persons may also receive directors’ fees in connection with services they may provide to the Fund’s portfolio companies. Upon receipt of any such amounts by BEP or such persons, BEP will (i) net any unreimbursed expenses incurred by BEP in connection with unconsummated transactions (with respect to the ERR III Funds proportionate interest in such

investments) and (ii) if any such amounts (with respect to the ERR III Funds' proportionate interest in such investments) remain after netting, reduce the Management Fee otherwise payable with respect to Series A Interests by a pro-rated portion of such remaining amount (based on the relative size of Commitments represented by Series A Interests in relation to all Commitments).

Organizational/Offering Costs

ERR III Funds will pay (or reimburse BEP for) any organizational costs incurred following the Initial Closing up to an amount not to exceed \$2,000,000.

All organizational costs incurred in excess of \$2,000,000 and all placement fees shall be paid by the Funds but borne by BEP through an offset to the Management Fee.

Operating Costs

BEP will pay all of its own operating and overhead costs and expenses, including salaries, benefits and rent.

The Funds will pay (or reimburse BEP for) the costs and expenses related to its operations ("Operating Costs"), including, without limitation: all direct, out-of-pocket costs and expenses reasonably incurred either by the Funds or by BEP, the Manager or their respective affiliates on behalf of the Funds relating to the management, conduct and operation of Fund business, including (i) the fees and expenses associated with the maintenance of the Fund's books and records and the preparation of the Fund's financial statements and the reports and other information and the distribution of same to investors, tax returns and Schedule K-1s, communications expenses, printing expenses, mailing and courier expenses, fees and expenses of establishing bank or custodial accounts and insurance costs and expenses, cash management expenses and routine administrative expenses, including but not limited to fees and expenses of independent auditors, accountants and legal counsel, and fees of a governmental authority imposed in connection with such books, records, and statements, (ii) the fees, costs and expenses incurred in connection with investigating, evaluating, negotiating, structuring, acquiring, holding, developing, managing, valuing, settling, monitoring, selling or exchanging of investments (including reasonable fees and expenses of lawyers, accountants, advisors, engineers and consultants, executive search firms, valuation experts, data providers, brokerage or finder's fees, investment banker's fees, commitment fees, underwriting discounts or sales fees, and reasonable travel and related expenses), (iii) fees, costs and expenses of the type described in clause (ii) above incurred in connection with potential or proposed but unconsummated transactions, (iv) legal, audit and other expenses incurred in connection with the registration of the offer and sale of securities owned by the Fund under the Securities Act of 1933, or any applicable state or foreign securities laws, (v) the costs and other amounts attributable to the Fund's obligations for indemnification, (vi) the costs and expenses attributable to the Advisory Committee (including legal expenses) and the conduct of its meetings or attributable to the annual meetings of the Partners, (vii) expenses of winding up and liquidating the Fund, (viii) fees, costs, and expenses related to the organization or maintenance of any Alternative Investment Vehicle (as defined below), including

without limitation any travel and accommodation expenses related to such entity, (ix) registration expense's and any taxes, fees or other governmental charges levied against the Fund, Alternative Investment Vehicles and portfolio companies and all expenses incurred in connection with any tax audit, filings, investigation, settlement or review of the Fund, and (x) other extraordinary, nonrecurring expenses, including the costs and expenses of prosecuting or defending a litigation claim.

For a further discussion of these and related items, see Item 12 (Brokerage Practices).

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

As noted in the response to Item 5 (Fees and Compensation), Bluescape may receive performance allocations from the Funds and Eligible Co-Investors.

Item 7: Types of Clients

As described above in Item 4 (Advisory Business), Bluescape provides investment advisory services to the ERR III Funds, which are a pooled investment vehicle. Investors in the ERR III Funds include institutional investors such as endowments, foundations, trusts, and pension plans, as well as individuals. The ERR III Funds are offered exclusively to “accredited investors” as defined in Regulation D under the Securities Act of 1933 or “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940. The minimum commitment of an investor to the ERR III Funds is \$1,000,000, although Bluescape may accept and has accepted investments in a lesser amount.

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

Methods of Analysis

BEP seeks to apply a team-based approach to every aspect of the investment process so that a variety of perspectives are considered in each investment decision. BEP's investment evaluation process is distinguished by its emphasis on purchase price discipline, extensive asset analysis, due diligence and a collaborative approach to decision making. BEP intends to leverage its internal expertise and supplement it with specific external expertise to understand the technical, operational, pricing, legal, tax, regulatory and competitive opportunities and risks. Through its proprietary relationships, the BEP has access to world class industry expertise that would typically only be available to much larger investors.

Bluescape will generally develop financial models for the full life of an asset to fully understand the drivers of value and estimate an exit value. BEP that a full life model is critical to fully understanding the nature of the long-term assets the Fund will seek to acquire and the potential effect of long-term changes in price, growth, cost and technological productivity

All new investment commitments for the ERR III Funds require the majority vote of the Investment Committee. Ties will be broken by C. John Wilder, the Executive Chairman of the Investment Committee.

Investment Strategies

BEP's investment strategy will center around deep value opportunities within the energy sector with an emphasis on distressed and out-of-favor opportunities. This strategy will have three major components: (i) deep value equity investing in existing enterprises; (ii) restructuring partnerships; and (iii) long-term option aggregation.

Deep Value Equity Investing In Existing Enterprises: In the deep value equity strategy, BEP will seek to capitalize on distress-driven opportunities, as well as the Firm's proprietary relationships in the oil and gas and power sectors, to identify and execute transactions. The Firm's primary focus will be on investments where it has an advantaged sourcing angle and where the Senior Team's deep operational experience and close involvement with management may significantly benefit the targeted company. The Fund may seek to obtain control through a variety of structures including but not limited to majority equity ownership, board control and/or negative control rights. The Fund may also opportunistically purchase convertible or preferred instruments as a means of achieving control. This differs from many energy private equity strategies which focus on backing greenfield teams with the goal of finding and acquiring assets. The Firm's deep value equity strategy requires the ability to diligence the financial aspects of the company along with its assets, but more importantly, requires the ability to actively influence long-term operational, commercial and financial performance with an existing team.

Restructuring Partnerships: In the restructuring partnership strategy, BEP will target partnerships with large shareholders or creditors of financially and/or commercially distressed companies to restructure and grow the businesses. The Firm's focus is on investments where it may obtain outsized control and upside relative to its investment, and the Fund will look across the balance sheet and capital structure when structuring deals. BEP's preferred structure will often provide for performance-based compensation via ongoing fees and equity awards on top of a cash-based investment. The restructuring partnership strategy may be a specifically well-fitting investment path for companies poised to benefit more from management skills and experiences than from capital. BEP believes this strategy is unique in the energy private equity industry and allows the Fund to leverage the Senior Team's skill sets. The Firm believes this strategy is available to be employed "by invitation only" to managers that have proven their turnaround capabilities multiple times in the energy sector.

Long-Term Option Aggregation: In the long-term option aggregation strategy, BEP will focus on acquiring real options in large-scale, long-term opportunities in oil and gas exploration and power assets. The Firm's focus is on investments with a sufficient level of scale and tenor to allow for careful appraisal and "de risking" over time. These opportunities will generally require low initial capital investments, while subsequent capital may be increased, decreased or re-allocated based on project successes and the prevailing pricing environment. This is expected to dramatically increase operational flexibility and optionality. Specific to the oil and gas space, significant value creation may be achieved through: (i) the ability to scale development based on prevailing commodity prices and

service costs; (ii) the ability to utilize improved technology and drilling practices to increase well recoveries; and (iii) the ability to utilize improved geologic understanding to develop additional reservoirs.

Risk of Loss and General Investment Risks. Investing in the ERR III Funds involves risk of loss and is suitable only for investors prepared to bear such risk. The risk factors below are not intended to be exhaustive. Prospective investors in the Fund should carefully review the risks described in the offering memorandum and related documents, as applicable, for the Fund, and should evaluate the merits and risks of an investment in the context of their overall financial circumstances.

RISKS RELATED TO INVESTMENTS IN ENERGY ASSETS

Energy Industry Concentration. The Fund's investments will be concentrated in the energy industry and will be subject to numerous risks that affect the energy industry as a whole, or specific sectors within that industry. Because of the concentration of the Fund's investments in this industry, an investment in the Fund may be subject to greater risk than an investment in a portfolio of securities representing a broader range of industries. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.

Nature of Energy Industry Investments. Investments in the energy sector may be subject to a variety of risks, not all of which can be foreseen or quantified. Such risks may include but are not limited to: (i) the risk that the technology employed in an energy project will not be effective or efficient; (ii) risks of equipment failures, loss of sale and supply contracts, decreases or escalations in power contract prices, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, and catastrophic events; (iii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (iv) environmental liability risks related to energy properties and projects; (v) uncertainty about the extent, quality and availability of oil and natural gas reserves; and (vi) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy fuels. Prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics, energy conservation, the success of exploration projects, the economic growth of countries that are large consumers of energy, and the tax and other regulatory policies of various governments, as well as other factors. The occurrence of events related to the foregoing may have a material adverse effect on the Fund and its investments. For example, in August 2015, the U.S. Environmental Protection Agency ("EPA") finalized rules under the federal Clean Air Act that will require a 32% reduction in carbon dioxide ("CO₂") emissions by 2030 from 2005 emission levels. This rule has the potential to substantially affect the value of coal-fired power plants and will likely impose significant compliance costs on these assets.

Uncertainty of Reserves. The companies in which the Fund invests may be subject to the risks inherent in acquiring or developing recoverable oil or natural gas reserves, including capital

expenditures for the identification and acquisitions of projects, the drilling and completing of wells and the conduct of development and production operations. The presence of unanticipated pressures or irregularities in formations, miscalculations or accidents may cause such activity to be unsuccessful, which may result in losses. Furthermore, successful investment by the Fund in any portfolio company may require an assessment of (i) recoverable reserves; (ii) operating and capital costs; (iii) future oil and natural gas prices; (iv) potential environmental and other liabilities; and (v) other factors with respect to such investment. Such assessments are necessarily inexact and their accuracy inherently uncertain.

Fluctuation in Energy Prices. The revenues and profitability of certain of the portfolio companies in which the Fund invests are likely to be significantly affected by the future prices of and the demand for oil and natural gas, which are inherently uncertain. Energy investments may have significant shortfalls in projected cash flow if prices decline from levels projected at the time the investment is made. Various factors beyond the control of the Fund will affect energy prices, including worldwide supplies, political instability or armed conflicts in oil and natural gas producing regions, the price of foreign imports, the level of consumer demand, the price and availability of alternative fuels, capacity constraints and changes in existing government regulation, taxation and price controls. Energy prices have fluctuated greatly during the past, and energy markets continue to be volatile.

Oil and Natural Gas Exploration and Development Risks. The Fund may invest in businesses that engage in oil and natural gas exploration and development, a speculative business involving a high degree of risk. Oil and natural gas drilling may involve unprofitable efforts, not only from dry holes, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include encountering unexpected formations or pressures, premature declines of reservoirs, blow outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks.

Regulation of the Energy Industry. The energy industry is affected from time to time in varying degrees by political developments and a wide range of statutes, rules, orders and regulations. For example, energy production, operations and economics are or have been affected by price controls, taxes and other laws relating to the energy industry, by changes in such laws and by changes in administrative regulations. In addition, various laws and regulations relating to the protection of the environment may affect the operations and costs of the companies engaged in the energy industry. These laws and regulations may (i) restrict the types, quantities and concentration of various substances that can be released into the environment; (ii) require reporting of or precautions relating to the storage, use or release of certain chemicals and hazardous substances; (iii) require removal or cleanup of contamination under certain circumstances, which may require the expenditure of material amounts over a significant period of time; and (iv) impose substantial civil liabilities or criminal penalties for failures to comply with such laws and regulations. Moreover, there has been a trend in recent years toward stricter standards in environmental, health and safety legislation and regulation, which could affect the success of companies in which the Fund invests.

Midstream Energy Investment Risks. Investments in portfolio companies owning, controlling or investing in midstream energy assets, including oil and gas pipelines and terminals, are subject to a variety of risks not necessarily associated with other types of energy investments. Such risks may include: (i) the risk that the market for the refined products gathered by, transported on and stored in the midstream assets held by portfolio companies in which the Fund invests may decline due to a reduction in downstream customer base or end-user demand; (ii) the risk that the land on which midstream assets held by portfolio companies in which the Fund invests are located will not be owned by such portfolio company or its affiliates, and therefore will be subject to risks associated with obtaining and maintaining necessary land use rights, contracts and permits from unrelated third parties; (iii) the risk that FERC may regulate tariff rates for interstate movements of oil and gas on the pipeline systems held by portfolio companies in which the Fund invests in a manner that adversely affects the profitability of the Fund's investments in such portfolio companies; (iv) the risk that, even if FERC permits an increase in tariff rates charged on the pipeline systems held by portfolio companies in which the Fund invests, competition from other pipeline systems may prevent such portfolio companies from doing so; (v) the risk that any reduction in the capacity of interconnecting, third party pipelines due to testing, line repair, reduced operating pressures or other causes may result in a reduction of oil and gas volumes transported on pipelines or stored in terminals held by portfolio companies in which the Fund invests, thereby potentially adversely affecting the profitability of the Fund's investments in such portfolio companies; (vi) the risk that refined oil and gas products and other hydrocarbons transported on and stored in the midstream assets held by portfolio companies in which the Fund invests may be released into the environment, which could cause such portfolio companies to be required to make substantial expenditures for responsive action or government-imposed penalties, to be liable to government agencies or private parties for natural resources damages, personal injury or property damages, and to be subjected to significant business interruption; (vii) the risk that, as a result of their ownership or control of or investment in regulated assets such as pipelines, portfolio companies in which the Fund invests may be subject to unfavorable rulings imposed by regulatory authorities.

Transmission Investment Risks. The Fund expects to invest in portfolio companies that install, construct and operate new transmission lines and facilities. FERC policy currently favors the expansion and updating of the transmission infrastructure within its jurisdiction. If FERC were to adopt a different policy, if states were to limit or restrict such policies, or if transmission needs do not continue or develop as projected, these portfolio companies could be adversely affected. Moreover, if the FERC were to lower the rate of return it has authorized for transmission investments and facilities, or if one or more states were to successfully limit FERC jurisdiction on recovery of costs on transmission investment and its return, it could reduce future net income and cash flows and impact financial condition.

Power Purchase Agreement Risk. Power Purchase Agreement Risk. Portfolio companies may enter into power purchase agreements ("PPAs"). Payments by power purchasers to such companies pursuant to their respective PPAs may provide the majority of such companies' cash flows. There

can be no assurance that any or all of the power purchasers will fulfill their obligations under their PPAs or that a power purchaser will not become bankrupt or that upon any such bankruptcy its obligations under its respective PPA will not be rejected by a bankruptcy trustee. There are additional risks relating to the PPAs, including the occurrence of events beyond the control of a power purchaser that may excuse it from its obligation to accept and pay for delivery of energy generated by a company. The failure of a power purchaser to fulfill its obligations under any PPA or the termination of any PPA may have a material adverse effect on a portfolio company.

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

Regulatory Approvals. The Fund expects to invest in portfolio companies that require federal, state, local or non-U.S. approvals to acquire and operate their facilities. In addition, the Fund may require the consent or approval of applicable regulatory authorities in order to acquire or hold particular portfolio companies. A portfolio company could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on that company. Moreover, additional regulatory approvals, including renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in the companies' customers or for other reasons. A portfolio company may not be able (i) to obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) to obtain any necessary modifications to existing regulatory approvals; or (iii) to maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of the facility or sales to third parties or could result in additional costs to a portfolio company.

Additionally, a regulatory decision by FERC or another regulatory authority related to the electric profitability of the Fund's investments in such portfolio companies.

Sovereign Risks. The concessions for certain energy investments are granted by governmental authorities. Concessions from government counterparties are subject to special risks, including the risk that such governmental authorities will exercise sovereign rights and take actions or impose conditions contrary to the investment's rights under the relevant concession agreement. There can be no assurance that a particular government counterparty will not legislate, impose regulations, change

applicable laws or act contrary to the law in a way that would materially adversely affect any such investment.

Risks Related to Commodity Prices and Derivatives. Subject to the Partnership Agreement, the Fund and/or the portfolio companies in which the Fund invests may use derivatives, including the purchase and sale of forward contracts, currency options, futures or interest rate swaps, intended to protect the Fund against adverse movements in commodity prices, currency exchange rates and/or interest rates, securities prices and other risks, or to enhance returns. The prices of commodities and related derivative instruments may be subject to periods of extreme volatility. Price movements in commodities and derivatives are influenced by many factors, including supply and demand relationships, fiscal, monetary and trade policies and political events. As a result, the Fund's or a portfolio company's use of derivative transactions may be affected by such volatility as well as by any market disruption and unanticipated changes in interest rates, securities prices or currency exchange rates, all of which may expose the portfolio company to the risk of material financial loss. In addition, the Fund or the portfolio company will be at risk for the performance of the counterparty on the derivative transaction. In the event that the counterparty defaults, the cost of replacing the transaction or the counterparty could be significant. Derivative instruments may trade principally on markets organized outside the U.S. markets for such instruments may be illiquid, highly volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable cost. For all these reasons, the use of derivatives and related techniques can expose the Fund to significant risk of loss.

Derivatives Legislation. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), enacted in July 2010, established federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. Dodd-Frank requires the CFTC, the SEC and other regulatory authorities to promulgate certain rules, some of which have been finalized, relating to the regulation of the derivatives market.

Dodd-Frank mandates that certain derivatives must be executed on registered exchanges and submitted for clearing to regulated clearinghouses. At this time, unless an exemption applies, certain interest rate swaps and credit default swaps are subject to such clearing and execution requirements. Cleared derivatives will be subject to margin requirements set by the relevant clearinghouse and uncleared derivatives may be subject to margin rules that have been proposed, but not yet finalized, by the federal regulators. The application of the mandatory clearing and trade execution requirements to the Fund and its portfolio companies and to other market participants, such as swap dealers, may change the cost and availability of derivatives. Moreover, providers of derivatives to the Fund or its portfolio companies may demand margin requirements beyond any regulatory or clearinghouse minimums. In general, margin requirements may impact liquidity and make it more costly for the Fund or its portfolio companies to trade derivatives. They may also cause certain strategies in which the Fund might have otherwise engaged to become prohibitively expensive.

As required by Dodd-Frank, in November 2013, the CFTC proposed limits, referred to as "speculative position limits," on the maximum position that any person may hold or control in particular physical commodity futures and economically equivalent swaps and options. If the

proposed rule is ultimately adopted, accounts owned or managed by the Fund or and its portfolio companies may be aggregated for purposes of these speculative position limits. There is an exception from such limits for bona fide hedging. However, if the Fund's activities do not satisfy the requirements for this exception, then, assuming the proposed rule is ultimately adopted in its current form, it could be required to liquidate positions that it and its portfolio companies hold to comply with such limits. As the speculative position limit rules are not yet final, their impact on the Fund is uncertain at this time.

Because of these rules, Dodd-Frank could significantly increase the cost of derivatives transactions, materially alter the terms of derivatives transactions, and reduce the ability of the Fund or its portfolio companies to protect against price volatility and other risks. If the Fund or its portfolio companies alter their hedging program as a result of the legislation and regulations, the operations of the Fund or its portfolio companies may become more volatile and their cash flows may be less predictable, which could adversely affect the Fund's performance.

Finally, Dodd-Frank was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. The Fund's performance could be adversely affected if commodity prices fall as a consequence of Dodd-Frank and related legislation and regulations.

In addition, the European Union and other non-U.S. jurisdictions are implementing regulations with respect to the derivatives market. To the extent the Fund or its portfolio companies transact with counterparties in foreign jurisdictions, they may become subject to such regulations. At this time, the impact of such regulations is not clear.

General Environmental Matters. Environmental laws, regulations and regulatory initiatives play a significant role in the energy industry and can have a substantial effect on investments in the industry. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of cleanup and site restoration costs and liens, or, in some instances, issuance of orders or injunctions limiting or requiring discontinuation of certain operations. Required expenditures for environmental compliance, including remediation of contamination and restoration of affected areas, have adversely affected investment returns in many segments of the energy industry. In addition, environmental laws and regulations frequently require energy projects to obtain permits and other authorizations prior to commencing operations or the construction of new or modified assets, which could in turn delay investment returns. Compliance with current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional, unforeseen environmental expenditures. Moreover, failure to comply with environmental requirements could have a material adverse effect on a portfolio company, and there can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims. In addition, owners of contaminated properties may be required to expend substantial sums to clean up contaminations that may have been caused by previous owners or

operations. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership, such as the Fund, for environmental liabilities that cannot be resolved by the partnership. Nevertheless, a Limited Partner may reduce its risk of personal liability by avoiding managerial or operational activities with respect to the Fund's investments other than as specifically contemplated by the Partnership Agreement.

Climate Change Regulation. Based on findings made in December 2009 that emissions of carbon dioxide, methane and other greenhouse gases ("GHGs") present a danger to public health and the environment, the EPA adopted rules restricting emissions of GHGs under existing provisions of the federal Clean Air Act that establish Potential for Significant Deterioration ("PSD") construction and Title V operating permit reviews for GHG emissions from certain large stationary sources with the potential to emit GHGs exceeding regulatory thresholds. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet "best available control technology" standards that will be established by the states or, in some cases, by the EPA on a case-by-case basis. In addition, the EPA adopted rules requiring the monitoring and reporting of GHGs from certain sources in the United States, including, among others, onshore and offshore oil and gas production facilities on an annual basis, which may include the operations of the companies in which the Fund invests. More recently, in August 2015, the EPA released as a final rule the Clean Power Plan to reduce carbon emissions from existing electric generating units ("EGUs"). The EPA also issued its final rules regarding carbon standards for new, modified and reconstructed EGUs, and a proposed federal plan and model rule to assist states in implementing the Clean Power Plan. The Clean Power Plan, when fully implemented in 2030, would reduce CO₂ emissions from EGUs by 32 percent from 2005 levels. States would be required to develop plans to achieve interim CO₂ emission rates reductions phased in over the period 2022 to 2029 and the final CO₂ rate for their state by 2030. States must submit final plans by September 6, 2016, unless a state makes certain demonstrations justifying a two-year extension for submittal of a final plan by September 2018. Legal challenges to the final rule Clean Power Plan are expected. EPA's final rules to reduce EGU CO₂ emissions have the potential to significantly impact the power generation facilities included in the assets of the companies in which the Fund invests. The nature and scope of CO₂ emission reduction requirements that ultimately may be imposed as result of the EPA's EGU CO₂ reduction rules are uncertain at this time, but may result in significantly increased compliance costs and could have an adverse effect on the financial condition, cash flows, and results of operations of the companies in which the Fund invests.

Federal and State Legislation and Regulatory Initiatives Relating to Hydraulic Fracturing.

Hydraulic fracturing is an important and common practice that is used to stimulate production of oil and/or natural gas from dense subsurface rock formations. The hydraulic fracturing process involves the injection of water, fine-grained sand and chemicals under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing has traditionally been regulated by state oil and natural gas commissions, but the EPA has asserted federal regulatory authority pursuant to the federal Safe Drinking Water Act ("SDWA") over certain hydraulic fracturing activities involving the use of diesel fuels and published permitting guidance in

February 2014 addressing the performance of such activities using diesel fuels. In addition, in May 2014, the EPA issued an Advanced Notice of Proposed Rulemaking seeking public comment on its plans to issue regulations under the Toxic Substances Control Act to require companies to disclose information regarding the chemicals used in hydraulic fracturing. More recently, in April 2015, the EPA issued a proposed rule that would prevent the discharge of hydraulic fracturing wastewater into publicly owned sewage treatment plants. Also, in March 2015, the Bureau of Land Management of the U.S. Department of the Interior adopted rules imposing new requirements for hydraulic fracturing activities on federal lands, including new requirements relating to public disclosure, as well as wellbore integrity and handling of flowback water.

In addition, Congress has from time to time considered legislation to provide for federal regulation of hydraulic fracturing under the SDWA and to require disclosure of the chemicals used in the hydraulic fracturing process. At the same time, studies evaluating the environmental impacts of hydraulic fracturing are being conducted by the EPA, other federal agencies and private organizations. For example, in June 2015, the EPA released its draft report on the potential impacts of hydraulic fracturing on drinking water resources, which concluded that hydraulic fracturing activities have not led to widespread, systemic impacts on drinking water sources in the United States, although there are above and below ground mechanisms by which hydraulic fracturing activities have the potential to impact drinking water sources. The draft report is expected to be finalized after a public comment period and a formal review by EPA's Science Advisory Board. The results of these studies could provide a basis for additional regulation of hydraulic fracturing at the federal, state, or local level. Additional regulation of hydraulic fracturing activities could adversely affect the financial condition, cash flows, and results of operations of the companies in which the Fund invests.

Further, in 2012, the EPA adopted rules that subject all oil and natural gas operations (production, processing, transmission, storage and distribution) to regulation under the New Source Performance Standards ("NSPS") and the National Emission Standards for Hazardous Air Pollutants ("NESHAPS") programs. These rules include NSPS standards for completions of hydraulically-fractured gas wells. The standards include the reduced emission completion techniques developed in the EPA's Natural Gas STAR program along with pit flaring of gas not sent to the gathering line. The standards are applicable to newly drilled and fractured wells and wells that are refractured on or after January 1, 2015. Further, the rules under NESHAPS include Maximum Achievable Control Technology ("MACT") requirements for hazardous air pollutants at glycol dehydrators and storage vessels that are regulated as major sources under the Clean Air Act but are not currently subject to MACT standards. More recently, in August 2015, the EPA announced proposed rules that would establish new air emission controls for emissions of methane from certain equipment and processes in the oil and natural gas source category, including production, processing, transmission, and storage activities. The EPA's proposed rule package includes first-time standards to address emissions of methane from equipment and processes across the source category, including hydraulically fractured oil and natural gas well completions. In addition, the rule package would extend existing VOC standards under the EPA's Subpart OOOO of the NSPS to include remaining unregulated

equipment within the oil and natural gas source category, including hydraulically fractured oil wells. These requirements may increase the cost of operations for the companies in which the Fund invests.

At the state level, several states have adopted or are considering legal requirements that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing activities. Local governments also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. If new or more stringent federal, state, or local legal restrictions relating to the hydraulic fracturing process are adopted, the companies in which the Fund invests could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development or production activities, and perhaps even be precluded from drilling wells.

Renewable Energy Policy Risk. Investments in renewable energy and related businesses and/or assets currently enjoy support from national, state and local governments and regulatory agencies designed to finance or support the financing development thereof, such as the U.S. federal investment tax credit and federal production tax credit, U.S. Department of the Treasury grants, various renewable and alternative portfolio standard requirements enacted by several states, renewable energy credits and state- level utility programs, such as system benefits charge and customer choice programs. Similar support, initiatives and arrangements exist in non-U.S. jurisdictions as well, in particular the European Union. Non-U.S. jurisdictions may have more variable views on policies regarding renewable energy (and for example may be more willing or likely to abandon initiatives regarding renewable energy in favor of more carbon-intensive forms of traditional energy generation). The combined effect of these programs is to subsidize in part the development, ownership and operation of renewable energy projects, particularly in an environment where the low cost of fossil fuel may otherwise make the cost of producing energy from renewable sources uneconomic. The operation and financial performance of any renewable energy investment will be significantly dependent on governmental policies and regulatory frameworks that support renewable energy sources. Some of the U.S. states or other jurisdictions in which renewable energy investments are located may have Renewable Portfolio Standards (“RPS”) requirements that support the sale of electricity generated from renewable energy sources. Electric utility suppliers may satisfy their RPS requirements by purchasing renewable energy or renewable energy credits (“RECs”) from producers of electricity generated from renewable sources. There can be no assurance that government support for renewable energy will continue, that favorable legislation will pass, or that the electricity produced by the renewable energy investments will continue to qualify for support through the RPS programs. The elimination of, or reduction in, government policies that support renewable energy could have a material adverse effect on a renewable energy portfolio company’s financial condition or results of operation. Any reduction in or elimination of these programs could have an adverse effect on development of renewable energy resources, as was demonstrated by the significant reduction in wind power development projects between the end of 2003 when the federal production tax credit expired and the reinstatement of such credit by the U.S. Congress in October 2004. To the extent any tax credits, other favorable tax treatment or other

forms of support for renewable energy are changed, companies in which the Fund invests may be negatively impacted.

Weather and Climate Risks. Certain energy assets or portfolio companies owning or dependent upon the availability of such assets may be particularly sensitive to weather and climate conditions, such as severe storms, tornados, hurricanes, or drought. There can be no assurance that weather and climate patterns will remain consistent or be predictable throughout the life of the Fund. Accordingly, the profitability of certain of the Fund's portfolio companies may be adversely affected by weather and climate changes, thereby potentially decreasing aggregate returns to the Fund.

Taxation of Energy Companies. Investments in companies operating in the energy sector may be subject to numerous taxes and fees by the jurisdictions in which such companies are organized or operate. Portfolio companies engaged in oil and natural gas operations or having substantial real property holdings, in particular, can be subject to specific tax regimes, such as severance and production taxes, petroleum revenue taxes, fees for drilling rights and exploration licenses, oil production fees, property taxes and stamp duties.

Terrorism Risks. Future terrorist attacks or regional hostilities may have adverse effects on the energy industry in general and on the Fund and its portfolio companies in particular. Uncertainty surrounding such attacks or a sustained military campaign may affect the operations of portfolio companies in unpredictable ways, including disruptions of fuel supplies and markets and the possibility that infrastructure facilities, including pipelines, production facilities, processing plants and refineries, could be direct targets of, or indirect casualties of, an act of terror or war. Moreover, portfolio companies may be required to incur significant costs in the future to safeguard certain of their assets against such attacks.

GENERAL RISKS

General Economic and Financial Conditions. General economic and financial conditions may affect the Fund's activities and performance. Interest rates, general levels of economic activity, the price of securities, and participation by other investors and lenders in the financial markets may affect the value and number of investments available to or made by the Fund. For example, the recent global economic downturn, as well as general domestic and international macroeconomic uncertainty and volatility, may adversely affect, among other things, the Fund's ability to reach its target offering size and its ability to source and finance its investments with additional equity or debt.

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

Nature of Investment in General. There can be no assurance that the Fund will achieve its investment objective. An investment in the Fund requires a long-term commitment, with no certainty

of return. There most likely will be little or no near-term cash flow available to the Limited Partners. The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that the Fund will be able to locate, consummate and exit investments that satisfy the Fund's rate-of-return objectives or realize upon such investments' values, or that the Fund will be able to invest fully its committed capital. Many, if not all, of the Fund's investments will be highly illiquid, and there can be no assurance that the Fund will be able to realize such investments in a timely manner. The Fund's contemplated exit strategies for its investments can be adversely affected by numerous factors, many of which may be unforeseen or unexpected at the time the investments are made. Consequently, dispositions of the Fund's investments may require a lengthy time period or may result in distributions in kind or losses to the Partners. Additionally, the Fund typically will acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act or in a private placement or other transaction exempt from registration under the Securities Act that also complies with any applicable non-U.S. securities laws. Certain of the Fund's investments may be in businesses with little or no operating history. There can be no assurance that the targeted rate of return will be attained.

Competitive Nature of the Fund's Business. The private equity industry and the Fund's business is highly competitive. The General Partner will be competing for investments against other groups, including other private equity investment and hedge funds, large and well-capitalized industrial groups, project developers and operators, strategic investors and commercial, investment and merchant banks. Some of these competitors may have financial and strategic resources significantly in excess of those of the Fund, may be willing to provide financing and other operational assistance to companies in the energy industry on more favorable terms than the Fund, and may make competing offers for investment opportunities that are identified by the Fund. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Fund and adversely affecting the terms upon which investments can be made.

Broad Investment Guidelines. Although the Fund's objective is to make investments (equity or debt) primarily in deep value and distressed opportunities focused primarily on the North American oil and gas and power sectors, the Partnership Agreement does not restrict the Fund from making investments outside of this objective. As a result, all or a significant portion of the Fund's capital may be invested outside the Fund's objective.

Importance of Certain Personnel. The success of the Fund depends in substantial part on the skill and expertise of the investment professionals and other employees of BRC, the Manager or its service providers in making and disposing of investments and otherwise managing the affairs of the Fund. There can be no assurance that the investment professionals or other employees of BRC, the Manager or its service providers will continue to be employed by or available to, as applicable, the Manager throughout the life of the Fund. The loss of key personnel, including due to voluntary or involuntary termination, death, disability or retirement, could have a material adverse effect on the Fund.

Absence of Operating History. Although BRC and its key investment professionals and personnel of have experience investing in the energy sector, including the Senior Team's experience managing

investments made through Bluescape I and the ERR Funds, as discussed in Section II: Investment Performance and History of this Memorandum, the Fund and the Manager are newly formed entities with no operating history upon which to evaluate the Fund's likely performance.

Relevance of Prior Performance. In considering historical returns, potential investors should take into account the fact that the investment strategy and investment environment in which the Fund operates will be different from that in which the results of other investments made by BRC or led by such key investment professionals and key personnel of the Manager were generated. In addition, certain investment professionals who managed the investments made by the ERR Funds described elsewhere in this Memorandum will not be actively involved in the Fund. Finally, the experience of the Investment Team may not be applicable to other geographic areas or other types of investments in the energy sector. Past performance is not, and should not be construed as, an indication of the future results of an investment in the Fund. There is a possibility of loss when investing in the Fund. Information is for illustrative purposes only and may not be indicative of any future investments made by the Fund. It should not be assumed that any investments will be profitable or will perform as well as the past investments of Bluescape I or the ERR Fund. Please see Section II: Investment Performance and History—Endnotes to Investment Performance of this Memorandum for a discussion of gross and net performance calculation methodology for Bluescape I and the ERR Fund.

Risk of Limited Number of Investments. The Fund may only make a limited number of investments, and it may invest up to 20% of the aggregate Commitments in any one investment. For purposes of this calculating this limitation with respect to any investments made prior to the final closing date, the General Partner may utilize an estimate of \$625 million of aggregate Commitments, which may result in the Fund exceeding this limitation if the Fund's aggregate Commitments at the final closing are less than \$625 million. As a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of any single investment.

Lack of Sufficient Investment Opportunities. The General Partner may be unable to identify a sufficient number of investment opportunities for the Fund or to acquire them on attractive terms. Although the General Partner believes that significant opportunities currently exist, there can be no assurance that the General Partner will be able to identify and consummate a sufficient number of opportunities to permit the Fund to invest all of its committed capital or to diversify its investments to the extent described herein.

Restricted Nature of Investment Positions. The Fund's investment portfolio will consist primarily of illiquid investments that are difficult to value. In some circumstances, there may be no readily available market for certain of the Fund's investments. In addition, the optimal exit strategy for certain of the Fund's investments may require a distribution in kind of such investments to the Partners. Losses on unsuccessful investments may be realized before gains on successful investments are realized.

Risks Upon Disposition of Investments. In connection with the disposition of an investment, the Fund may be required to make representations about the business, financial condition, results of operations or liabilities of the investment typical of those made in connection with the sale of any business or may be responsible for the accuracy or completeness of disclosure documents under applicable securities laws. The Fund may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents prove to be incorrect, inaccurate or misleading. If an investment is sold through a public offering or similar transaction, the Fund may be subject to liability in accordance with applicable securities laws and may be required to indemnify underwriters to the extent that the disclosure documents for the offering prove to be incorrect, inaccurate or misleading. These arrangements may give rise to contingent liabilities that may be unresolved for significant periods of time, and that the Partners may ultimately have to fund. The Partnership Agreement contains provisions to the effect that, if there is any such claim in respect of an investment, it will be funded by the Partners to the extent that they have received distributions from the Fund, subject to certain limitations.

Investments Longer than Term. The Fund may make investments that may not be profitably disposed of before the date of Fund dissolution, either by expiration of the Fund's term or otherwise. Although the General Partner expects that the Fund's investments will be disposed of before such dissolution or be suitable for in kind distribution at dissolution, the General Partner has a limited ability to extend the term of the Fund, and the Fund may be required to sell, distribute or otherwise dispose of its investments at a disadvantageous time as a result of such dissolution.

Distressed Securities. The Fund intends to invest in securities, loans, private claims and other obligations of bankrupt entities or entities experiencing financial difficulties that involve a substantial degree of risk. The Fund may lose a substantial portion or all of its investment in such an entity or may be required to accept cash or securities upon disposition with a value less than the Fund's investment. It may be difficult to obtain any information regarding the financial condition of entities experiencing significant financial or business difficulties. Investments in distressed companies also may be adversely affected by state and federal laws relating to fraudulent conveyances, voidable preferences, lender liability and the bankruptcy courts' discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices, if any, of instruments issued by distressed companies may be subject to abrupt and erratic movements and above average price volatility, and the spread between the bid and ask prices of such instruments may be greater than expected. It may take a number of years for the market prices, if any, of such instruments to reflect their intrinsic values. Some of such instruments in the Fund's portfolio may not be publicly traded, and, to the extent such instruments are publicly traded, the Fund's positions in such instruments may be substantial in relation to the market for such securities. Funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. Investments in distressed securities made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may involve substantial litigation.

Debt Financing Risks. The Fund is permitted to make debt investments in its portfolio companies. If the Fund makes an equity and debt investment in a single transaction with the intent of refinancing the portion of that investment consisting of the debt investment, there is a risk that the Fund will be unable to successfully complete such a refinancing. This could lead to the Fund having a long-term investment in a debt security.

Junior Securities. The Fund's investment in a portfolio company will generally be in equity securities or debt securities that are subordinated in right of payment to senior creditors, and therefore the Fund's position with respect to such creditors, as well as with respect to other debt and equity investors, may be among the most junior in a portfolio company's capital structure. As a result of the foregoing, the Fund's investments may be subject to the greatest risk of loss of all of such portfolio company interests. Generally, there will be no collateral to protect the Fund's investment in a portfolio company once made.

Small- and Mid-Cap Company Investments. The Fund may invest in small-cap or middle market companies. While often presenting greater opportunities for growth, these investments may also entail larger risks than are customarily associated with investments in large companies. Small- and medium- sized companies may have more limited markets and financial resources and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there may be a more limited market for the sale of interests in smaller companies, if any, which may make sales and other dispositions of such investments more difficult. In addition, the relative illiquidity of private equity investments generally and the somewhat greater illiquidity of private investments in small- and medium-sized companies could make it difficult for the Fund to react quickly to negative market developments.

Convertible or Other Debt Investments. The Fund may invest in convertible or other debt securities. There can be no assurance that a portfolio company will generate sufficient cash necessary to service its debt obligations with respect to such investment and, in any such case, the Fund may suffer a partial or total loss of its investment. The Fund's debt investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions that, in each case, could result in the issuer of such debt repaying the principal on an obligation held by the Fund earlier than expected. Early repayments of the Fund's investments may have a material adverse effect on the Fund's investment objectives and the rate of return on invested capital.

Expedited Transactions. Investment analyses and decisions by the General Partner may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the General Partner at the time of an investment decision may be limited. Therefore, no assurance can be given that the General Partner will have knowledge of all relevant circumstances that may adversely affect an investment of the Fund.

Public Company Holdings. The Fund's investment portfolio may contain securities issued by publicly held companies or their affiliates. Such investments may subject the Fund to risks that differ in type and degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, loss of control over such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members or significant shareholders and increased costs associated with each of the foregoing.

Risks Related to Joint Ventures and Partnerships. Some of the Fund's investments may be made through joint ventures or partnerships between the Fund or a subsidiary or affiliate of the Fund and other third parties. The investment by the Fund in a joint venture or partnership may, under certain circumstances, involve risks not otherwise present. For example, there is a possibility that the Fund's partner in an investment could become bankrupt or insolvent, have economic or business interests or goals that are inconsistent with the business interests of the Fund, or take actions contrary to the instructions or requests of the Fund or contrary to its policies or objectives. In addition, the Fund may be liable for actions of its joint venture partners. While the General Partner will review the qualifications and previous experience of joint venture partners, it does not expect to obtain financial information from, or to undertake private investigations with respect to, prospective joint venture partners. In addition, the Fund's ability to successfully enhance an investment, whether through operational improvements, the application of derivative investments or otherwise, could be limited with respect to projects not controlled by the Fund.

Risks Associated with Non-U.S. Investments. The Fund may invest in businesses operating or organized outside of the U.S. Such investments will involve risks not typically associated with investments in U.S. assets or companies, including risks relating to: (i) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets and the absence of uniform accounting and financial reporting standards and disclosure requirements; (ii) currency exchange matters and costs associated with conversion of investment principal and income from one currency into another, which may expose the Fund to potential losses arising from changes in foreign currency exchange rates; (iii) possible significant government approvals under corporate, securities, exchange control, non-U.S. investment and other similar laws and regulations; (iv) certain economic and political risks, including potential restrictions on foreign investment and repatriation of capital and the risks of political, economic or social instability; (v) differences in financing and structuring alternatives and exit strategies from those commonly used in the U.S.; (vi) differences in legal systems, including the possibility that the Fund may experience difficulty in asserting legal claims or obtaining legal remedies in non-U.S. jurisdictions; and (vii) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. The foregoing factors may increase transaction costs and other investment costs, which could adversely affect the value of the Fund's investments in non-U.S. portfolio companies.

Leverage Risks. Certain of the Fund's investments may be in businesses with high levels of debt or may be investments in leveraged buyouts. Leveraged buyouts by their nature require companies to undertake a high ratio of fixed charges to available income. The Fund may also employ leverage through derivative transactions or other types of borrowings. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. Such investments involve a particularly high degree of risk because adverse business developments, fluctuations in cash flow, changes in industry or general economic conditions or other factors could impair the ability of the portfolio company to meet its debt obligations.

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

Financing Risks. Investments may require large and various forms of financing. In some cases, the Fund will be able to make investments only to the extent that financial market conditions and other factors are such that banks and other lenders and investors, particularly those providing senior debt, are willing to enter into limited recourse debt financing undertakings on terms and conditions that do not adversely affect a portfolio company of the Fund. Given the relatively high levels of debt that may be undertaken by portfolio companies, any material increase in interest rates or risk margins could have a detrimental effect on investment returns. Further, a material increase in interest rates or risk margins during the term of the Fund could materially and adversely affect its ability to exit its investments.

Refinancing Risks. The Fund may seek or be required to refinance certain of its investments. Due to changing market conditions, there exists a risk that lenders may decline the opportunity to refinance such investments or that the interest rate under any such refinanced loans may exceed the rate initially used to calculate the Fund's targeted return. In the event of such unfavorable refinancing, the overall return on the Fund's investments may be lower than the currently targeted return. The Fund's risk profile, when compared against its likely post-refinancing return, may also increase as a result of an unfavorable refinancing.

Credit Support. The Fund may make contingent funding commitments to its portfolio companies and provide credit support for such obligations. Such credit support may take the form of a guarantee, a letter of credit or a pledge of a portion of the Fund's Commitments. Such funding commitments may be secured by an assignment of the General Partner's rights to draw down capital from the Partners, in which case the Partners may be required to make certain representations, acknowledgements and/or certifications in connection with the assignment. Use of the credit support will result in fees, expenses and interest costs to the Fund. If one or more Limited Partners fail to satisfy a drawdown or otherwise default on their contribution obligations pursuant to the

credit support, such amount could be drawn from non- defaulting Limited Partners pro rata up to the remaining amount of their respective unfunded Commitments. In addition, such credit support may limit the Partners' ability to use their interests as collateral for other indebtedness, to the extent the pledge of any interest is permitted pursuant to the Partnership Agreement.

Certain Effects of Default and Bankruptcy. Each of the Fund's portfolio companies or their assets may be pledged to third parties, including senior lenders, and could be foreclosed upon or otherwise acquired by such parties under certain circumstances, including an incipient or unremedied default. The Fund may make investments in portfolio companies that experience financial difficulties and become insolvent or file for bankruptcy protection. In the event of the bankruptcy of a portfolio company, various U.S. and non-U.S. laws in connection with the bankruptcy proceedings could operate to the detriment of the Fund. For example, a court may subordinate the Fund's investment to other creditors or require the Fund to return amounts previously paid to it by a portfolio company that became insolvent or files for bankruptcy, a risk that could increase if the Fund has management rights in the portfolio company.

Recourse to the Fund's Assets. The Fund's assets, including any investment made by the Fund and any funds held by the Fund, are available to satisfy all liabilities and other obligations of the Fund. If the Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and such recourse may not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. Accordingly, Limited Partners could find their interests in the Fund's assets adversely affected by a liability arising out of an investment in which they did not participate.

Adequacy and Availability of Insurance. While the Fund will seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are used 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 cover completely or even partially a loss of revenues, an increase in operating and maintenance expenses, or a replacement or rehabilitation. In addition, certain losses of a catastrophic nature, such as those caused by wars, terrorist attacks, earthquakes, weather or other similar events, may be either uninsurable or insurable at such high rates as to adversely affect the Fund's profitability. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their "all risk" policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance. As a result, it is unlikely that any of the Fund's investments will be insured against damages attributable to acts of terrorism. If a major uninsured loss were to occur with respect to an investment, the Fund could lose both its capital invested in and anticipated profits related to such investment.

Litigation Risks. The Fund will be subject to a variety of litigation risks if one of the Fund's portfolio companies were to suffer financial difficulties. For example, it is anticipated that the

investment professionals and other employees of BRC and the Manager or its service providers will actively assist portfolio companies in a variety of capacities (including their serving as directors of portfolio companies). In the event of a dispute arising as a result of these activities, it is possible that BRC, the Fund, the Manager or the General Partner may be named as defendants. As described below, in most cases the Fund will indemnify BRC, the Manager, the General Partner and its affiliates for any costs that they may incur as a result of such disputes.

Reliance on Management of Portfolio Companies. While it is the intent of the General Partner for the Fund to invest in portfolio companies with proven management teams in place and where the General Partner will monitor the performance of each such management team after an investment is made by the Fund, there can be no assurance that such management teams will continue to successfully operate such portfolio companies.

No Right to Control Portfolio Companies. Some of the Fund's investments may be minority investments. Certain of the investments may be made in "club" deals alongside funds sponsored by other private equity firms. There can be no assurance that the Fund will be able to negotiate control provisions or otherwise exercise control in such situations. Disagreements with management or other holders of interests in such investments (including other private equity firms) may limit the Fund's ability to bring about operating, strategic or other changes with respect to such investments and may limit exit opportunities.

Provision of Managerial Assistance. The Fund typically will designate directors to serve on the boards of directors of the portfolio companies in which it invests. The designation of board members and other representatives and the exercise of other management rights could expose the assets of the Fund to claims by a portfolio company, its security holders or its creditors, including claims that the Fund is a "controlling person" and thus is liable for securities laws violations by a portfolio company. These measures also could (i) result in claims against, or liabilities to, the Fund in the event of the bankruptcy or reorganization of a portfolio company; (ii) result in claims against the Fund if the designated directors violate their fiduciary or other duties to a portfolio company, if any, or, to the extent not otherwise disclaimed, fail to exercise appropriate levels of care under applicable corporate or securities laws, environmental laws or other legal principles; or (iii) expose the Fund to claims that it has interfered in management to the detriment of a portfolio company. While the General Partner intends to manage the Fund in a way that will minimize the Fund's exposure to these risks, the possibility of successful claims cannot be precluded.

Indemnification. The Fund will be required to indemnify the Manager, the General Partner and their respective managers, members, officers, directors, agents, partners, employees and other affiliates, the members of the investment committee and any other person who serves at the request of the General Partner or its affiliates on behalf of the Fund as an officer, partner, employee or agent of any other entity, for liabilities incurred in connection with the affairs of the Fund and otherwise as provided in the Partnership Agreement. Such liabilities may be material and have an adverse effect on the returns to the Limited Partners. For example, in their capacity as directors of portfolio companies, affiliates of the General Partner may be subject to derivative or other similar claims brought by shareholders of such companies, and those affiliates may seek

indemnification from the Fund for those claims. The indemnification obligation of the Fund would be payable from the assets of the Fund, including the unfunded Commitments of the Limited Partners. If the assets of the Fund are insufficient, the General Partner may recall distributions previously made to the Limited Partners (subject to certain limitations set forth in the Partnership Agreement).

Early Termination of the Fund by the General Partner. At any time prior to the Final Closing, if no capital contributions have been made by any Series A Limited Partner, and none will be made, the General Partner may elect to terminate the Fund in its sole discretion. Following any such early termination by the General Partner, all assets of the Fund will be distributed or transferred to, and all liabilities and obligations of the Fund will be assumed by, the General Partner or its designee. Limited Partners will have no opportunity to control the timing or amount of any capital calls issued by the General Partner. Further, the General Partner is under no obligation to fund investments with capital contributions and may finance the acquisition and ownership of a Fund investment under a subscription credit facility in lieu of capital contributions by the Limited Partners until it is confident about the size of the Fund and the investment opportunities that are available. Accordingly, there is no assurance that the Fund will be irrevocably formed until the end of the subscription period. As a result, Limited Partners may be foregoing other investment opportunities if the Fund is terminated early.

No Right to Control the Fund's Operations. Limited Partners will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the Fund. Similarly, the Limited Partners will not have the opportunity to take part in or direct the management of any portfolio company of or other investment made by the Fund. In order to safeguard their limited liability for the liabilities and obligations of the Fund, Limited Partners must rely entirely on the General Partner to conduct and manage the affairs of the Fund.

Potential Loss of Limited Liability. The liability of each Limited Partner will be limited, assuming compliance with the laws of each jurisdiction where the Fund operates and compliance with the Partnership Agreement. Nevertheless, if a Limited Partner participates in the control of the business of the Fund, it is possible that the Limited Partner could be held liable for Fund obligations to the same extent as the General Partner.

Lack of Liquidity. An investment in the Fund should be viewed as illiquid. Interests in the Fund have not been registered under the Securities Act or any other applicable securities laws. There is no public market for the Interests, and none is expected to develop. Interests are not redeemable or transferable except with the consent of the General Partner, which the General Partner may withhold in its sole discretion, subject to the terms and conditions of the Partnership Agreement. Consequently, Limited Partners should not expect to be able to liquidate their investment before the end of the Fund's term.

Capital Calls; Failure to Fund Commitments; Consequences of Default. Capital calls (upon proper notification by the General Partner to the Limited Partner) will be issued by the Fund at the discretion of the General Partner. To fund capital calls, Limited Partners may be required

to maintain a substantial portion of their Commitments in assets that can be readily converted into cash. Except as specifically set forth in the Partnership Agreement, each Limited Partner's obligation to satisfy capital calls will be unconditional. Therefore, a Limited Partner's obligation to satisfy a capital call will not in any manner be contingent upon the performance or prospects of the Fund or upon any assessment thereof provided by the General Partner. If a Limited Partner fails to pay when due installments of its Commitment, and the contributions made by non-defaulting Limited Partners and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subject to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners). Any Limited Partner that fails to make a capital contribution within the time allotted in a capital call will be subject to severe penalties, up to and including forfeiture of its limited partnership interest, in addition to other remedies set forth in the Partnership Agreement and provided by law.

Dilution from Subsequent Closings. In general, Limited Partners subscribing for Interests at Subsequent Closings will participate in existing investments of the Fund, diluting the interests of existing Limited Partners therein. Although Limited Partners admitted to the Fund at Subsequent Closings will contribute their pro rata shares of previously made capital contributions (plus interest thereon), there can be no assurance that these payments will reflect the fair value of the Fund's existing investments at the time the additional Limited Partners subscribe for interests in the Fund.

Uncertain Timing and Amount of Distributions. No assurance can be given as to the timing or amount of any distributions to be made by the Fund. Partners will not begin to receive significant cash distributions, if at all, until the Fund makes investments and those investments result in distributions to the Fund or are sold or otherwise liquidated by the Fund. There is no assurance that a Fund investment, once made, will operate profitably or have economic value. Moreover, because there may be no readily available market for certain of the Fund's investments, there can be no assurance that such investments will generate cash flow available for distribution to the Fund and its Partners or that the Fund will be able to liquidate its investments on favorable terms.

Unspecified Use of Proceeds. Limited Partners will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by the Fund and, accordingly, will be dependent upon the judgment and ability of the Manager and the General Partner to invest and manage the capital of the Fund.

Reinvestment. During the Investment Period, under certain circumstances, proceeds distributable (or previously distributed) to the Partners that constitute a return of capital may be retained and reinvested (or recalled for reinvestment) by the General Partner or used (or recalled for use) by the General Partner for any purpose permitted under the Partnership Agreement. Accordingly, a Partner may be required to fund an aggregate amount in excess of its Commitment during the term of the Fund.

Protection of Confidentiality. Except with respect to tax related matters as described at the beginning of this Memorandum, Limited Partners will be required to keep confidential

information relating to the Fund (including its Partners and investments) and its investment results and expectations thereof. To protect the sensitive nature of this information, the General Partner, in its discretion, may generally make all or certain confidential information unavailable to all or certain investors, in some cases based on the status of the Limited Partners. Upon the receipt by certain Limited Partners of requests, pursuant to the Freedom of Information Act (“FOIA”), or any similar state “sunshine” laws or any comparable law or regulation, to make public disclosure of information about the Fund previously disclosed to that Limited Partner about the Fund or its investments, the Limited Partner will be required to send written notice to the Fund of the request so that the General Partner may seek a protective order or other appropriate remedy. If this request is unsuccessful, the Limited Partner will be obliged to furnish only that portion of the requested information that is legally required and to use its best efforts to obtain assurance that confidential treatment is accorded to that information.

POTENTIAL CONFLICTS OF INTEREST

There are numerous perceived and actual conflicts of interest that may arise between the Fund and its affiliated or associated persons. In particular, the General Partner and its affiliates, including the key investment professionals and personnel of the General Partner, are engaged and, in the future may engage, in activities involving the energy industry that are independent from, and may from time to time conflict with, that of the Fund. Dealing with conflicts of interest is complex, and there can be no assurance that the Fund will be able to resolve all conflicts in a manner that is favorable to the Fund and its Limited Partners. By acquiring an Interest, each Limited Partner acknowledges and represents that it has carefully reviewed the conflicts of interest described in this Memorandum and understands and consents to the existence of potential conflicts of interest, and to the operation of the Fund subject to these conflicts.

General Potential Conflicts of Interest. There may be occasions when the General Partner and its affiliates, including the Investment Team, may encounter potential conflicts of interest in connection with the Fund and may engage in activities involving the energy industry that are independent from, and may from time to time conflict with, those of the Fund. Each member of the Investment Committee shall devote that portion of his respective business time as is reasonably necessary and appropriate in order for the General Partner to reasonably fulfill its duties and obligations under this Memorandum.

Exclusivity. Certain members of the Investment Team will continue to manage the oil and gas investments of BRC and the ERR Funds. BRC, the Senior Team, the Manager and the General Partner have agreed, subject to certain exceptions, to invest exclusively through the Fund during an exclusivity period with respect to any private equity or debt investments in or with respect to the energy industry, however, they are not prohibited from making investments through a Feeder Fund, Parallel Fund, Alternative Investment Vehicle, Co-Investment Vehicles, subsequent fund, Energy Recapitalization and Restructuring Fund, L.P., or as a co-investment. Similarly, the Sponsor, a Sponsor Related Party or any of their respective affiliates or any investment fund managed by the Sponsor or any of its affiliates are not prohibited from engaging in commodity hedging transactions

or transactions intended to retain or increase their ownership interest in any private equity or debt investment held by it on the Initial Closing Date. Furthermore, a principal or any employee of the Sponsor, a Sponsor Affiliate and the General Partner are permitted to engage in transactions if certain additional conditions are met. See Section IX: Summary of Principal Terms of this Memorandum for additional details. As a result, certain actions by BRC, the Investment Team or their respective affiliates may compete with or give rise to conflicts of interest with the activities or investments of the Fund.

Other Activities. Certain employees or affiliates of BRC or the Manager may spend a portion of their business time on activities other than the Fund and its portfolio companies and may spend a significant portion of their time on matters other than or only tangentially related to the Fund. In particular, certain members of the Investment Team will continue to manage the legacy oil and gas investments of BRC and the ERR Funds. As a result, the other obligations of these individuals could conflict with their responsibilities to the Fund. In addition, the responsibilities of these individuals for BRC or the ERR Funds may put them in a conflict or potential conflict situation. As a result, these individuals may become restricted in a temporary or more permanent basis from acting on behalf of the Fund.

Co-Investment Risks. The Fund may make investments alongside financial, strategic or other co-investors (including, potentially, certain Limited Partners selected by the General Partner and/or other investment funds and managed accounts managed or advised by the Manager, the General Partner, BRC or their respective affiliates). Investments alongside co-investors involve additional risks that may not exist in the absence of such co-investors, including the potential that a co-investor may have interests or objectives contrary to those of the Fund or may be in a position to take actions inconsistent with the Fund's investment objective. In connection with providing certain parties such co-investment opportunities, the General Partner or its affiliates may form one or more limited partnerships or other entities that will invest alongside the Fund in the applicable investments and pay a reduced (or no) carried interest or management fee. This may create incentives for the General Partner to make investments that are more speculative than would be the case in the absence of such co-investment arrangements. Such co-investment vehicles may also have more favorable economic terms to the General Partner or its affiliates than the Fund, which may create the incentive for the General Partner to allocate a higher portion of profitable investment opportunities to such co-investment vehicles and could have a material adverse effect on the results of the Fund.

Early Termination of the Fund by the General Partner. At any time prior to the Final Closing, if no capital contributions have been made by any Series A Limited Partner, and none will be made, the General Partner may elect to terminate the Fund in its sole discretion. Further, the General Partner is under no obligation to fund investments with capital contributions and may finance the acquisition and ownership of a Fund investment under a subscription credit facility in lieu of capital contributions by the Limited Partners until it is confident about the size of the Fund and the investment opportunities that are available and investing funds for Limited Partners. This may create an incentive for the General Partner to make investments using a subscription credit facility in lieu of issuing capital calls. Similarly, the General Partner may be incentivized to defer potential

investment opportunities in order to retain its ability to terminate the Fund. As a result, certain investment opportunities may place the interests of the General Partner in conflict or potential conflict with the Limited Partners. Nonetheless, the General Partner is entitled to terminate the Fund in its sole discretion in these circumstances.

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

Diverse Limited Partner Group. The Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in the Fund. The conflicting interests of individual Limited Partners may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments, and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by the 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 Fund, the General Partner intends to consider the investment and tax objectives of the Fund and its Limited Partners as a whole, not the investment, tax, or other objectives of any Limited Partner individually.

Carried Interest to the General Partner. The fact that the General Partner's compensation is based on the performance of the Fund may create an incentive for the General Partner to cause the Fund to make investments that are more speculative than would be the case in the absence of performance-based compensation.

Side Letters. The General Partner, in its sole discretion, may negotiate and enter into agreements ("Side Letters") with certain Limited Partners that will result in different terms of an investment in the Fund than the terms applicable to other Limited Partners. As a result of such Side Letters, certain Limited Partners may receive additional benefits which other Limited Partners will not receive.

Disclosure of Information. Limited Partners in the course of conducting due diligence may request information pertaining to their investments in the Fund and pertaining to the General Partner (either verbally or in writing), including information that is not generally made available to all Limited Partners. The General Partner may respond to such requests without providing relevant information to all other Limited Partners and will generally be under no obligation to update any such information. The General Partner's personnel are generally available to receive reasonable requests from Limited Partners about their investments in the Fund. However, the General Partner

reserves the right to determine, in its sole discretion, what information is appropriate to provide in response to inquiries from Limited Partners.

Gifts and Entertainment. The General Partner's members and employees may be given gifts and provided entertainment by brokers, counterparties, various service providers and other third parties. The General Partner may enter into business transactions and relationships on behalf of the Fund with the donors of such gifts and entertainment. Such gifts and entertainment create a conflict of interest. Although the General Partner intends to adopt policies and procedures to address the issues associated with gifts and entertainment received by partners and employees of the General Partner, these policies and procedures may not completely protect the Fund from the effects of all conflicts of interest that may arise.

Material Non-Public Information. As part of their activities outside of the Fund, BRC or its affiliates may come into possession of material non-public information that they will be prohibited from using for the benefit of certain persons, including the Fund. This may occur, for example, if any one of BRC or its affiliates is contemplating a transaction and, as part of that process, is required to sign a non-disclosure agreement. If the Fund has an existing holding that is affected by the non-disclosure agreement, the General Partner will not be able to sell that position during the effectiveness of the agreement and the Fund may experience a loss in value, including a total loss, of the position during this confidential period. This may occur where the material non-public information is obtained for the benefit of one or more other funds or accounts managed by BRC or its respective affiliates, but results in the restriction of trading in the Fund. In addition, BRC and its affiliates may not have a Chinese wall to separate fund personnel who are engaged in the Fund and personnel that are engaged in managing other investments on behalf of BRC or its affiliates.

Third-Party Service Providers. Third-party service providers and counterparties that provide services to, or engage in transactions with, BRC, the Manager, the General Partner or their respective affiliates may also provide services to, or engage in transactions with, the Fund. The General Partner has a conflict of interest in selecting such service providers and counterparties on behalf of the Fund because of the risk that the General Partner will favor service providers and counterparties that have provided attractive fees or other terms of service to, or have engaged in transactions on attractive terms with, BRC, the Manager, the General Partner or their respective affiliates.

Transaction, Directors' and Monitoring Fees. The General Partner and their officers, employees or affiliates may receive transaction, sponsor, directors', break-up and other similar fees from portfolio companies in connection with certain transactions. These fees may be substantial and generally are structured as one-time payments of a percentage of either the enterprise value of a company, in the case of an acquisition or disposition, or the aggregate amount of the financing, in the case of financings or recapitalizations. The General Partner may also charge its portfolio companies annual monitoring fees (e.g., fees for time regularly devoted to a portfolio company) for managing the portfolio company. The General Partner, its members and their respective officers, employees and affiliates may retain any such fees, but the General Partner will (i) net any

unreimbursed expenses incurred by the General Partner in connection with unconsummated transactions (with respect to the Fund's proportionate interest in such investments) and (ii) if any such amounts (with respect to the Fund's proportionate interest in such investments) remain after netting, reduce the Management Fee otherwise payable with respect to Series A Interests by a pro-rated portion of such remaining amount, with such pro ration based upon the relative size of Commitments represented by Series A Interests in relation to all Commitments.

Certain Service Providers; Expenses. The Fund will pay (or reimburse the General Partner for) its expenses incurred following the Initial Closing in connection with the organization of the Fund, up to an amount not to exceed \$2 million. Organizational expenses in excess of this amount will be paid by the Fund, but will be borne by the General Partner through an offset to the Management Fee. In addition, the Fund will bear the ongoing expenses of the Fund. The Fund will seek to be reimbursed by third parties for its expenses when possible.

Item 9: Disciplinary Information

Nothing to report at this time.

Item 10: Other Financial Industry Activities and Affiliations

Parallel Resource Partners, LLC ("Parallel") is a Delaware Limited Liability Company formed in February 2011 and is registered with the SEC as an investment adviser. Parallel provides investment advisory services to Energy Recapitalization and Restructuring Fund, L.P., a Delaware limited partnership ("ERR"), Energy Recapitalization and Restructuring FI Fund, L.P., a Cayman Islands exempted limited partnership ("ERR FI"), and Energy Recapitalization and Restructuring FI II Fund, L.P., a Cayman Islands exempted limited partnership ("ERR FI II" and, together with ERR and ERR FI, the "ERR Funds"). The ERR Funds are privately-offered private equity funds formed by Parallel to make control investments in distress-driven opportunities in the North American upstream oil and gas sector.

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

Bluescape has adopted a Code of Ethics and has policies and procedures (the "Code") designed to, among other things, alleviate possible conflicts of interest, prevent the misuse of material non-public information, ensure the propriety of the personal trading activity of Investment Team members, and instill a culture of compliance with the law and the highest standards of business conduct.

Each person affiliated with Bluescape, including each member of the Investment Team (which includes, for purposes of this Item 11 as the context requires, any persons added to the Investment Team in the future), is given a copy of the Code upon commencement of his or her affiliation with Bluescape, provided with initial and on-going training on the policies and procedures contained in the Code, and required upon commencement of affiliation, and at least annually thereafter, to sign a written acknowledgement of receipt, understanding and agreement to abide by the Code. Each

person affiliated with Bluescape is also provided with any updates or amendments to the Code on an on-going basis.

From time to time, Bluescape or the Investment Team members may come into possession of material non-public information. In the event that Bluescape or the Investment Team members are in possession of material non-public information, Bluescape will place the issuer or security on its Restricted List and will be unable to use such information for the benefit of the Funds.

The Code of Ethics is available to all current or prospective investors upon request to Bluescape at 200 Crescent Court, Suite 1900, Dallas, TX 75201.

In an effort to monitor and alleviate any potential or actual conflicts of interests, the Code requires each person affiliated with Bluescape to disclose to the Chief Compliance Officer (“CCO”) all outside business activities and to obtain approval from the CCO to participate in such activities. Each person affiliated with Bluescape is also encouraged to disclose to the CCO any other relationships that may pose potential or actual conflicts of interest.

Bluescape and the Investment Team members may recommend or effect transactions on behalf of the ERR III Funds in securities that such Investment Team members may buy or sell for their personal investment accounts in limited circumstances. Bluescape has implemented both a Personal Trading Policy and a Client Opportunities and Conflicts of Interest Policy, both described below, as part of its Code which are aimed at ensuring that transactions by Investment Team members do not create a potential or actual conflict of interest.

Bluescape has policies and procedures, including pre-approval of all transactions in most securities and derivatives (with the exception of certain “Exempt Securities,” as described below) by Investment Team members for their personal accounts, including initial public offerings and private placements, in an effort to detect and prevent conflicts of interest and ensure that all personal transactions by Investment Team members are consistent with BEP’s fiduciary duty to the ERR III Funds and all applicable laws. “Exempt Securities” include direct obligations of the United States government, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, shares of money market funds, shares of other types of registered open-end investment companies (including open-end exchange traded funds), and units of a unit investment trust. Other than for Exempt Securities and certain other exemptions granted by the CCO on a case by case basis, the Personal Trading Policy prohibits trading by Investment Team members without the pre-approval of the Chief Compliance Officer.

All Investment Team members must file initial and annual securities holdings reports. Investment Team members must certify on at least a quarterly basis all personal transactions involving non-Exempt Securities. Transactions by Investment Team members are monitored in order to ascertain any pattern of conduct that may evidence actual or potential conflicts with the principles and objectives of the Code or other inappropriate behavior.

Bluescape has adopted policies and procedures in the Code related to implementation of co-investment opportunities to ensure that BEP and the members of the Investment Team act in

accordance with all applicable legal requirements and meet their respective obligations under the formation documents of the ERR III Funds and the Side Letters.

Under the Code, Investment Team members must also obtain approval from BEP's CCO prior to participation in any outside business activities, including serving on boards of companies or creditors' committees.

Item 12: Brokerage Practices

As an investment adviser to private equity funds, BEP does not ordinarily engage in the trading of publicly-traded securities. Accordingly, the portfolio investments of the ERR III Funds are not generally executed through brokerage firms, and BEP does not ordinarily select or recommend brokers for the ERR III Funds. ERR III may, on occasion, receive securities as a result of a distribution in kind from a portfolio company in which the ERR III Funds are invested and BEP may assist ERR III with disposing of such securities.

BEP does not have any formal soft dollar arrangements or other arrangements that would commit the ERR III Funds to any specific or implied level of trading with a broker-dealer or a third party in connection with securities transactions. If BEP were to use brokerage commissions or "soft dollars" to pay for research or other products or services, it would receive an economic benefit in the form of research, products or services that are paid through soft dollar arrangements. This may pose a conflict between the interests of the ERR III Funds and BEP. BEP does not intend to receive any services from brokers that are outside the safe harbor for the use of brokerage commissions or "soft dollars" for "research and execution services" under Section 28(e) of the Securities Exchange Act of 1934.

BEP's Code contains a Gifts and Entertainment Policy that requires Investment Team members to disclose all significant gifts and entertainment provided by brokerage firms and their employees and places restrictions on the value and types of gifts and entertainment employees may receive. BEP strictly prohibits the consideration of factors such as the receipt of gifts and entertainment when selecting brokers and counterparties to execute transactions for the ERR III Funds.

Item 13: Review of Accounts

BEP seeks to apply a team-based approach to every aspect of the investment process so that a variety of perspectives are considered in each investment decision. The Firm's investment evaluation process is distinguished by its emphasis on purchase price discipline, extensive asset analysis, due diligence and a collaborative approach to decision making. BEP intends to leverage its internal expertise and supplement it with specific external expertise to understand the technical, operational, pricing, legal, tax, regulatory and competitive opportunities and risks. Through its proprietary relationships, the Firm has access to world class industry expertise that would typically only be available to much larger investors.

The Firm will generally develop financial models for the full life of an asset to fully understand the

drivers of value and estimate an exit value. The Firm believes that a full life model is critical to fully understanding the nature of the long-term assets the Fund will seek to acquire and the potential effect of long-term changes in price, growth, cost and technological productivity.

The Investment Committee will play an active role throughout the diligence and deal process, and will generally utilize a three phase stage-gating process. Before entering this process, most deals will be screened through a “Phase Zero Deal Sheet” that describes the source of the deal, the basics of the transaction (size, deal thesis, etc.) and potential exit alternatives. The vast majority of deals are expected to be rejected at this stage.

The three phase stage-gating process for potential investments that are not rejected at the Phase Zero Deal Sheet stage will generally include:

Phase I – Preparation of Investment Memorandum to the Investment Committee.

This document will describe the background of the deal, the investment concept and a financial model. After Phase I approval, the Firm will generally diligence the asset’s reserves, resources, lease terms and build its market-specific price deck.

Phase II – Authorization for Incremental Resources. Once the investment thesis and initial diligence are complete, the investment will then come back to the Investment Committee for its Phase II approval and authorization for incremental resources. These would generally include court house land reviews, on-site environmental and engineering reviews, tax and legal review and any significant negotiation with relevant counterparties.

Phase III – Approval and Authorization to Transact. After investment terms, financial diligence and technical diligence have been completed, the team will summarize the investment in a memorandum for review and approval by the Investment Committee.

The Senior Team believes that this process will provide the optimal level of Investment Committee interaction and the ability to limit the costs (both internal and external) of unsuccessful investments.

Performance Management

The Senior Team will seek to be highly involved with the day-to-day operations of the Fund’s portfolio companies and considers its operating capabilities to be critical to quickly recognizing the need to implement production enhancement activities or alter strategic plans. BEP believes the Senior Team is capable of stepping in to “take the keys” and assume operations of a portfolio company if problems arise or if needed prior to hiring the long-term team. Mr. Wilder in particular, who will oversee the Fund’s portfolio management activities, brings over 35 years of operating experience to the Fund.

Additionally, BEP will seek some element of control on all portfolio investments so as to maximize its potential impact during the management and oversight process. BEP believes that substantial

additional value can be created through active portfolio management. The deal team will ensure that a detailed post-acquisition plan is developed and monitored from closing through an investment's final realization. BEP professionals are expected to serve on the boards of all Fund investments and to participate heavily in monitoring companies' progress. The below graphic displays a variety of reports the Firm, third-party service providers (e.g., auditors) and/or portfolio company management may author over the life of an investment to assist in monitoring operations.

To supplement its investment professionals' operational involvement, the Fund will have access to a five-member Technical Committee with over 130 years of collective industry experience in geosciences, drilling, completion and production operations and land. This team and their backgrounds are summarized in Section III above. Bluescape anticipates that these professionals will be heavily involved with the Fund's portfolio companies alongside members of the investment team.

BEP provides quarterly reports to investors in ERR III that contain information about the Fund, including unaudited financial statements, a general discussion of the business and affairs of each portfolio company and of any material development with respect thereto, and the fair value of each of the Funds' investments. Investors in ERR III and the Co-Investment Entities receive audited financial statements on an annual basis.

Item 14: Client Referrals and Other Compensation

The General Partner has engaged Credit Suisse Securities (USA) LLC to act as a third-party placement agent for the Funds. All placement fees shall be paid by the Fund but borne by the Manager through an offset to the Management Fee.

Item 15: Custody

BEP conducts all business operations in such a way that the cash and securities of the ERR III Funds, over which Bluescape is deemed to have custody, other than privately offered non-certificated securities, are preserved in the safekeeping of independent qualified custodians. On an annual basis, an independent public accountant will audit ERR III, and BEP will distribute the audited financial statements related to such audits within 120 days of the end of the fiscal year.

Item 16: Investment Discretion

Subject to the investment objectives and restrictions of ERR III, BEP has complete discretionary authority to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, commitment to, monitoring of, and disposal of investments by the ERR III Funds.

Item 17: Voting Client Securities

Investments held by the ERR III Funds do not typically solicit votes. Nonetheless, BEP has adopted policies and procedures (the “Proxy Policy”) regarding the voting of proxies designed to ensure that it votes proxies on behalf of the ERR III Funds over which it exercises voting discretion in the best interests of its clients and investors.

When exercising its voting authority over securities, BEP considers all relevant information, evaluates other issues that could have an impact on the value of the security, and votes with a view toward maximizing overall value. BEP reviews each proposal submitted for a vote on a case-by-case basis to determine whether it is in the best interest of the Fund. In some instances, BEP may determine that it is in the Funds’ best interests to “abstain” from voting or not to vote at all.

Prior to exercising its voting authority, BEP reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of BEP, its owners, Investment Team members or affiliates with persons having an interest in the outcome of the vote. If a material conflict exists, BEP takes steps to ensure that its voting decision is based on the best interests of the Fund and is not a product of the conflict. BEP may, at its discretion, seek guidance from its outside legal counsel or other advisors. Investors in the ERR III Funds may not direct voting in a particular proxy solicitation.

BEP will deliver to each investor, upon written request, a copy of its policies pertaining to proxy voting or information on how it voted proxies for ERR III.

Item 18: Financial Information

BEP does not believe it has any financial condition that would impair its ability to meet contractual commitments to the Funds, and has not been the subject of a bankruptcy proceeding.