

Item 1 - Cover Page

Part 2A of Form ADV: Firm Brochure

Silver Hill Energy Capital, LP

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This Brochure provides information about the qualifications and business practices of Silver Hill Energy Capital, LP (“Silver Hill” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (214) 865-6555. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Silver Hill is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

This Brochure contains certain information in a manner and format required by the SEC. Additional information, which must be read and considered with the information in this Brochure, may be found in other documents including, as applicable, offering memoranda and/or investment management agreements, among others. Please also read and understand the entire Brochure as responses to certain Items also may respond to, reference, or provide additional or fuller information regarding the responses to other Items.

Additional information about Silver Hill also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

Silver Hill is a new registrant. Therefore, this is its initial “Brochure” with the SEC. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide a summary of such changes. Silver Hill will also reference the date of the last annual update of its Brochure on each future amendment, if applicable.

Pursuant to SEC rules, Silver Hill will ensure that its clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of its business fiscal year. Silver Hill may further provide other ongoing disclosure information about material changes as necessary.

Currently, the Brochure may be requested by contacting Mr. Taylor Rea, the Adviser’s Chief Compliance Officer at (214) 865-6555.

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Item 4 - Advisory Business

The Adviser is a newly formed investment advisory firm located in Dallas Texas that intends to commence business in the second or third quarter of 2020. The Adviser specializes in an operations-focused, control-oriented investment strategy that will utilize its energy management expertise and industry relationships to source and acquire onshore U.S. oil and gas assets in the Lower 48 where the Adviser believes it can generate access returns through low-risk exploitation or development.

Silver Hill Energy Capital GP, LLC, which is beneficially owned and controlled by Kyle D. Miller, Scott R. Smetko, Patrick H. Halpin, and Taylor B. Rea (the “Principals”), is the sole general partner of the Adviser. The Principals are also the control persons of the Adviser.

Upon or following the effective date of this registration, the Adviser intends to provide investment advisory and management services to one or more privately offered closed-end pooled investment vehicles into which certain sophisticated and qualified investors will make investments (each a “Fund” and, collectively, the “Funds”). The general partner or equivalent of each Fund will be an affiliate of the Adviser (each a “General Partner”). Each Fund may be referred to herein as a “Client” or, collectively, the “Clients.” The governing documents of each Client may also provide for the establishment of parallel or other alternative investment vehicles in certain circumstances. Client investors may participate in such vehicles for the purposes of certain investments, and if formed, such vehicles would also become Clients of the Adviser. In this Brochure, because it is uncertain whether such additional parallel or alternative investment vehicles will be classified as clients of the Adviser, when we refer to a Fund or Client, we are also referring to such additional parallel or alternative investment vehicles, if any.

The investment advisory services to be provided by the Adviser to each of its Clients will focus on U.S. oil and gas assets. With respect to its initial Fund Client, the Adviser anticipates it will provide management services delegated to it by such Fund’s General Partner. These delegated services are expected to include, among others, advising the General Partner with respect to:

- Investigating, structuring, negotiating, and completing potential investments, financings, and exit transactions
- Monitoring the performance of the Fund’s operating company, Silver Hill Energy Partners III, LLC (“SHEP III”), and Silver Hill’s strategic joint ventures and other partnerships (each a “Strategic Partnership” and the counterparties to such Strategic Partnership, “Strategic Partners”)
- Communicating with and reporting to Silver Hill investors.

Each Client’s portfolio will be managed pursuant to an investment management agreement with the Client, an agreement of limited partnership or similar governing document, any investment guidelines attached thereto, the Client’s investment policy, and/or other governing documentation that may be entered into from time to time, and any applicable regulations. While it is anticipated that each of its Clients will follow the strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client to the individual investment strategy of that Client. In addition, the governing documents of Clients may, in certain limited circumstances, impose restrictions on investing in certain securities or types of securities, for example in connection with regulatory or compliance reasons.

The Adviser does not participate in wrap fee programs.

The Adviser has not established operations as of the date of this Brochure and therefore currently manages \$0 in discretionary and non-discretionary portfolios.

Item 5 - Fees and Compensation

Below is a discussion of how the Adviser anticipates it will be compensated in connection with providing advisory and management services to its Clients. The Adviser may enter into different fee arrangements on a Client by Client basis. It is critical that all Clients, and investors in all Clients, refer to the applicable Client's governing documents for a complete understanding of how the Adviser and its affiliates are compensated for advisory services. The following information is a summary only and is qualified in its entirety by each applicable Client's governing documents:

Management Fee. For its services to its Clients, the Adviser is generally entitled to a management fee (the "Management Fee"), which is a percentage of a Client's, or a Client investor's, contractually committed capital or invested capital (anticipated to be two percent (2%)) and may be negotiable. The Management Fee is generally paid in advance on a quarterly basis.

Performance-Based Fees. In addition to the Management Fee, each Client will generally pay a performance-based or capital appreciation-based fee based upon a percentage of the distributions made to each Fund investor in form of carried interest (the "Performance Fee"). Performance-based compensation can be up to 20% of the realized net profits allocated to each Client's (or investor's) account. The rate of the Performance Fee may vary and, in some cases, is negotiable, and may be payable more or less frequently depending on the Client or the arrangement. To the extent that the Adviser charges Performance Fees, such Performance Fees will comply with the requirements of Section 205 and Rule 205-3 under the Advisers Act and such other provisions as are applicable, including but not limited to the 1940 Act.

LOWER FEES FOR COMPARABLE SERVICES MAY BE AVAILABLE FROM OTHER SOURCES.

Fees are neither deducted nor billed rather the Adviser may draw down capital commitments from the investors in such Client or may use amounts that may otherwise be available for distribution to such investors, in order to meet the Client's obligation to pay the Management Fee. Management Fees will be payable by a Fund to the Adviser and the Performance Fee will be distributed by the Fund to the Adviser or an affiliate, in each case on the terms provided for in the applicable Fund's governing documentation. In certain situations, the Adviser may also, in its discretion, accrue unpaid Management Fees, without interest, and issue a capital call (or offset distributions) in respect of such unpaid Management Fees on a later date as determined by the Adviser.

With respect to a Client, and as more fully described in the Client's governing documents, a Client will bear costs and expenses relating to its organization and formation, continuation, and business. Client accounts may be subject to other third-party fees and/or expenses, which may vary based on the amount of assets managed and the types of investments in the Client's account. These fees may include certain custodial fees and transaction fees.

The Adviser does not maintain trading accounts and anticipates using "soft" dollars. Please refer to Item 12, Brokerage Practices, for more information.

As stated above, the Management Fees described above are generally payable quarterly and in advance. The Management Fee obligation of a Client, and its investors, may only be terminated or modified as provided by the Client's governing documents and the investment management agreement between the

Adviser and the Client. The Management Fee will be calculated on an annual basis and is pro-rated for partial periods.

Other than as described above, neither the Adviser nor any of its supervised persons receive any compensation from the sale of securities or other investment products.

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

As stated in Item 5 above, the Adviser or its affiliates may receive performance-based fees or allocations from Clients. Additionally, the Adviser intends to charge performance-based fees to all Clients and therefore not engage in side-by-side management. These payments, to the extent received, are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee.

Client investors are provided with disclosure in the respective governing documents of each Client as to how investment opportunities are allocated and how performance-based compensation is charged and the risks associated with such performance-based compensation, prior to making capital commitments to a Client.

In addition, the Adviser employs policies and procedures governing the identification, assessment and monitoring of conflicts of interest.

Item 7 - Types of Clients

As described in Item 4, the Adviser intends to provide investment advisory services only to Funds, which are investment partnerships, or similar entities, which are exempt from registration under the Investment Company Act of 1940, as amended. Also, as described in Item 4, investors in the Funds may participate in the investments through parallel vehicles or alternative investment vehicles in accordance with the governing documentation of the applicable Fund. Such vehicles may also be Clients of the Adviser. Generally, each investor in each Fund must be a “qualified purchaser” for Investment Company Act purposes and/or a “qualified client” for Advisers Act purposes.

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

The Adviser has an operations-focused, control-oriented investment strategy that will utilize its team's energy management expertise and industry relationships to source and acquire onshore US oil and gas assets in the Lower 48 where it believes it can generate excess returns through low-risk exploitation or development. The Adviser anticipates gaining access to assets through (i) direct acquisitions by SHEP III or (ii) Strategic Partnerships with domain or geographic experts that have a more robust competitive advantage the Fund can leverage. In either case, the Adviser will control its capital and operating plans for the assets, and it will essentially treat any Strategic Partnerships as extensions or divisions of the core business.

The Principals' differentiated approach to creating value in the energy industry focuses on exploiting disconnects in the energy markets as they arise by sourcing and investing in longer-life opportunities with highly attractive risk/reward profiles and then managing risk exposure to allow for continued investment across cycles.

The Principals will draw upon their extensive combined experience (i) building and managing large-scale energy companies and (ii) sourcing and overseeing a variety of private equity and direct investments, to successfully execute this strategy.

INVESTING IN SECURITIES SUCH AS THOSE DESCRIBED ABOVE, AS WELL AS A FUND, INVOLVES A SIGNIFICANT RISK OF THAT ALL FUND INVESTORS SHOULD BE PREPARED TO BEAR.

Risks Relating to the Fund

Dependence on Key Personnel. The success of a Fund will be highly dependent on the financial and managerial expertise of each of the Principals. The significant personal investment made by the Principals in the General Partner should tend to discourage them from withdrawing from participation in a Fund's investment activities. However, there can be no assurance that such Principals will continue to be associated with the General Partner or its affiliates throughout the life of a Fund, as the Principals are under no contractual obligation to remain with the General Partner for all or any portion of the term of a Fund. In addition, if the Principals cannot agree on decisions affecting a Fund, it may adversely impact the investment results of a Fund, or result in the loss of one or more of the Principals.

Furthermore, although the Principals will commit a significant amount of their business efforts to a Fund, the Principals are not required to devote all of their business time to a Fund's affairs. Subject to a General Partner's fiduciary duties to a Fund and certain restrictions in a Fund's governing documents, [the Principals may engage in other opportunities in the energy industry, including those that may compete with the Fund including, possibly, newly created partnerships].

Industry Concentration and Diversification. Since a Fund's investments are concentrated within a particular industry or related group of industries (the energy sector), an investment in a Fund may be subject to greater market fluctuations than an investment in a portfolio of securities representing a broader range of industries. The aggregate return on a Fund investor's investment in the Fund may be substantially adversely affected by the unfavorable performance of even a single investment.

Lack of Liquidity. The Interests have not been registered under the Securities Act of 1933 or any other applicable securities laws. There is no public market for the Interests and none is expected to develop. In addition, the Interests are not transferable except with the consent of the General Partner, which generally may be withheld by the General Partner in its sole discretion, and are subject to the terms and conditions of the Fund's governing documents. Fund investors generally may not withdraw capital from a Fund. Consequently, Fund investors may not be able to liquidate their investments prior to the end of a Fund's term.

Availability of Investments. The General Partner may be unable to identify a sufficient number of attractive investment opportunities for a Fund to meet its investment objectives. In addition, the Adviser will be competing for investments against other groups, possibly including direct investment firms, merchant banks, and industrial groups. Other investors may make competing offers for investment opportunities that are identified. Consummating the contemplated investments is subject to a myriad of uncertainties, only some of which are foreseeable or within the control of the General Partner. No assurance can be given that a Fund will be successful in obtaining suitable investments, or that if such investments are made, the objectives of the Fund will be achieved.

Lack of Operating History, No Prior Experience of Fund Managers. Each Fund has not commenced operations and therefore has no operating history upon which prospective investors may evaluate its performance. While the Principals have worked together extensively in the past, this is the first time they have sponsored a private equity fund structure.

Potential Conflicts of Interest. Investors should be aware that there may be occasions where the General Partner and its affiliates encounter potential conflicts of interest in connection with a Fund's activities. While it is currently unanticipated, the General Partner and its affiliates may engage in future activities involving the energy industry including financial advisory activities and investment activities that are independent from, and may conflict with, that of a Fund. There may arise instances where the interests of the General Partner and its affiliates conflict with the interest of a Fund and its investors. The Principals will continue to devote such time and attention to a Fund as is required to discharge their duties relating thereto.

No Right to Control a Fund's Operations. Fund investors will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of a Fund. In order to safeguard their limited liability for the liabilities and obligations of a Fund, investors must rely entirely on the General Partner and the Adviser to conduct and manage, respectively, the affairs of a Fund.

Risks upon Disposition of Investments. In connection with the disposition of an investment in oil and gas properties, a Fund may be required to make representations about the condition of the properties typical of those made in connection with the sale of oil and gas properties. A Fund may also be required to indemnify the purchasers of such properties to the extent that any such representations or warranties turn out to be incorrect, which may result in contingent liabilities ultimately funded by the Fund investors. Fund governing documents will contain provisions to the effect that if there is any such claim during or after the term of a Fund in respect of a particular investment, it will be funded by the partners to the extent that they have received distributions from a Fund, subject to certain limitations.

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

compensation. However, this incentive may be tempered somewhat by the fact that losses will reduce a Fund's performance and thus the General Partner's significant investment in the Fund.

General Economic Conditions. General economic conditions may affect a Fund's activities. Interest rates, general levels of economic activity, the price of securities, and participation by other investors in the financial markets may affect the value and number of investments made by a Fund or considered for prospective investment.

Risks Related to the Oil and Gas Industry

A Fund's cash distributions will be highly dependent on oil and natural gas prices, which have historically been very volatile. A Fund's cash distributions to its investors will depend in significant part on the prices realized from the sale of oil and natural gas. Historically, the markets for oil and natural gas have been volatile and may continue to be volatile in the future. Various factors that are beyond a Fund's control will affect prices of oil and natural gas, such as:

- the worldwide and domestic supplies of oil and natural gas;
- the ability of the members of the Organization of Petroleum Exporting Countries, referred to as "OPEC," to agree to and maintain oil price and production controls;
- political instability or armed conflict in oil-producing regions;
- the price and level of foreign imports;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the availability of pipeline capacity;
- weather conditions;
- domestic and foreign governmental regulations and taxes; and
- the overall economic environment.

Lower oil and natural gas prices may reduce the amount of oil and natural gas that is economic to produce and, as a result, reduce a Fund's revenues. Lower prices may also reduce the level of exploration and development activity on a Fund's properties. Any such reduction in activity could have the effect of diminishing the current oil and natural gas production levels and future growth trends of the Fund's properties.

Risks Related to Midstream and Natural Gas Storage Industry. The profitability of the portfolio companies in which a Fund will invest that are principally engaged in business in the midstream or natural gas storage industry will also be dependent upon any pipeline, storage, disposal or related assets that they may own. The demand for use of pipeline, storage, disposal and related assets is dependent on prevailing prices and demand for oil, natural gas and natural gas liquids and the availability of third-party interconnections to the pipeline, storage, disposal and related assets. The applicable portfolio companies will not own all of the land on which their pipeline,

storage, disposal or related assets are located and will therefore be subject to the possibility of increased costs or the inability to retain necessary land use. Additionally, new and existing environmental regulations and increased regulation of pipeline, storage, disposal and related assets by federal, state or local regulatory agencies, including the Federal Energy Regulatory Commission, may increase operating costs or limit the rates that such portfolio companies can charge for their services. All or any of these factors in addition to the factors described elsewhere in this section may have a significant adverse impact on the financial condition, prospects and profitability of such portfolio companies.

Operating Risks. The operation of oil and gas properties is subject to numerous risks inherent in the oil and gas industry, such as blowouts, cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution, earthquakes, and environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage, and suspension of operations. A Fund's operations could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs, and other environmental damages. A Fund could be liable for environmental damages caused by previous property owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could have a material adverse effect on a Fund's financial condition and results of operations. A Fund will seek to maintain insurance coverage for its operations, but insurance coverage for environmental damages that occur over time or insurance coverage for the full potential liability that could be caused by sudden environmental damages may not be available at a reasonable cost, and a Fund may be subject to liability or may lose substantial portions of its properties in the event of certain environmental damages.

Demand for Oil and Gas. A Fund's success is materially dependent upon the demand for oil and gas. The availability of a ready market for a Fund's oil and gas production depends on a number of factors beyond a Fund's control, including the demand for, and supply of oil and gas, the availability of alternative energy sources, the proximity of reserves to, and the capacity of, oil and gas gathering systems, pipelines or trucking and terminal facilities. A Fund may also have to shut-in some of its wells temporarily due to a lack of market or adverse weather conditions including hurricanes. In addition, federal and state regulation of oil and natural gas production and transportation, general economic conditions, and changes in supply and demand could adversely affect a Fund's ability to produce and market its oil and natural gas on a profitable basis. Any significant change in a Fund's ability to produce and market its oil and natural gas production could have a material adverse effect on a Fund's financial condition and results of operations.

Drilling and Engineering Risks. The revenues and operating results of a Fund will be dependent upon the success of a Fund's exploitation, development, and drilling activities. These oil and gas activities involve numerous risks, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. The timing and cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements, and shortages or delays in the availability of drilling rigs and the delivery of equipment.

Oil and gas drilling may involve unprofitable efforts, not only from dry holes, but also from wells that are productive but do not produce sufficient revenues to return a profit after drilling, operating and other costs are considered. Acquiring, developing and exploring for oil and

natural gas reserves involves many risks, including but not limited to, equipment failures, accidents in drilling and completing wells, collapsing well bores, sour gas releases, uncontrollable flows of hydrocarbons or other fluids, adverse weather conditions, fires, the unintended release of hazardous materials and other environment risks.

Furthermore, successful investment in oil and natural gas properties and other related facilities and properties requires an assessment of (a) recoverable reserves, (b) future oil and natural gas prices, (c) operating and capital costs, (d) potential environmental and other liabilities, and (e) other factors; such assessments are necessarily inexact and their accuracy inherently uncertain. In making investments in the oil and gas sector, the Fund must rely on estimates of oil and gas reserves and corresponding production rates. The process of estimating oil and gas reserves is complex and requires material decisions based on assumptions in the evaluation of available geological, geophysical, engineering and economic data. As a result, such estimates are inherently imprecise.

Geological Risk. Mining and oil and gas drilling involve an element of geological risk. The term “geological risk” refers to the risk that minerals and hydrocarbons may not be present or, if present, may not be recoverable economically. The successful location of economically recoverable minerals or hydrocarbons in any drilling or mining operation cannot be guaranteed. The value of a Fund’s oil and gas assets and the income generated therefrom will be dependent upon the expected value and cost of economically recoverable minerals and hydrocarbons related to such assets.

Title to Acquired Assets. No assurance can be given that a Fund will not suffer a monetary loss from title defects or title failure with respect to its investments in oil and gas assets. Additionally, undeveloped acreage may have a greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which the Fund holds an interest, it would likely suffer a financial loss.

Evaluation Limitations. The acquisition of a specific oil or gas asset will depend in part on the evaluation of data obtained from geophysical and geological analyses, seismic data and other information, the results of which are often inconclusive and subject to various interpretations. The process of estimating oil and gas reserves is complex and inherently subjective, requiring significant estimates and assumptions. Information may be incomplete (particularly in early-stage opportunities) and implications of available data may not be fully understood. The General Partner may also elect to assume title, development, environmental and other risks in connection with acquired properties. Although the General Partner will use assumptions underlying its projections that it believes are reasonable, all of the assumptions on which the General Partner bases these projections will be subject to significant uncertainties, and neither the General Partner nor any other person can predict with any certainty whether they will prove to be true. The successful acquisition of oil and gas properties requires an assessment of several factors, including, but not limited to:

- recoverable reserves;
- future oil and natural gas prices and their applicable differentials;
- development plans;
- operating costs; and

- potential environmental and other liabilities.

The accuracy of these assessments is inherently uncertain, and the General Partner may not be able to identify attractive acquisition opportunities. In connection with these assessments, the General Partner performs a review of potential oil and gas assets that it believes to be generally consistent with industry practices. Such review will not reveal all existing or potential problems, nor will it permit the General Partner to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Inspections may not always be performed on every well, if applicable, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of the problems. Even if the General Partner does identify attractive acquisition opportunities, the Fund may not be able to complete the acquisition or do so on commercially acceptable terms.

Hydraulic Fracturing. Hydraulic fracturing is an important and commonly used process that the Fund anticipates will be engaged in by the operators on some or all of a Fund's properties. In recent years, some experts and environmental interest groups have warned that hydraulic fracturing could adversely affect groundwater, among other environmental problems. While hydraulic fracturing is not a new practice, there is a heightened degree of scrutiny surrounding hydraulic fracturing operations. New environmental problems associated with hydraulic fracturing may be claimed or discovered, or existing environmental claims substantiated, at any time. To the extent that such claims are made with respect to oil and gas assets, they could have an adverse effect on such assets.

Moreover, the adoption and implementation of new environmental regulations could result in restrictions on the Fund's ability to conduct certain operations such as hydraulic fracturing or the imposition of new requirements pertaining to the management and disposal of wastes generated by the Fund's operations, including, but not limited to, produced water, drilling fluids and other wastes associated with the exploration, development or production of oil and natural gas. Furthermore, new environmental regulations and permit requirements governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells may also increase operating costs and cause delays, interruptions or termination of operations, the extent of which cannot be predicted, all of which could adversely affect the Fund's financial conditions and results of operations.

The EPA has asserted authority under the SDWA over hydraulic fracturing involving diesel additives and has issued guidance on the use of diesel in hydraulic fracturing operations. Under the guidance, EPA broadly defined "diesel" to include fuels such as kerosene that have not traditionally been considered diesel. The EPA's continued assertion of its regulatory authority under the SDWA could result in extensive requirements that could cause additional costs and delays in the hydraulic fracturing process. In addition, legislation has, from time to time, been introduced before Congress to provide for federal regulation of hydraulic fracturing. Certain states have adopted, and other states are considering adopting, regulations that could impose more stringent disclosure, permitting, and well construction requirements on hydraulic-fracturing operations or seek to ban fracturing activities altogether. In the event state, local, or municipal legal restrictions are adopted in the Fund's target areas, the oil and gas assets therein may incur significant additional compliance costs, experience delays in exploration, development, or production activities, and perhaps even be precluded from the drilling of wells. There are also a number of governmental bodies, including the EPA, the White House Council on Environmental Quality, a committee of the U.S. House of Representatives, the U.S.

Department of Energy, and a number of other federal agencies that have reviewed a variety of environmental issues associated with hydraulic fracturing. These on-going or proposed studies could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory programs. This, in turn, could lead to operational delays or increased operating costs in the production of oil and natural gas, including from the developing shale plays, or could make it more difficult to perform hydraulic fracturing, which could adversely affect the Fund's investments.

Depletion. Oil and gas wells by their nature are depleting assets with respect to which production could last anywhere from a few months to more than 30 years. As a result, annual production will naturally decline over the life of a well, and so too will returns to a Fund. The net proceeds payable to a Fund from its oil and gas assets are derived from the sale of depleting assets. The reduction in proved reserve quantities is a common measure of depletion. Development projects, which are determined solely by the operator on of the oil or gas assets, will affect the quantity of proved reserves and can offset the reduction in proved reserves. If the operators developing the oil or gas assets do not implement additional maintenance and development projects, the future rate of production decline of proved reserves may be higher than the rate currently expected by a Fund.

Estimated Oil and Natural Gas Reserve Quantities. Numerous uncertainties are inherent in estimating quantities of oil and natural gas reserves. Any material inaccuracies in these reserve estimates or the underlying assumptions will materially affect the quantities and present value of such assets. The process of estimating oil and natural gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, engineering and economic data for each reservoir, and these reports rely upon various assumptions, including assumptions regarding future oil and natural gas prices, production levels, ultimate recoveries and operating and development costs. As a result, estimated quantities of proved reserves and projections of future production rates and the timing of development expenditures may prove to be inaccurate. Over time, material changes may need to be made to reserve estimates to take into account the results of actual drilling and production.

Non-Marketability of Production. Even with respect to producing oil and gas assets, the availability of a ready market will depend upon factors beyond a Fund's control. The marketability of production from oil and gas assets will depend in part upon the availability, proximity and capacity of pipelines, tanker trucks, natural gas gathering systems, other transportation methods, and processing and refining facilities owned by third parties. Any significant change in market factors affecting these infrastructure facilities, as well as any delays in constructing new infrastructure facilities, could negatively affect the Fund's investments. These facilities may be temporarily unavailable due to market conditions or mechanical reasons. The marketing of production may also be affected by governmental regulations relating to the production and sale of oil and gas.

The amount of oil that can be produced and sold is subject to curtailment in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage, or lack of available capacity on these systems, tanker truck availability, and extreme weather conditions. The shipment of operators' oil and natural gas on third-party pipelines may be curtailed or delayed if it does not meet the quality specifications of the pipeline owners. The curtailments arising from these and similar circumstances may last from days to months. In many cases, operators are provided only with limited, if any, notice as to when these circumstances will arise and their duration. Any significant curtailment in gathering system or transportation, processing, or refining-facility

capacity could reduce operators' ability to market oil production and have an adverse effect the Fund. Operators' access to transportation options and the prices they receive can also be affected by federal and state regulation—including regulation of oil production, transportation, and pipeline safety—as well by general economic conditions and changes in supply and demand. In addition, the third parties on whom operators rely for transportation services are subject to complex federal, state, tribal, and local laws that could adversely affect the cost, manner, or feasibility of conducting business on properties of the Fund.

Technological Developments. The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, a Fund may be placed at a competitive disadvantage or competitive pressures may force a Fund to implement those new technologies at substantial costs. In addition, other oil and natural gas companies have greater financial, technical, and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before a Fund can. A Fund may not be able to respond to these competitive pressures and implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies a Fund uses now or in the future were to become obsolete or if a Fund is unable to use the most advanced commercially available technology, a Fund's business, financial condition, and results of operations could be materially adversely affected.

Acquisition Strategy. A Fund's investment strategy depends on a Fund's ability to acquire oil and gas properties. A Fund may not be able to identify suitable acquisition opportunities or finance and complete any particular acquisition successfully. Furthermore, acquisitions involve a number of risks and challenges, including difficulty in assuming recoverable reserves, future production rates, operating costs, infrastructure requirements, environmental and other liabilities, and other factors beyond a Fund's control. As a result, a Fund may not recover its investment in a property from the sale of production from the property, or may not recognize an acceptable return from investments it makes. Any of these factors could adversely affect a Fund's ability to achieve anticipated levels of cash flows from its investments or realize other anticipated benefits of investments.

Hedging. A Fund may seek to reduce exposure to the volatility of oil and gas prices by actively hedging a portion of production. Certain types of hedging contracts could prevent a Fund from receiving the full advantage of increases in oil or gas prices above the fixed amount specified in the hedge agreement. In a typical hedge transaction, a Fund has the right to receive from the hedge counterparty the excess of the fixed price specified in the hedge agreement over a floating price based on a market index, multiplied by the quantity hedged. If the floating price exceeds the fixed price, a Fund must pay the counterparty this difference multiplied by the quantity hedged even if a Fund had insufficient production to cover the quantities specified in the hedge agreement. Accordingly, if a Fund has less production than it has hedged when the floating price exceeds the fixed price, a Fund must make payments against which there are no offsetting sales of production. If these payments become too large, the remainder of a Fund's business may be adversely affected. In addition, hedging agreements expose a Fund to the risk of financial loss if the counterparty to a hedging contract defaults on its contract obligations.

Unavailability of Equipment or Personnel. The energy industry is cyclical and, from time to time, there is a shortage of drilling rigs, equipment, supplies, or qualified personnel. During these periods, the costs and delivery times of rigs, equipment and supplies are substantially greater. In addition, demand for, and wage rates of, qualified drilling rig crews rise with increases in the number of active rigs in service. If the unavailability or high cost of drilling

rigs, equipment, supplies, or qualified personnel were particularly severe the Fund's business could be materially and adversely affected.

Terrorist Activities. U.S. activities in Iraq and recent terrorist attacks of unprecedented scope have caused instability in the world financial markets and may generate global economic instability. The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for oil and gas and could affect the Fund's financial results. Further, the U.S. government has issued public warnings indicating that energy assets might be specific target of terrorist organizations. As a result of such a terrorist attack or of terrorist activities in general, the Fund may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all.

Hurricane Activity. Hurricane activity, other natural disasters or other hazards affecting areas in which the Principals plan to acquire properties could have a material adverse effect on the Fund. Hurricane Katrina and Hurricane Rita caused severed damage in August and September 2005, respectively, which curtailed or suspended the operations of various energy companies with assets in the region. There can be no assurance that these areas will fully recover or that properties acquired by a Fund in the future will not be severely impacted by future storms. Those properties may not be fully insured against all such environmental risks.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT. PROSPECTIVE CLIENTS AND CLIENT INVESTORS SHOULD READ APPLICABLE GOVERNING DOCUMENTS, INCLUDING DETAILED RISK DISCLOSURES CONTAINED IN A FUND'S CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM, CAREFULLY AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO INVEST.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of an adviser or the integrity of an adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of its management.

Item 10 - Other Financial Industry Activities and Affiliations

The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

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

As stated in Item 4, an affiliate of the Adviser will serve as the general partner or equivalent of each Client.

Though it may have the authority to do so under the terms of a Client's governing documents, the Adviser does not recommend or select other investment advisers for its Clients.

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

The Adviser has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser’s employees. The Code contains policies and procedures that are reasonably designed to ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual’s position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO, a new private placement, and other limited offerings; requires periodic reporting of employees’ personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

As part of its Code, the Adviser has established procedures reasonably designed to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non-public information and, therefore, such professionals may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any Client or prospective Client upon request.

The Adviser and its related persons, in their capacities as principals or affiliates of the General Partner of each Fund, may have indirect beneficial interests in investments owned by clients and will share in any profits and losses generated by such investments.

In connection with establishing a Fund, the Adviser and certain affiliates may have an economic interest in the Fund, the General Partner, or both. Any parallel vehicle established for Fund investors will invest alongside the Fund on substantially the same terms and conditions as and substantially at the same time as the investments in such investment by the applicable Fund, and any such investment shall be disposed of on substantially the same terms and conditions of and at substantially the same time as the relevant divestments by the Fund.

Additionally, as will be detailed in each Fund’s governing documents, the Adviser and certain of its affiliates may co-invest alongside the Fund in a portfolio investment.

Item 12 - Brokerage Practices

While it has the authority to do so, the Adviser does not anticipate utilizing broker-dealers with respect to its Client securities transactions which will be private equity investments. The Adviser does not anticipate allowing Client directed brokerage and, as stated in Item 4, the Adviser will not utilize “soft dollars.”

Item 13 - Review of Accounts

The Adviser, with the assistance of independent third-party professionals, maintains comprehensive review procedures for the ongoing monitoring of the investments of its Clients. In connection therewith, the Adviser conducts periodic reviews of all investments held in each Client portfolio. All Adviser investment and operational staff participates in the ongoing monitoring of Client portfolios, although responsibilities vary by individual.

The Adviser will provide Clients investors, if applicable, with written audited annual financial statements (as applicable), written periodic reports and other written communications.

Item 14 - Client Referrals and Other Compensation

The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to its Clients.

The Adviser or an affiliate may enter into an agreement with a third-party placement agent providing for compensation to be paid to the placement agent for referring investors to a Fund. Any such arrangement will be conducted in accordance with applicable laws and regulations, including Rule 206(4)-3 of the Advisers Act. Currently the adviser has entered into such a placement arrangement with BA Securities, LLC.

Item 15 - Custody

The Adviser will be deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Funds by virtue of the common control of the Adviser and the General Partner of the Funds. All assets and securities of the Funds are held by qualified custodians. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

Item 16 - Investment Discretion

The Adviser anticipates that it will accept discretionary authority to manage the securities of each Client, subject to the specific objectives, guidelines, and limitations set forth in the applicable offering and governing documents.

Item 17 - Voting Client Securities

The Adviser will have authority to direct the vote of its Clients.

If the Adviser is called upon to vote proxies, it will vote such proxies in accordance with the proxy voting policies and procedures in the Adviser's compliance manual. Pursuant to SEC rule 206(4)-6, the Adviser has established policies and procedures to address voting procedures and any conflicts of interests involved in a proxy vote between the Adviser and Clients. The Adviser's proxy voting procedures are designed to ensure that proxies are voted in a manner that is in the best interest of the Clients. The Adviser will generally vote in favor of matters that follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices. The Adviser addresses conflicts of interest involved in a proxy vote through a three-step process of identifying potential conflicts of interest, determining material conflicts and establishing procedures to address material conflicts. The Adviser may determine not to vote proxies in respect of securities of an issuer if it determines it would be in the Client's overall best interest not to vote. Clients may obtain copies of the Adviser's proxy voting policies by contacting the Chief Compliance Officer.

Item 18 - Financial Information

The Adviser does not require or solicit prepayment of any fees greater than six months in advance.

The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.

The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.