

# **Cibolo Energy Partners, LLC**

## **Part 2A of Form ADV**

### **The Brochure**

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Updated March 2020

This brochure provides information about the qualifications and business practices of Cibolo Energy Partners, LLC (“Cibolo” or “we” or “us” or the “Management Company”). If you have any questions about the contents of this brochure, please contact us at (713) - 357-7570. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Cibolo is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC or with any state securities authority does not imply a certain level of skill or training.

## **Item 2: Material Changes**

**The last update to this brochure was made in March 2019. While we do not believe there are any material changes associated with this update, we have updated certain information regarding certain risk factors and made other updates.**

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## **Item 4: Advisory Business**

Cibolo is a private investment group formed in June 2016 by Justin Teltschik, J. William Sikora and Charles Cherington (the “Senior Advisor”) to pursue alternative credit opportunities and non-control equity investments in energy and energy related infrastructure projects and companies in North America (Messrs. Teltschik and Sikora are referred to collectively as the “Founders”). A two-person committee, consisting of Messrs. Teltschik and Sikora controls Cibolo and manages its operations. The members of Cibolo are Mr. Teltschik, Mr. Sikora and Ara Partners Group, LLC (“Ara Partners”). While Ara Partners is the only member entitled to directly receive any net profits of the Management Company, it has no voting rights over ordinary course business matters. Ara Partners does have certain consent rights in respect of certain extraordinary events. The Management Company together with an affiliate, Cibolo Energy Partners GP, LP (the “General Partner”) provides discretionary advisory services to private investment vehicles including Cibolo Energy Partners I, LP (the “Main Fund”), CEP Associates Vehicle, LP, Cibolo Energy Coinvestment I, LLC, Cibolo Energy Coinvestment II, LLC, Cibolo Energy Coinvestment III, LLC, and Cibolo Cornerstone Coinvestment, LP (collectively, the “Funds” or the “Clients”). The Funds primarily target privately negotiated investments in lower, middle market energy companies in the general range of \$10 million to \$50 million per investment. The Funds’ investments seek to provide capital to energy companies to allow them to recapitalize their balance sheets, access additional liquidity, and provide growth capital for both acquisitions and organic development. Cibolo expects that the Funds’ portfolio companies will be able to leverage these relationships to optimize production, lower operating expenses, and increase commodity-price realizations.

Investment advice is provided directly to the Funds in accordance with the governing and offering documents applicable to each Fund, including certain investment restrictions and guidelines applicable to each Fund, and not individually to underlying investors in the Funds (“Fund Limited Partners”). Fund Limited Partners generally do not have the ability to direct the Funds’ investments or strategies, however, Cibolo has agreed to certain investment criteria in conjunction with the Fund Limited Partners as generally set forth in the respective governing documents of each of the Funds.

As of December 31, 2019, Cibolo had six clients and regulatory assets under management of approximately \$416 million, all of which is managed on a discretionary basis.

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

The Main Fund will pay the Management Company a fee (the “Management Fee”) for management and administrative services, which fee will be paid quarterly in advance. During the commitment period, the Management Fee will be an aggregate amount equal to 1.75% per annum of each limited partner’s commitment. Following the earlier of (i) the end of the commitment period and (ii) the date on which management fees begin to accrue for a successor fund, the Management Fee will equal 1.75% per annum of the cost basis of portfolio investments held by the Main Fund other than Fund investments that have been written off, less, without duplication, the aggregate amount of distributions made to each limited partner in respect of any repayments of the principal amount of (but not in respect of any payments of interest, dividends or other similar yield attributable to) any debt investments then held by the Main Fund at any determination date. Cibolo’s policy is that its fees are not negotiable; however, Cibolo reserves the right to waive or reduce its fees for certain

investors. Fund Limited Partners in the coinvestment vehicles generally bear no management or performance fees. Coinvestment vehicles do not pay any management fees (or performance-based fees), although Cibolo reserves the right to charge such fees to coinvestment vehicles that may be formed in the future. Such vehicles are required to bear their own organizational, administrative and operating expenses as further discussed below.

The Management Fee will commence as of the initial closing date based on total commitments regardless of when a limited partner is actually admitted. The Management Fee will also be reduced by certain fees received by the General Partner or its affiliates as described below. The Management Fee may be paid from drawdowns that will reduce unfunded commitments or out of investment proceeds (that will be treated as if they were distributed to the limited partners and immediately re-contributed by such limited partners for this purpose).

The Management Fee otherwise payable by the Main Fund will be reduced (but not below zero) by an amount equal to 100% of the limited partners' share of the amount by which transaction fees, monitoring fees, break-up fees, directors' fees or other similar fees received by the General Partner and/or its affiliates in connection with Main Fund investments exceed related expenses paid by the General Partner and/or its affiliates. Such offset does not include any amount received from a portfolio company as reimbursement for expenses directly related to such portfolio company, as payment for services provided to any portfolio company in the ordinary course of such portfolio company's business, or as compensation for services provided as an employee of such portfolio company or any of its subsidiaries paid by one or more portfolio companies to an employee of the Management Company or its affiliates who are devoting a majority of their business time to such portfolio companies, where the amount and terms of such payment for services are no less favorable to such portfolio companies than would be obtained on an arms-length basis. To the extent such offsets would reduce the Management Fee for a given quarterly period below zero, such offsets will be carried forward and will reduce future installments of the Management Fee. In addition, 100% of any closing fees paid by issuers of debt instruments in which the Main Fund invests will be paid to the Main Fund and will either be distributed to the partners or applied to reduce the amount of capital required to be contributed by the partners for such investments.

Certain expenses will also be charged to each of the Funds. This includes all fees, costs and expenses relating to the organization and operations of the Funds, whether incurred before, on or after the initial closing date, including, without limitation:

- (a) Organizational expenses incurred in connection with the Funds;
- (b) Placement fees (subject to an offset as described within the Main Fund's limited partnership agreement);
- (c) the out-of-pocket expenses incurred in connection with maintaining the existence of the Funds and the General Partner (in so far as such expenses relate each of the Funds);
- (d) all fees, costs and expenses of outside legal counsel, consultants, advisers, accountants, administrators, custodians, appraisers, depositaries, banks, transfer agents, registrars, escrow agents, record-keepers, finders, brokers, dealers, underwriters, investment bankers, transfer agents, administrative agents, professional service providers and other outside

professionals, including, without limitation, (i) all audit fees, appraisal fees, brokerage commissions, valuation fees, banking and investment banking fees (for the avoidance of doubt, exclusive of the costs of any audit of the General Partner or Management Company), (ii) all fees, costs and expenses of printing, preparing and distributing reports and other communications to limited partners, the limited partner advisory committee (“LPAC”) or government authorities, (iii) all costs associated with the preparation and filing (as applicable) of the financial statements, tax returns and Schedule K-1s or similar tax schedules of the Funds and any expenses incurred or paid by the tax matters partner or partnership representative, and (iv) the fees, costs and expenses related to any filings or registrations of the Funds under all federal, state, county and municipal laws, statutes and ordinances, and the rules and regulations thereunder (including expenses in connection with preparing the Form PF, but exclusive of any other filings or registrations of the Management Company);

- (e) all fees, costs and expenses related to the Funds’ investment activities, including, without limitation, the fees, costs and expenses associated with (i) sourcing, researching, conducting diligence, investigating, identifying, analyzing, pursuing, negotiating, consummating, acquiring, purchasing, syndicating, holding, monitoring, managing, seeking Disposition (and sale) opportunities and selling (or otherwise disposing of) investments and prospective investments, whether or not consummated, as applicable, (ii) travel (which may include travel at business class rates for any travel scheduled for two or more hours), meals, lodging and communications expenses, reasonable and business-related entertainment expenses and related expenses incurred in connection therewith, and (iii) the costs of any research services, including research or market database subscriptions, to the extent utilized in connection with actual or potential portfolio investments;
- (f) all fees, costs and expenses for transactions not consummated, including, without limitation, all amounts payable to third parties and all fees and expenses of lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated by the Funds, and any deposits or down payments that are forfeited in connection with unconsummated transactions of the Funds (including travel and related expenses (which may include travel at business class rates for any travel scheduled for two or more hours), and meal, communication and certain reasonable and business-related entertainment expenses incurred in connection therewith), provided that if a coinvestment vehicle, coinvestor or other transaction party is committed to such transaction prior to the time at which it is decided by the applicable parties not to consummate such transaction, the General Partner or its affiliates may seek to have such coinvestment vehicle, coinvestor or other transaction party, as applicable, pay or reimburse such expenses on a pro rata basis based on the parties’ expected commitment to such transaction;
- (g) principal, interest, fees and any other obligations or expenses arising out of any indebtedness or credit support, including, without limitation, any fees and expenses incurred as a result of the implementation and utilization of any credit facility or hedging transaction;
- (h) out-of-pocket costs of reporting to the limited partners;

- (i) costs and expenses of any meetings of the LPAC, or meetings of limited partners, any votes or consents of limited partners or the LPAC, any amendments to or waivers of the limited partnership agreement or any related agreement, in any event excluding any travel expenses other than reasonable expenses of representatives serving on the LPAC for travel to meetings of the LPAC not concurrent with a meeting of the limited partners;
- (j) out-of-pocket expenses of any senior advisor to the Funds incurred in performing any services for the Funds (other than any entertainment expenses), including any expenses incurred in connection with performing services for one or more of the Funds' potential or existing investments;
- (k) the costs of any pending or threatened claim or litigation, directors' and officers' or errors and omissions liability or other insurance, including retention costs and premiums, in respect of the Funds;
- (l) any risk management, indemnification, extraordinary expense, liability, audit and investigation costs and expenses relating to the affairs of the Funds (including all amounts paid in connection with settlements, penalties, fines and judgments, but excluding any indemnification claims that are finally determined to not be indemnifiable by the Funds and the fees, costs and expenses arising from the Funds' compliance with applicable law, rules and regulations;
- (m) any taxes, fees, duties and other governmental charges levied against the Funds or on its income or assets or in connection with its business or operations (other than any such taxes, fees or charges levied in respect of or otherwise in connection with any specific partner(s) or allocated to limited partners, and all related filing fees;
- (n) all costs and expenses of winding up the Funds and the General Partner and the liquidation of the assets of the Funds in connection therewith;
- (o) subject to apportionment among the limited partners, all costs and expenses associated with any organization, maintenance and operation of any alternative investment vehicle, blocker corporation, intermediate entity or any other entity or vehicle through or in which portfolio investments or bridge financings are made (other than any blocker expenses); and
- (p) all other costs and expenses of the Funds, any parallel funds or the General Partner (other than any general expenses as defined within the limited partnership agreement) in connection with the limited partnership agreement.

To the extent each Fund's expenses (and comparable expenses in respect of any alternative investment vehicle, feeder fund or parallel fund) are incurred jointly or otherwise in connection with actions intended to benefit the Funds and any alternative investment vehicle, feeder fund or parallel fund, then the General Partner shall allocate fund expenses and such comparable expenses among the Funds and such alternative investment vehicles, feeder funds or parallel funds to the extent applicable, based on relative capital commitments, number of investments, invested capital and/or benefits derived among the Funds and such alternative investment vehicles, feeder funds and

parallel funds, and in any event, in any manner determined equitable, in the good faith judgment of the General Partner.

Detailed information regarding all of the costs and expenses to be paid by each Fund is contained in the relevant Fund's offering documents and limited partnership agreements. Investors should not consider an investment in a Fund without fully understanding the Fund's cost and expense structure.

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

The General Partner receives carried interest related to the performance of the overall Main Fund. Carried interest arrangements may create an incentive for the General Partner to make more speculative investments and make decisions regarding the timing and manner of such investments than would otherwise be made if such carried interest was not allocated to the General Partner. Please refer to the governing documents of the Main Fund for more complete information on the "performance-based compensation" arrangement. .

Generally, net proceeds allocable to the limited partners from investments are distributed as follows:

First, 100% to the limited partners in proportion to their capital contributions until each limited partner has received an amount equal to its capital contributions;

Second, 100% to the limited partners until they receive an 8% annual cumulative compounded preferred return on their capital contributions;

Third, 100% to the General Partner until the General Partner "catches up" to an overall 20% carried interest; and

Thereafter, 80% to the limited partners in proportion to their capital contributions and 20% to the General Partner.

The amount allocable to the General Partner as carried interest is then distributed to certain employees of the Management Company including the Founders as described above. It should be noted that Cibolo also manages certain coinvestment vehicles on behalf of investors. Such coinvestment vehicles may or may not pay either management fees or carried interest. The General Partner may, but shall not be required to, offer coinvestment opportunities to third parties, strategic investors, limited partners and, with the consent of the LPAC, the General Partner and its affiliates. Any coinvestment opportunity will be first offered on a priority basis to each limited partner pro rata based on commitments subject to any prior allocations to strategic investors. As a pre-condition to the offering of such coinvestment opportunity to one or more persons, the General Partner may require such persons to enter in such agreements or other undertakings as the General Partner determines are necessary or desirable in light of such coinvestment opportunity. The General Partner and any of its affiliates may, in their sole discretion, charge a carried interest and/or management fees to any coinvestors. The General Partner may permit a strategic investor to invest in transactions in which the Funds invest if the General Partner determines that their investment would be beneficial to consummating the investment or otherwise adding value. A strategic investor



is required to be a third party or a limited partner that is not an affiliate of the General Partner. Cibolo has committed to certain concentration limits with respect to the Fund's investments including, for example, that no single portfolio company will represent more than 25% of the Main Fund's aggregate commitments. As such, there may be certain investments that require Cibolo to provide coinvestment opportunities to its investors in order to maintain the appropriate concentration limits described herein. Generally, all coinvestment opportunities will be allocated first to the Main Fund's existing limited partners prior to Cibolo seeking other coinvestment partners.

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

Cibolo provides investment advisory services to the Funds, which are privately-offered investment vehicles that are operated as exempt investment pools under the Investment Company Act of 1940. For information on minimum commitment amounts, please see the applicable Fund's offering documents.

Investment in the Funds is limited to investors that meet certain financial sophistication requirements. Depending on legal classification of an investor, certain investors in the Funds must be an accredited and/or a qualified purchaser as those terms are defined for securities' law purposes. Investors considering an investment in the Funds should consult with their own investment, tax and/or legal consultants prior to investing.

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

Cibolo's investment strategy is to invest in lower, middle market energy companies primarily operating in the upstream sector. The Founders will attempt to employ the same approach that they have practiced throughout their respective careers of investing in private energy credit opportunities located primarily in the United States and Canada.

Cibolo believes that a disciplined investment screening process underpinned by direct origination efforts, rigorous credit analysis, and active portfolio management are the keys to delivering consistent, attractive risk adjusted returns for the limited partners. Cibolo will directly source, negotiate, and document most of its investments and generally seek to avoid investing in broadly syndicated investments. Additionally, Cibolo will generally be the majority lender and lead agent in each investment in order to ensure a prominent seat at the table in the event of a workout or restructuring.

The Cibolo screening process is driven by stringent, bottom-up due diligence methodologies and is designed to identify bespoke opportunities offering differentiated risk/return profiles. Most opportunities do not meet the required criterion and are culled during credit analysis. The diligence procedures are comprehensive and scrutinize several aspects of an opportunity's profile including, but not limited to, technical merits of the assets, cash flow projections, tax, insurance, environmental and commercial review of material contracts.

Investing in any securities involves risk of loss that investors should be prepared to bear. The summary below is a description of the material risks that relate to Cibolo's investment strategy, and is not intended to be comprehensive. The Funds' governing documents provide additional

details on the investment, operational and other actual and potential risks investors face when investing in the Funds. Current and prospective investors in the Funds should review those materials to understand additional risks.

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

The performance of investments of the Funds may be substantially dependent upon prevailing prices of oil and natural gas and will be affected by general economic and market conditions, such as the current disruption to the price of commodities due to the trade war between Russia and Saudi Arabia as well as the impact of the Coronavirus on global capital markets. Historically, the markets for oil and natural gas have been volatile, and such markets are likely to continue to be volatile in the future. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, speculation and a variety of additional factors that are beyond the control of the Management Company or the Funds. These factors include the level of consumer product demand, the refining capacity of oil purchasers, weather conditions, domestic and foreign governmental regulations, the price and availability of alternative fuels, political conditions in the Middle East, actions of the Organization of Petroleum Exporting Countries, the foreign supply of oil and natural gas, the price of foreign imports and overall economic conditions. There can be no assurance as to the duration of any market cycle or market dislocation.

Oil and gas drilling may involve unprofitable efforts, not only from dry holes, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include encountering formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other risks that could lead to environmental damage, injury to persons and loss of life or the destruction of property, any of which could expose portfolio companies, the Funds and/or their respective directors and officers to the risk of litigation and clean-up or other remedial costs, not all of which may be covered by insurance.

Further, the regulatory and tax environment of the Funds' target investments is potentially subject to change and may be subject to government or judicial action, which may adversely affect the value or liquidity of investments held by the Funds or their ability to obtain leverage. The effect of any

such future regulatory or tax change is impossible to predict. Any one of these factors may result in the investment returns of the Funds being materially adversely affected which could have a material adverse effect on the Funds' performance and the value of the Interests. Further, many factors may curtail, delay or cancel portfolio companies' scheduled drilling projects, including the following: (i) delays imposed by or resulting from compliance with regulatory requirements; (ii) pressure or irregularities in geological formations; (iii) shortages of or delays in obtaining equipment and qualified personnel or in obtaining water for hydraulic fracturing activities; (iv) equipment failures or accidents; (v) adverse weather conditions, such as blizzards, tornados, hurricanes and ice storms; (vi) issues related to compliance with environmental regulations; (vii) environmental hazards, such as leaks, oil spills, pipeline and tank ruptures, encountering naturally occurring radioactive materials, and unauthorized discharges of brine, well stimulation and completion fluids, toxic gases or other pollutants into the surface and subsurface environment; (viii) declines in commodity prices; (ix) limited availability of financing at acceptable terms; (x) title problems; and (xi) market limitations. The Funds may rely on estimates of reserves in connection with an investment in a portfolio company. The process of estimating reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to current and future economic conditions and commodity prices. Any significant inaccuracies in these interpretations or assumptions could materially affect a portfolio company's estimated quantities and present value of its reserves. Estimates usually require projections of production rates and timing of development expenditures, as well as analysis of available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as commodity prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Actual future production, commodity prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable natural gas reserves will vary from estimates. Any significant variance could materially affect the estimated quantities and present value of a portfolio company's reserves.

Certain entities in which the Funds may invest may use hydraulic fracturing in their core programs, as a means of producing commercial quantities of oil and natural gas from reservoirs in which they operate. There have been a number of initiatives and proposed initiatives at the U.S. federal, state and local level to ban or regulate hydraulic fracturing and to study the environmental impacts of hydraulic fracturing and further regulation of the practice. Such initiatives at the federal, state or local levels to expand or implement regulation of hydraulic fracturing, together with the possible adoption of new laws or regulations that significantly restrict hydraulic fracturing, could result in delays, eliminate certain drilling and injection activities, make it more difficult or costly for a portfolio company to perform hydraulic fracturing, increase the portfolio company's costs of compliance and doing business, and delay or prevent the development of unconventional hydrocarbon resources from shale and other formations that are not commercial without the use of hydraulic fracturing. These effects on a portfolio company's operations could have a material adverse effect on the financial condition of the Funds and the value of the Interests.

A portfolio company may face development and construction risks, including, but not limited to: (i) labor disputes, shortages of material and skilled labor or work stoppages; (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iii) less than optimal coordination with public utilities in the relocation of their facilities; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents, breakdowns or failures of

equipment or processes; and (vi) catastrophic events such as explosions, fires and terrorist activities and other similar events beyond the Funds' control, such as any event of force majeure. Events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, construction or operation of portfolio company assets or businesses. Such delays or disruptions may result in lost revenues or increased expenses, including higher operation and maintenance costs related to a portfolio company.

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

The Funds' portfolio companies may hold, or seek to hold, undeveloped acreage and/or acreage in new or emerging plays. Undeveloped acreage may not ultimately be developed or become commercially productive, which could cause the applicable portfolio company to lose rights under its leases as well as have a material adverse effect on its oil and natural gas reserves and future production. As a result, drilling results in these areas are uncertain, and the value of undeveloped acreage will decline if drilling results are unsuccessful. In addition, drilling results in these areas are more uncertain than drilling results in areas that are developed and producing. Since new or emerging plays have limited or no production history, portfolio companies may be unable to use past drilling results in those areas to help predict future drilling results. As a result, costs of drilling, completing and operating wells in these areas may be higher than initially expected, and the value of undeveloped acreage will decline if drilling results are unsuccessful.

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

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

demand for oil and natural gas. Changes in the regulation of GHGs could impact a Funds' portfolio company investment or make future investments undesirable.

The operations of the businesses in which the Funds invest may rely on access to certain key inputs such as strategic consumables, raw materials and drilling and processing equipment. The inability to obtain such key inputs in a timely manner could delay or reduce a portfolio company's production, which could have an adverse impact on its results of operations and financial condition. Periods of high demand for such supplies can result in periods when availability of supplies are limited and cause costs to increase above normal inflation rates. Any interruption to supplies or increase in costs could adversely affect the operating results and cash flows of the Funds' investments.

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

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

The Funds' investments may be subject to catastrophic events and other force majeure events, in the construction, technical and operational phases, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment, significant down time resulting in lost revenues, and injury or loss of life, as well as litigation related thereto, among other potentially detrimental effects. Losses from such catastrophic events may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. To the extent losses related to such events are insurable at all, they may have high deductibles and other important limitations on coverage. As a result, not all investments may be insured against such events, or such insurance may be obtained notwithstanding the high cost.

Information and technology systems of the General Partner, the Management Company, and the Funds' portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, cybersecurity risks including infiltration by unauthorized persons and security breaches, usage errors by their respective

professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If any systems designed to manage such risks are compromised, become inoperable for extended periods of time or cease to function properly, the General Partner, the Management Company, the Funds and/or a portfolio company may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the General Partner's, the Management Company's, the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the General Partner's, the Management Company's, the Funds' or a portfolio company's reputation, subject them and their respective affiliates to legal claims and otherwise affect their business and financial performance.

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

## **Item 9: Disciplinary History**

Cibolo and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of Cibolo or its personnel.

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

The Management Company is owned by the Founders who also own, the General Partner, which serves as the General Partner of various Cibolo legal entities including the Funds. 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 rules thereunder. All investment advisory activities of the General Partner are subject to the supervision and control of Cibolo, a registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the General Partner. It should be noted that Cibolo maintains certain business relationships with Ara and its affiliates which includes both the sharing of certain economic rights as well as administrative support. Ara also assists Cibolo with its fundraising efforts and may at times share business development opportunities with Cibolo. A restricted trading list is maintained across the Ara platform that limits the ability of Ara affiliates to engage in trading securities that may be the subject to a potential investment by an Ara member. It should be noted that the Funds are not specifically charged any fees by Ara.

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

Cibolo has adopted a Code of Ethics (the "Code") for its employees. The Code describes employees' standard of conduct and fiduciary duties and governs personal trading by its employees and their household family members. Employees must report every account that they or their household family members use for trading securities covered by the Code and, if they directly or indirectly

influence or control trading in the account, they must pre-clear certain transactions, and have copies of trade confirmations and/or periodic account statements sent by their broker to the Chief Compliance Officer. Cibolo employees and their household family members are prohibited from trading securities that appear on Cibolo's restricted list, which includes securities owned by the Funds.

All employees must acknowledge their receipt of, understanding of, and agreement to adhere to the Code and all employees are required to promptly report any violation of the Code of which they become aware.

A complete copy of Cibolo's Code of Ethics is available upon request.

## **Item 12: Brokerage Practices**

Cibolo does not select or recommend broker-dealers on behalf of clients given that its business consists of making private investments in debt securities. Cibolo also does not receive research or other soft dollar benefits from broker-dealers or third parties in connection with any client securities transactions.

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

As part of an adviser's fiduciary duty to its clients, the adviser must have a reasonable basis to believe that its investment recommendations are suitable. Advisers must act with prudence and exercise due care throughout the portfolio management process. Advisers also have a duty to periodically review accounts under management to ensure that such accounts are invested consistently with clients' mandates and the advisers' disclosures. Moreover, advisers must allocate investment opportunities in a manner that is fair to all clients and investors.

Portfolio management is a dynamic activity that requires ongoing analysis of investors' holdings.

Cibolo maintains continuous and ongoing oversight and review of the Funds' portfolio holdings. Cibolo furnishes audited financial statements to the Funds' limited partners annually. In addition, on a quarterly basis Cibolo provides limited partners with unaudited financial statements and descriptive information regarding each portfolio company. The general partner of each Fund will furnish to each limited partner a Schedule K-1 (Internal Revenue Service Form 1065) or an equivalent report annually.

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

It should be noted that Cibolo has engaged Aqueduct Capital Group, LLC ("Aqueduct") as its placement agent to assist with its fundraising efforts. As such, Cibolo is required to compensate Aqueduct based on a percentage of the commitments made by investors to the Main Fund as a result of Aqueduct's placement efforts. These fees are paid from the Main Fund and then result in an offset to the management fee reducing the amount required to be paid from the Main Fund to the Management Company.

## **Item 15: Custody**

An affiliate of Cibolo acts as General Partner of the Funds that Cibolo advises. Such powers may cause Cibolo to have custody for purposes of the custody rule of the Advisers Act. The Funds' cash,

cash equivalents and, generally, certificated securities are held by unaffiliated, qualified custodians. Cibolo is deemed to have custody of the Funds' assets because Cibolo's affiliated entity, the General Partner of the Funds, can access the Funds' assets. In compliance with the Advisers Act, Cibolo has arranged for an annual audit of the Funds which are performed in accordance with U.S. generally accepted accounting principles (GAAP). A copy of the audited financial statements for each Fund is distributed to each Fund's limited partners within 120 days of the Fund's fiscal year end.

## **Item 16: Investment Discretion**

Cibolo has discretionary authority to make investments from the Funds on behalf of investors in the Funds subject to various agreed upon attributes with investors including the concentration limit, as well as certain geographical restraints and minimum asset coverage ratios as described in more detail above in Item 4: Advisory Business. Any limitations on authority are included in each Fund's governing documents.

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

Most of the portfolio companies held by the Funds are private companies that typically do not issue proxies. However, in the event proxies have to be voted, Cibolo has adopted proxy voting policies and procedures, and shall be responsible for voting proxies on behalf of the Funds. Cibolo shall vote client proxies in a way that it believes will maximize shareholder value taking into account all relevant considerations. In exercising its voting discretion, Cibolo and its employees will seek to avoid material conflicts of interest raised by such voting decision. Clients may obtain a copy of Cibolo's proxy voting policies and procedures and a record of all proxy votes cast upon request.

## **Item 18: Financial Information**

A balance sheet is not required to be provided as Cibolo (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 Investors, or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.