



**PandaPowerFunds**

**Form ADV Part 2A: Firm Brochure**  
**Panda Power Generation Infrastructure Fund, LLC**  
(March 2020)

**Principal Office**

Panda Power Generation Infrastructure Fund, LLC  
5001 Spring Valley Road, Suite 1150 West  
Dallas, TX 75244  
Phone: 972-361-2000; Fax: 972-455-3890  
[www.pandafunds.com](http://www.pandafunds.com)

This brochure provides information about the qualifications and business practices of Panda Power Generation Infrastructure Fund, LLC and its affiliates (collectively “Panda” or “Advisor”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting [www.sec.gov/rules/final/2010/ia-3060.pdf](http://www.sec.gov/rules/final/2010/ia-3060.pdf). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Robert Carter, at 972-361-2000 or email [bcarter@pandafunds.com](mailto:bcarter@pandafunds.com).

Additional information about Panda is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Panda is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

In March 2020, Panda appointed Robert Carter as its Chief Compliance Officer. There are no other material changes incorporated herein since Panda's amendment filed on July 3, 2019. This Brochure is designed to provide new and prospective investors with clearly written, meaningful, current disclosure of its business practices, conflicts of interest and background of its advisory personnel. We encourage all recipients of this Brochure to read it carefully in its entirety.

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## **Item 4: Advisory Business**

Panda was founded in 2007 and, as of December 31, 2019, manages \$494,842,775 of private capital on a discretionary basis for investment in the electric power industry through its private equity funds, Panda Power Generation Infrastructure Fund A, L.P. and Panda Power Generation Infrastructure Fund B (AIV), L.P. (collectively, “Fund I”) and Panda Power Fund II A, L.P. and Panda Power Fund II B, L.P. (collectively, “Fund II”) and Panda Power Annex Fund A, L.P. and Panda Power Annex Fund B, L.P. (collectively, “Annex Fund” and together with Fund I and Fund II the “Funds”). A small portion of the private capital in Fund II may also be invested in the gas-to-liquids industry.

At the initial closing of the Fund I, the entire portfolio of development and other power project opportunities held by PEII were transferred to Fund I. The Funds seek to generate attractive long-term capital appreciation for its investors through the development, select acquisition, and active management of energy-related assets including infrastructure and renewable assets with a primary focus on the development of natural gas-fueled power projects in the United States. The Funds may also invest in solar projects and Fund II may also invest in gas-to-liquids to a more limited extent.

The Funds include private investment partnerships together with any respective parallel funds, special purpose, and/or subsidiary investment vehicles. Typically, within each Fund structure is a designated general partner (the “General Partner(s)”). Unless and only to the extent that the context otherwise requires, references to Panda includes the General Partner(s).

In providing services to the Funds, Panda will provide portfolio management and administrative services to the Funds, including investigating, analyzing, structuring, and negotiating potential investments, monitoring the performance of portfolio companies, and advising the Funds as to disposition opportunities. Investment advice is provided directly to the Funds and not individually to the limited partners or shareholders of the Funds (the “Investors” or “Limited Partners”). Panda manages the assets of the Funds in accordance with the terms of each Fund’s individual limited partnership agreements and other governing documents applicable to each Fund (the “Governing Fund Documents”). All terms are generally established at the time of the formation of a Fund and are only terminable once the applicable Fund is dissolved, wound up, and terminated. The Investors may not restrict investments by the Funds in any capacity beyond the partnership agreements, and except in limited circumstances, Limited Partners are not permitted to withdraw from a Fund prior to the Fund’s dissolution. The Limited Partners in the Funds are comprised of large institutional investors, pension funds and foundations; and high net worth individuals.

Equity interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, equity interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in private transactions within the United States.

Panda’s principal owner is Robert Carter.

## **Item 5: Fees and Compensation**

### General

Panda provides investment advisory services to each of the Funds pursuant to the applicable limited partnership agreement (the “Agreements”). The Agreements for each Fund, along with specific organizational documents of the Fund, set forth in detail the fee structure relevant to each such Fund. The terms of the Agreements are generally established at the time of the formation of the applicable Fund.

Panda typically receives compensation from fees based on a percentage of assets under management, carried interest allocations, and certain other fees or expenses related to transactions (see below). Investors should review all fees charged by Panda and others to fully understand the total amount of fees to be paid by a Fund and, indirectly, by their Limited Partners.

### Management Fee

The Funds pay Panda a management fee (the “Management Fee”) of 2.00% per annum of the aggregate commitments of the Limited Partners during the commitment period and prior to the first date upon which fees begin to accrue with respect to a successor fund and thereafter, 1.75% per annum of capital contributions with respect to portfolio investments that have not been disposed of or written off. The Management Fee may be reduced, through side letters, to lower rates at the discretion of the General Partners.

The Management Fee is payable quarterly in advance, in each case in accordance with the Governing Fund Documents. The Management Fee is subject to reduction due to other types of collected fees; and Panda or the General Partner reserve the right to waive or reduce management fees in its sole discretion for certain investors.

### Carried Interest Allocations

A portion of each Fund’s net investment profit may be allocated to the capital account of its General Partner as “carried interest.” The manner of calculation of such carried interest is disclosed in the Governing Fund Documents and may vary by Fund. Generally, however, 20% of the investment profits of the Funds are allocated as carried interest to such Fund’s General Partner with a preferred return of 8% per annum, subject to a claw back.

As is the case with Management Fees, Panda and its affiliates reserve the right to waive or reduce carried interest for certain investors, including employees, strategic partners, advisors and consultants and others as may be determined in Panda’s sole discretion.

### Other Fees Earned by Panda

Panda may receive portfolio company directors’ fees, transaction fees, monitoring fees, break-up fees, and other similar fees in connection with portfolio investments or from unconsummated transactions. An amount ranging from 80% to 100% of all such fees paid by portfolio companies that are received by Panda, the General Partner or any of its affiliates, net of any related expenses, will be applied to reduce the Management Fee otherwise payable. All such fees will be allocated between the applicable Fund and any related co-investing entities on the basis of capital committed by each to the relevant investment. Management Fee reductions will be carried forward if necessary.

Pursuant to Approved Service Agreements (“ASAs”), the form and terms of which were consented to by the Limited Partners, Panda performs project development, construction management, financial services, operations management and support services, and related services for the portfolio companies owned by the Funds. Services performed by Panda employees are charged at hourly rates specified in the ASAs, and third-party expenses are charged at cost. Certain Approved Service Agreements have been recently amended to provide for a fixed price for the services performed by Panda employees (other than engineering and construction management services provided prior to Final Approval which remain chargeable at hourly rates).

#### Organizational Expenses

The Funds will bear all organizational expenses, including legal, accounting, filing, capital raising, and other organizational expenses up to an amount not to exceed \$1.5 million. Organizational expenses in excess of this amount will be paid by the Fund but borne by Panda through a 100% offset against the Management Fee.

#### Other Expenses

The Funds will pay all costs, expenses, and liabilities in connection with its operations, including: fees, costs, and expenses related to the purchase, settlement, monitoring and sale of securities, expenses of counsel, accountants, administrators, tax advisors, consultants, the advisory committee and other advisors and professionals, meetings of the Limited Partners, any insurance, indemnity or litigation expense or the costs and expenses of any custodians, lenders, investment banks and other financing sources and any taxes, fees or other governmental charges levied against the Funds, and any such costs incurred in connection with transactions which are not consummated (broken-deal expenses).

The Funds will generally be responsible for any expenses or fees attributable to the ASAs to the extent not paid by portfolio companies or portfolio investments.

In certain circumstances, a Fund will pay an expenditure common to multiple Funds and receive a reimbursement to the paying Fund within a few weeks. The paying Fund does not receive any interest or otherwise benefit from paying the entire share of expenditures and since the repayment is made within a short time period the paying Fund is not harmed in any way. If payments are made separately and the paying Fund is subsequently reimbursed, the paying Fund that received the reimbursement will wire the pro rata amount(s) to the other Fund(s) within a reasonable time.

The Funds’ portfolio companies receive coupons for spare parts from a service provider. Such coupons are exchanged as needed between portfolio companies, which can result in a coupon being exchanged from one Fund portfolio company to a portfolio company in a separate Fund. Panda considers the value of these coupons de minimis.

### **Item 6: Performance Based Fees and Side-by-Side Management**

As described above, Panda or its affiliates receive performance-based compensation in the form of “carried interest”, which calculation is based on the profits generated on the sale or disposition of Fund assets. The fact that a significant portion of the Advisor’s compensation (and its affiliates and investment

professionals compensation) is directly computed on the basis of profits generated by the sale or disposition of Fund assets may create an incentive for Panda to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation. However, this incentive may be tempered somewhat by the fact that losses will reduce the Funds' performance and thus Panda's compensation.

## **Item 7: Types of Clients**

Panda provides discretionary management and advisory services to the Funds directly, subject to the direction and control of the General Partner of each Fund, and not individually to the Limited Partners. Investors in the Funds may include, but are not limited to, pension plans, foundations, and high net worth individuals.

The minimum commitment for a Limited Partner is outlined in the Governing Fund Documents; however, Panda maintains discretion to accept less than the minimum investment threshold. In addition, the Funds have entered into separate agreements, commonly referred to as "side letters", with certain Investors, to waive certain terms, or allow such Investors to invest on different terms. The Funds may enter into such side letters without any further act, approval or vote of any Limited Partner, which would have the effect of establishing rights under, or altering or supplementing, the terms of the Partnership Agreement with respect to such Limited Partners in a manner more favorable to such Limited Partners than those applicable to other Limited Partners.

Investors will be required to meet certain suitability qualifications, such as being a "qualified purchaser" as defined by the Investment Company Act of 1940. Also, Investors will be required to make certain representations when investing in a Fund, including, but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment, and that (iii) they have the ability to bear the economic risk of an investment in the Fund. Details concerning applicable Investor suitability criteria are set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each Investor.

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

The Funds invest primarily in large or highly scalable development of natural gas-fueled generation projects in the United States (with a particular focus on the Texas and Mid-Atlantic/Northeast markets where the Advisor believes that the greatest needs exist). The Advisor may also seek to opportunistically invest in the development of solar energy projects or, in the case of Fund II, in gas-to-liquids projects and electric energy projects located in Canada. The Advisor intends to generate most of the Funds' investment opportunities internally through its knowledge, experience, and relationships or by the acquisition of existing development projects.

The Advisor employs a systematic and disciplined approach with respect to evaluating prospective investments. The investment team utilizes its operating experience and broad base of contacts to identify opportunities upon which it wants to expend resources to research, evaluate, and pursue. Once the investment team agrees to seriously consider an investment opportunity, it will conduct hands-on due diligence.

The Advisor uses a team approach to the investment process, ensuring that a variety of perspectives are considered and evaluated in each investment decision. The Advisor's investment approach emphasizes purchase price discipline, careful asset analyses, due diligence, a collaborative approach to decision making, the identification and planned reduction of risk, and the preservation of capital. The investment team meets regularly to discuss and analyze each major potential investment opportunity under consideration. The decision to proceed from one stage to another is made by an informal consensus of the leaders of the investment team after taking into account the input from the other members of the team and, on an as needed basis, independent input from various other industry experts and advisors; provided, however, that Robert Carter, the Advisor's Managing Partner and Chairman, will have the final decision-making authority on all investment matters.

#### Associated Risks

All investing involves a risk of loss and the investment strategy offered by Panda; the Funds could lose money over short or even long periods. An investment in the Funds may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand, and are capable of bearing, the risk of an investment in the Funds. No guarantee or representation is made that a Fund will achieve its investment objective or that Limited Partners will receive a return of their capital.

Identifying and participating in portfolio company investments and assisting in building successful enterprises are challenging. Many investment decisions made by Panda will be dependent upon the ability of its members to obtain relevant information predominantly from non-public sources, and reliance upon information provided by third parties that is impossible or impracticable to verify. The marketability and value of each investment will depend upon many factors beyond the control of Panda.

Key risk areas inherent to investing in portfolio companies include operational, investment, and market risks. Panda seeks to mitigate these risks through a variety of mechanisms, including operational due diligence, risk modeling, physical and financial hedging where possible, and appropriate investment structuring.

The descriptions contained below are a brief overview of different risks related to Panda's investment strategy. Investors should also review the Governing Fund Documents for a list of risks and potential conflicts of interest. However, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the Fund.

#### No Assurance of Returns

There is no assurance that the Funds will be able to generate returns for its Investors or that the returns will be commensurate with the risks of investing in the types of companies and transactions described herein. There can be no assurance that the Funds investment objectives will be achieved or that there will be any return of capital. Therefore, an investor should only invest in a Fund if the investor can withstand a total loss of its investment. The past investment performance of the entities with which officers and employees of the Advisor have been associated cannot be taken to guarantee future results of any investment in the Funds.



### Industry Concentration and Diversification

Since the Funds' investments are concentrated within a particular industry or related group of industries (the power generation 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. Consequently, the aggregate return on a Limited Partner's investment in the Funds may be substantially adversely affected by the unfavorable performance of even a single portfolio investment.

### General Business and Management Risk

Investments in portfolio companies subject the Funds to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations, and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases the Advisor will monitor portfolio company management, management of each portfolio company will have day-to-day responsibility of such portfolio company.

*Cybersecurity* - Investment advisers, including Panda, must rely in part on digital and network technologies ("cyber networks") to maintain substantial computerized data about activities for client accounts and otherwise conduct their businesses. Such cyber networks might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. Panda maintains policies and procedures on information technology security, it has certain technical and physical safeguards intended to protect the confidentiality of its internal data, and it takes other reasonable precautions to limit the potential for cybersecurity incidents and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, the risk remains that cybersecurity incidents could potentially occur and such incidents, in some circumstances, might result in unauthorized access to sensitive information about Panda, or its clients, or their investors, and/or cause damage to client accounts or Panda's activities for clients or their investors. Panda will seek to notify affected clients or investors of any known cybersecurity incident that may pose a substantial risk of exposing confidential personal data about such clients or investors to unintended parties.

*Catastrophic Risks* – The Funds will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on Panda's business and the Funds including investments made by Panda.

### Liquidity Issues

The Funds generally invest in instruments where there is likely to be no actively traded market. Moreover, many of the Funds' investments may be held by relatively few other Investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, a Fund may find it more difficult to sell such instruments when the Advisor believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Funds may be further limited. Finally, dispositions of investments may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

#### Highly Competitive Market for Investment Opportunities

The activity of identifying, completing, and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The Funds face competition from numerous competitors in all fields of activity. The Funds will be competing for investments with a variety of other investment vehicles, as well as individuals, financial institutions, and other institutional investors. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that a Fund will be able to locate and complete investments which satisfy the investment objectives or that it will be able to invest fully its available capital.

#### Valuation of Assets

Most of the securities owned by the Funds are not publicly traded and are required to be fairly valued by the Advisor. When estimating fair value, the Advisor will apply a methodology based on its best judgment that is appropriate in light of the nature, facts, and circumstance of the investments. At least annually, valuations will be provided by an independent valuation firm. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Advisor.

#### Energy Industry Risks

*Volatility of Commodity Prices* - Panda faces general industry risks that arise from volatility in energy commodity prices. Because of shifting commodity prices, short-term financial performance of energy companies is often more volatile than in other industries. Although the Advisor intends to partially mitigate commodity risk through long-term power sales contracts with parties that it deems to be creditworthy and that have fixed capacity payments and pass through certain variable costs such as fuel and change-in-law costs to the power purchasers, there can be no assurances that the Funds will be able to enter into contracts covering any or all of each project's electrical output and the term of such contracts are likely to vary leaving open commodity risk at the end of such contract terms.

*Regulatory Risk* - The electric power industry is subject to comprehensive laws and regulations in the United States and foreign jurisdictions enacted by federal, state, and local governmental entities. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions, and/or delays that could materially and adversely affect the portfolio companies and the prospects of the Funds. Electricity produced by solar resources receive substantial tax credits, incentives, and other forms of government support. The loss or modification of such supports could adversely affect the economic viability of such assets. Other power assets (including natural gas-fueled assets) may be taxed or may

need to purchase offsets under proposed environmental legislation in the United States and existing or proposed environmental legislation in other parts of the world, which could affect economic viability.

*Regulatory Approvals* - The Funds may invest in portfolio companies believed to have obtained all material United States federal, state, local or non-U.S. approvals required as of the date thereof to acquire and operate their facilities. In addition, the Funds may be required to obtain 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 such company. Moreover, additional regulatory approvals, including without limitation, 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 customers of the companies or for other reasons. There can be no assurance that a portfolio company will be able to (i) obtain all required regulatory approvals that it does not currently have or that it may be required to have in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) 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 a facility or sales to or from third parties or could result in additional costs to a portfolio company.

*Renewable Energy Policy Risk* - Investments in renewable energy and related infrastructure businesses and/or assets currently enjoy wide support from national, state, local governments, and regulatory agencies designed to finance development thereof, such as the 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. 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 fuels may otherwise make the cost of producing energy from renewable sources uneconomic. The operation and financial performance of any renewable energy portfolio investments may be significantly dependent on state policies and regulatory frameworks that support renewable energy sources. Some of the U.S. states or other jurisdictions in which renewable energy portfolio investments are located may have Renewable Portfolio Standards (“RPS”) requirements that support the sale of electricity generated from renewable energy sources. These RPS requirements impose renewable energy purchase obligations or targets on electric utilities and other retail energy suppliers. 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 portfolio 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 the financial condition or results of operation of a renewable energy portfolio. Any reduction in or elimination of these programs may 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 federal, state or local tax credits, other favorable tax treatment, or other forms of support for renewable energy are changed, the Funds' renewable energy portfolio investments may be negatively impacted. While natural gas fueled generation does serve as a back-up source to renewable generation, the adoption of carbon or other environmental legislation or regulations, RPS requirements, or other programs favoring renewable generation over fossil fuel generation may adversely impact natural gas fueled power generation investments of the Funds.

*Uncertainty of Estimates* - Estimates or projections/forecasts of market demand and conditions and prices, construction costs, and supply availability and prices by qualified engineers or consultants are often key factors in establishing power purchase contract prices and valuing certain power companies and assets. These estimates are subject to wide variances based on changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such estimates to be significantly revised from time to time, creating significant changes in the value of power purchase contracts, the company or its assets, which could adversely affect the financial returns of the Funds.

## **Item 9: Disciplinary Information**

The Advisor and/or its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel. In connection with litigation filed against portfolio companies, certain Principals of the Advisor may be named as co-defendants in their capacity as directors of such portfolio companies.

## **Item 10: Other Financial Industry Activities and Affiliations**

Panda organizes and sponsors the Funds, which are private investment companies. These pooled investment vehicles managed by Panda are controlled by an affiliated General Partner entity. Panda or the General Partner will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds' investment activities. While the General Partner is not separately registered as an investment adviser with the SEC, all of its investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the General Partner are subject to the supervision and control of Panda. Thus, the General Partner, all of its employees, and the persons acting on its behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the General Partner.

The General Partner of the Funds has an investment in the Funds. Therefore, Panda may be considered to participate indirectly in transactions effected for those clients. The foregoing relationships, fees, and any other actual or potential conflicts of interest arising therefrom are disclosed in the respective Governing Fund Documents.

Employees of the Advisor serve as directors and officers of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of the Fund, and vice versa. Accordingly, in these

situations, there may be conflicts of interest between such individual's duties as an employee of the Advisor and such individual's duties as a director or officer of such portfolio company.

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

Pursuant to Rule 204A-1 of the Advisers Act, Panda has adopted a written Code of Ethics (the "Code") predicated on the principal that the Advisor owes a fiduciary duty to the Funds. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners, or employees of Panda (the "Employees"). The Advisor requires its Employees to act in the Funds' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Panda generally prohibits the purchase or sale of securities that are held by the Funds; requires pre-clearance before purchasing an IPO or limited offering (i.e., private placement); requires periodic reporting of Employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations. Panda endeavors to maintain current and accurate records of all personal securities accounts of its Employees in an effort to monitor all such activity. A copy of Panda's Code is available upon request.

Certain transactions in which Panda engages may require, for either business or legal reasons that no Employees trade in the subject securities for specified time periods. Such securities will appear on a list (the "Restricted List") that will be circulated to all employees. No Employee may engage in any sort of trading activity with respect to a security or a derivative thereof on the Restricted List without obtaining prior written approval from the Chief Compliance Officer.

## **Item 12: Brokerage Practices**

The Advisor focuses on making investments in private securities, and does not ordinarily deal with any financial intermediary such as a broker-dealer; therefore, commissions are not ordinarily payable in connection with such investments. To the limited extent Panda transacts in public securities, or other non-private equity investments (e.g., currency hedging), Panda will seek to obtain best execution. Panda intends to select brokers based upon the broker's ability to provide best execution for the Funds. Panda and/or the General Partner is generally authorized to make the following determinations, subject to each Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Fund or any of their Investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

The Advisor does not participate in any soft dollar arrangements outside of receiving research available to other institutional investors. Research services received from brokers and dealers are supplemental to Panda's own research effort. To the best of Panda's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. The Advisor does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for

such broker-dealers' services due to the difficulty associated with the broker-dealers not breaking out the costs for such services.

### **Item 13: Review of Accounts**

All investments are carefully reviewed and approved by the Funds' Investment Committee. Existing investments are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook, and other issues related to current holdings and potential investment opportunities. In addition, the Investment Committee regularly evaluates market conditions and adjusts investment strategies to take advantage of such changes.

The Advisor's procedures for exiting investments are triggered by a series of events and consideration for the underlying investments and assets. Such events or items impacting or determining the exit policies generally include:

- a. What is the range of value of any one of our investments based on our own detailed financial analysis (discounted cash flow, comparable market multiples, replacement costs, etc.)?
- b. How long have we held any investment, and have we maximized all of our strategic or other potential in any one asset or investment?
- c. What are the prospects of an initial public offering, reorganization, or recapitalization of our investment and at what costs and timing?
- d. Are there a sufficient number of interested and credible acquirers for any of our assets in order to conduct an auction process?
- e. Are outside parties willing to pay more for any one of our assets than we think it is worth to us?

Panda strives to constantly review and question itself (in particular at the Investment Committee level) in order to maximize the returns and options on each investment for the benefit of the Funds.

The Advisor provides the following reports in accordance with the terms of the applicable Governing Fund Documents: (i) audited annual financial statements; (ii) unaudited quarterly financial statements; (iii) individual capital account statements on a quarterly basis; (iv) annual tax information necessary to complete any applicable tax returns; (v) Form ADV Part 2 and (vi) annual privacy notice.

### **Item 14: Client Referrals and Other Compensation**

Panda engaged third party placement agents (i.e., solicitors) to introduce prospective investors to the Funds. The fees paid to the placement agents was based on a point-in-time negotiation and all such fees were fully disclosed to investors referred by the placement agents. In addition, the fees and expenses of any placement agents were paid by the Funds but were reimbursed by Panda by offsetting its Management Fees.

Panda may receive portfolio company directors' fees, transaction fees, monitoring fees, break-up fees, and other similar fees in connection with portfolio investments or from unconsummated transactions. An amount ranging from 80% to 100% of all such fees paid by portfolio companies that are received by Panda, the General Partner or any of its affiliates, net of any related expenses, will be applied to reduce the Management Fee otherwise payable. All such fees will be allocated between the applicable Fund and

any related co-investing entities on the basis of capital committed by each to the relevant investment. Management Fee reductions will be carried forward if necessary.

## **Item 15: Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks; however, the Advisor has access to client accounts since it or an affiliate serves as the General Partner of each Fund. Limited Partners (or members or owners) will not receive statements from the custodian. Instead the Funds are audited on an annual basis in accordance with generally accepted accounting principles (GAAP) and the financial statements are distributed to each Limited Partner (or member or owner). The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end. Limited Partners should carefully review these statements, and should compare these statements to any account information provided by the Advisor.

## **Item 16: Investment Discretion**

In accordance with the terms and conditions of the Governing Fund Documents, and subject to the direction and control of the General Partner of each Fund, the Advisor generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Limited Partners, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds.

## **Item 17: Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Panda has adopted and implemented written policies and procedures governing the voting of client securities.

The Advisor's Funds, which primarily make privately negotiated equity and equity-related investments in the electric power industry, typically do not issue proxies. In the event Panda receives a proxy, the Advisor's policy is to exercise the proxy vote in the best interest of the Funds, taking into consideration all relevant factors, including without limitation, acting in a manner that Panda believes will (i) maximize the economic benefits to the Funds and (ii) promote sound corporate governance by the issuer. Proxy voting is an important right of shareholders, and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. Panda's investment professionals are generally responsible for making voting decisions with respect to proxies received.

In exercising its voting discretion, Panda and its employees will seek to avoid any direct or indirect conflict of interest raised by such voting decision. All conflicts of interest will be resolved in the interests of Panda's Funds. In situations where the group perceives a material conflict of interest, the vote under consideration and the perceived conflict of interest may be reviewed with the respective Fund's Limited Partner Advisory Committee. The committee will reach a consensus and make a recommendation regarding the proxy vote.

Certain investment professionals of Panda serve as board members for the Funds' portfolio companies. In situations where Panda votes the proxy for a company in which an employee of Panda serves on the board of directors, Panda has determined that it does not inherently present a conflict of interest as the

purpose for serving on the board is to maximize the return on the Funds' investment and to ensure that the Funds' interests are protected.

All proxies that Panda receives will be treated in accordance with these policies and procedures. A copy of Panda's written proxy voting policies and procedures, as well as a record of how Panda has voted in the past, will be maintained and available for review upon written request.

## **Item 18: Financial Information**

A balance sheet is not required to be provided as Panda (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.