

ESP Investment Advisors LLC  
Part 2A of Form ADV  
The Brochure

5956 Sherry Lane  
Suite 900  
Dallas, TX 75225  
(214) 987-6100  
[www.energyspectrum.com](http://www.energyspectrum.com)

March 25, 2020

This brochure provides information about the qualifications and business practices of ESP Investment Advisors LLC (“ESP” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 214-987-6100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## **Item 2: Material Changes**

ESP became registered as an investment adviser with the SEC on October 31, 2019. Accordingly, pursuant to disclosure rules under the Investment Advisers Act of 1940 (the “Advisers Act”), this is the second Brochure compiled by ESP to provide new and prospective clients or investors with disclosure of its business practices. ESP encourages all recipients of this Brochure to read it carefully in its entirety. This Item 2 will identify and discuss the material changes since filing for registration on September 27, 2019 to assist investors and make them aware of certain information that has changed since the previous Brochure and that may be important to them.

On December 19, 2019, Energy Spectrum Partners V LP (“Fund V”) and its general partner, Energy Spectrum Capital V LP (“ESC V”) each were dissolved and are no longer in business. Thus, Fund V has ceased to be a client of ESC, the relying adviser in this Form ADV.

### **Subsequent Events:**

**Novel Coronavirus (COVID-19):** Beginning in late 2019 an outbreak of this new highly infectious viral disease first appeared in China and ultimately led the WHO to declare a pandemic in March 2020 with serious public health concerns globally. It triggered a worldwide economic contraction which, among other consequences, is expected to cause a material decline in oil demand.

**Oil Supply Glut:** In early March 2020 Saudi Arabia and Russia could not reach agreement on extending or expanding their respective crude oil supply curtailment plans and instead announced dramatic crude oil supply increases. As a consequence, crude oil prices fell precipitously. This also curtailed public capital availability for the energy industry. This development may increase the importance of certain risk factors to be evaluated by ESP and/or its portfolio companies when making investment decisions. However, as an adviser to clients with a long-term investment horizon, ESP may now be able to identify investment opportunities, with less competition from those relying upon access to public capital, which have acceptable risk profiles and very attractive return potentials, especially when assuming historic oil price cycles are replicated once again.

### **Item 3: Table of Contents**

Item 4: Advisory Business .....	1
Item 5: Fees and Compensation.....	1
Item 6: Performance-Based Fees and Side-By-Side Management .....	4
Item 7: Types of Clients.....	4
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9: Disciplinary Information .....	10
Item 10: Other Financial Industry Activities and Affiliations .....	10
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
Item 12: Brokerage Practices .....	12
Item 13: Review of Accounts .....	12
Item 14: Client Referrals and Other Compensation.....	13
Item 15: Custody.....	13
Item 16: Investment Discretion.....	13
Item 17: Voting Client Securities .....	13
Item 18: Financial Information .....	14

#### **Item 4: Advisory Business**

ESP is an investment adviser focused on managing privately pooled investment vehicles (individually, a “Fund”, collectively, the “Funds”). ESP provides investment management and supervisory services to the Funds in accordance with the investment objectives and strategies set forth in the applicable governing documents. The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”) and the Funds securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The primary purpose of the Funds is to make private equity investments in lower middle-market companies that acquire, develop and operate energy assets in the U.S., Canada and Mexico (as warranted). ESP expects that most investments by the Funds will be made in companies with business plans expected to result in enterprise values of \$100 to \$500 million. The Funds will follow a venture capital strategy and will seek to realize equity returns by making negotiated equity investments with entrepreneurial, owner-managed companies that have the ability to grow and create equity value.

The Company has full discretionary authority with respect to investment decisions, and its advice with respect to the Funds is tailored according to the investment objectives, guidelines, and requirements as set forth in the applicable governing documents. The Company may enter into agreements with one or more investors which have the effect of altering or supplementing the terms of the offering to the specific investor. Any terms contained in such agreements to or with an investor shall govern with respect to such investor notwithstanding the provisions of the Fund’s governing documentation.

ESP is a Delaware limited liability company that was formed and began operating in 2018. ESC Investment Advisors LLC (“ESC”), the relying adviser in this Form ADV, is a Delaware limited liability company that was formed and began operating in 2011 as a result of the Dodd Frank Act. The common interests of both ESP and ESC are wholly-owned by Energy Spectrum Securities Corporation (“ESSC”), a Texas corporation formed in 1997 with controlling interests held by ESP’s President and Managing Directors, Thomas O. Whitener, Jr., James P. Benson and James W. Spann. Prior to the formation of ESSC, the principals had formed and managed the first of the prior funds in 1996. As of December 31, 2019, ESP and ESC collectively advised approximately \$2.16 billion of regulatory assets under management on a discretionary basis for the Funds.

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

The fees and expenses applicable to the Funds are set forth in detail in each of the Funds’ respective offering documents (e.g. private placement memorandum, limited partnership agreement (the “Fund LPA”), and subscription agreement). A brief summary of fees and expenses is provided below.

##### Management Fees

ESP is entitled to receive management fees (“Management Fees”) for the investment management and advisory services provided to the Funds. Management Fees are typically calculated based on

committed capital, with respect to each Fund, at a rate 2.0%, unless other financial arrangements exist, until the end of the investment period. Management Fees may be reduced during the life of a Fund. Management Fees paid by a Fund may also be reduced by other fees or compensation received by ESP or its affiliates that relate to such Fund's activities and investments, or by certain organizational or other expenses borne by such Fund, as described in more detail below.

Management Fees are paid semi-annually in advance (per the dates set forth in the relevant Fund Documents).

The amount of, and the manner and calculation of, the Management Fees for each Fund are established by ESP and are set forth in such Fund's governing documents received by each investor prior to investment in such Fund. Fees may differ from one Fund to another. ESP may cause all or any portion of any payment of the Management Fee paid by any Fund to be deferred or waived from time to time in its sole discretion.

#### Other Fees

Transaction fees, advisory fees, monitoring fees, directors' fees, and other similar fees from portfolio companies (or potential portfolio companies in the case of break-up fees) received by ESP or one or more of its affiliates ("Other Fees") will reduce the Management Fee by an amount specified in the relevant Fund Documents. In general, the offset is 100% net of expenses.

#### Carried Interest Allocations

In addition to Management Fees, in general ESP affiliates are also entitled to receive a carried interest or incentive allocation from each Fund of up to 20% of the cumulative net profits of such Fund after full return of capital plus a preferred return. An ESP affiliate's entitlement to carried interest is subject to clawback provisions and other more detailed allocation and distribution provisions set forth in the Fund Documents of each Fund.

#### Expenses

##### *Fund Expenses*

Expenses attributable to each Fund are described in the respective Fund's governing documents, including those to be borne by each General Partner and those to be treated as incremental Partnership Expenses (as defined therein). Fund expenses may include, but are not limited to, the following:

- all costs and expenses relating to the operations and activities of the Fund, such as those related to (a) initiating, investigating, evaluating or researching (including expenses for subscribing to periodicals, databases or research services), negotiating, structuring and arranging investment opportunities and acquiring Portfolio Investments (including reverse break-up, termination and other similar fees), (b) monitoring, managing, evaluating, restructuring, reorganizing, refinancing, or recapitalizing any Portfolio Investment or other Fund asset, (c) initiating, investigating, evaluating, researching, negotiating, structuring, arranging and effectuating exit strategies for, or the disposition of, any Portfolio Investment

or other Fund asset, (d) maintaining, operating and managing the Fund or (e) seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, third-party software and service providers, consultants or other professionals in connection therewith and any fees and expenses related to transactions that are offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful;

- all (i) financing, commitment, origination and similar fees and expenses, (ii) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, sales or private placement fees or commissions, (iii) fees for custodial, depository, trustee, record-keeping, account and similar services, (iv) fees and expenses of accountants, attorneys, consultants, custodians, engineers, brokers, financial advisors, investment bankers, and other professional advisors incurred by the Partnership or by the General Partner on behalf of the Partnership or that relate to appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services) and consulting services or administration (including fees and expenses associated with any third-party administrator for the Partnership and administration, tracking or reporting software, if any),
- all reasonable travel expenses (including lodging and meals) and entertainment expenses incurred by officers or employees of the General Partner in connection with the business of the Fund that are not reimbursed by a Portfolio Company
- to the extent provided in the Fund LPA, or otherwise approved by the General Partner in its sole discretion, all fees and expenses related to activities or proceedings of the Advisory Committee (including any reasonable out-of-pocket fees, costs and expenses incurred by representatives of the Fund, the General Partner, members of the Advisory Committee or other persons attending or otherwise participating in meetings of the Advisory Committee) and certain reasonable fees and expenses of independent counsel and other professional advisors engaged by the Advisory Committee;
- all fees and expenses incurred in connection with any Annual Meeting or any other periodic, if any, meetings of the Limited Partners and any other conference or meeting with any Limited Partner or Limited Partners, in each case to the extent incurred by the Fund, the General Partner, the Investment Advisor or any of their respective affiliates;
- all fees, costs and expenses related to amendments to, and waivers, consents or approvals pursuant to, the Fund LPA or any constituent documents of the Fund including the preparation, distribution and implementation thereof;
- all fees, costs and expenses incurred in connection with the registration, qualification or exemption of the Fund under any applicable federal, state, or local law, all other fees and expenses imposed by any governmental authority with respect to the Fund's operations or assets and all fees, costs and expenses incurred in complying with any law or regulation related to the activities of the Fund (including the Freedom of Information Act, any state public records access law, or any similar laws);
- all fees, costs and expenses relating to the preparation, delivery or filing of any financial statements of the Fund, the local, state and federal income, franchise and other tax returns of the Fund, tax estimates, or other administrative, compliance or regulatory filings or reports, other regulatory reports and filings of the Fund, and all other documents, opinions, valuations, appraisals and reports required to be delivered to the Partners pursuant to the

provisions of the Fund LPA, including fees and costs of any third-party service providers and professionals related to the foregoing;

- all insurance costs and expenses, and all costs and expenses incurred in connection with any obligations to provide indemnification or contribution pursuant to the FundLPA, pursuant to any approval of the Partners or as a matter of law (including any fees, costs and expenses incurred in connection with indemnifying any Partner or other person and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification);
- all organizational expenses of such Fund, subject to certain limitations, as defined in the Fund LPA; and
- all fees and expenses incurred in connection with the dissolution, winding up, liquidation and termination of the Partnership.

Please refer to Item 14 “Client Referrals and Other Compensation” below for additional expenses that may be borne by the Funds, and additional compensation that may be received by ESP and the General Partner. ESP negotiates fees during the process of raising a new fund.

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

As disclosed above and in each Fund’s governing documents, each Fund may pay a carried interest of up to 20% of the cumulative net profits generated from the sale or disposition of Fund assets, after the return of capital plus a preferred return, to an affiliate of ESP. The carried interest may create an incentive for ESP and/or the General Partner to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments, than would be made if such carried interest were not allocated to such ESP affiliates. The Company has adopted and implemented written compliance policies and procedures that are designed to address this and other conflicts of interest, as discussed below in Item 11, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”. Further, ESP believes that the above conflict of interest is substantially mitigated since the interests of ESP and the General Partners are aligned with investors in the Funds (*i.e.*, the General Partner is an investor in the Funds and invest *pari passu* in all Fund investments with the investors). Carried interest is generally subject to clawback provisions and such other more detailed provisions set forth in the Fund Documents.

**It is critical that investors refer to the relevant Fund Documents for a complete understanding of the calculation of the Funds’ performance-based fees and related expenses. The information contained in Item 6 is a summary only and is qualified in its entirety by the relevant Fund Documents.**

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

ESP provides investment management and advisory services, as described above in Item 4, “Advisory Business”, to the Funds. Investment advice is not provided individually to the limited partners of the Funds. Investment in the Funds is generally only available to institutional investors and certain high net worth investors that are “accredited investors”, “qualified clients” and “qualified purchasers”, within the meaning of the Securities Act, the Advisers Act and the

Investment Company Act, respectively. Investments may be accepted from certain investors who are not “qualified purchasers”, but who are “accredited investors” and “qualified clients”, in the discretion of ESP or the General Partner. If an investment is accepted from any investor who is not a “qualified client”, such investor will not be required to pay any performance fees in connection with its investment.

Investors in the Funds are generally required to make a capital commitment or investment of no less than a required minimum amount as set forth in each of the Funds respective governing documents. At its discretion, ESP or the General Partner may waive or lower the minimum capital commitment amount.

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

As disclosed above, the Funds will make private equity investments in lower middle-market companies that acquire, develop and operate energy assets in the U.S., Canada and Mexico (as warranted), and expects that most of the Fund’s investments will be made in companies with business plans expected to result in enterprise values of \$100 to \$500 million. The Funds will follow a venture capital strategy and will seek to realize equity returns by making negotiated equity investments with entrepreneurial, owner-managed companies that have the ability to grow and create equity value.

The Funds will focus the investment activities primarily on midstream assets and services within the energy industry, such as, but not limited to, crude oil, natural gas liquids (“NGLs”), natural gas and water gathering and transportation systems, processing and treating facilities, storage facilities and petrochemical and refined products transportation systems and storage facilities.

ESP implements a rigorous investment analysis to pursue investment opportunities in attractive and growing segments of the energy industry. In order to mitigate financial risk, ESP focuses primarily on companies that have or are expected to attain many of the following attributes:

- experienced, entrepreneurial management teams;
- assets with definable and/or relatively predictable cash flows;
- attainable business plans;
- significant growth potential with appropriate strategy execution;
- sustainable market positions;
- low-cost operating structures;
- potential for efficient debt financing;
- targeted enterprise values of \$100 to \$500 million; and
- potential for multiple exit alternatives.

ESP has an investment committee (the “**Investment Committee**”), which makes all investment decisions for the Funds. All investment opportunities for the Funds are evaluated by the Investment Committee and require the majority approval of the members of the Investment Committee at a meeting of the Investment Committee at which a quorum is present. The Investment Committee is



composed of officers of the continuing adviser, including all of the Principals of one or more of the Funds.<sup>1</sup>

## Risks

All investing involves a risk of loss that the Funds and their investors should be prepared to bear. ESP cannot give any guarantee that it will achieve a Fund's investment objectives or that the Funds will receive a return on their investments. The past performance of investment strategies such as those implemented by ESP is not indicative of their future results. Investors should ultimately refer to their Fund's respective private placement memorandum or other offering documents for detailed risk disclosures that specifically address risks of each Fund's investment strategies, methods of analysis, and/or particular types of investments recommended. Below is a summary of potential material risks relating to the investment strategy and the methods of analysis typically used by, and/or the particular types of investments typically recommended for, the Funds.

**The following risks do not purport to be a complete explanation of all the risks involved in acquiring an interest in the Funds. Potential investors are urged to read the entire private placement memorandum and other Fund Documents before making a determination whether to invest in any private investment fund sponsored by ESP or its affiliates.**

- **Energy Industry Concentration** – The Funds' investments will be concentrated in the energy industry and will be subject to numerous risks that affect the energy industry as a whole or specific sectors within that industry. Moreover, the Funds' investment activities will focus primarily on "midstream" assets within the energy industry, including crude oil, NGLs, natural gas and water gathering and transportation systems, processing and treating facilities, storage facilities and petrochemical and refined products transportation systems and facilities. Because of the concentration of the Funds' investments in the energy industry and specifically the "midstream" sector, returns from an investment in the Funds may be subject to greater risk than an investment in a portfolio of investments that represents a broader range of industries.
- **Nature of Energy Industry Investments** – Investments in the energy industry or any sector thereof are subject to a variety of risks, not all of which can be foreseen or quantified. For example, it is expected that the success of many of the Funds' investments will be affected by fluctuations in the level of infrastructure and services required to support upstream activity. Historically, such activity has been cyclical and has been influenced by many factors over which the Funds have no control and which may be difficult for the General Partners to predict. Such factors include, among others: (1) the market prices of crude oil, NGLs and natural gas; (2) market expectations about future prices; (3) the volatility of such prices; (4) the demand for crude oil, NGLs and natural gas; (5) the cost of producing and delivering crude oil, NGLs and natural gas and of importing/exporting crude oil, NGLs and natural gas into/from the U.S.; (6) government regulations and trade restrictions; (7) local and international political and economic conditions; (8) levels of production by, and other

---

<sup>1</sup> ESC's Investment Committee, which consists of six members of the ESP Investment Committee, makes the investment decisions for the earlier Funds listed in Item 10.

activities of OPEC and other producers; (9) the development of new technologies and alternate energy sources; (10) the long-term effects of worldwide energy conservation measures; (11) weather and climate conditions; (12) the availability and capacity of transportation facilities; (13) the relative competitive positions of fossil fuels and alternative energy products as a source of energy; (14) the industry-wide refining or processing capacity for fossil fuels; and (15) a variety of additional factors, including the effects of a new viral disease on general economic conditions.

- **Fluctuations in Crude Oil, Natural Gas, NGLs, Petrochemical and Refined Products Prices** – The revenues and profitability of certain Portfolio Companies are likely to be significantly affected by future prices of and demand for crude oil, natural gas, NGLs, petrochemical and refined products, which are inherently uncertain. The Fund cannot predict future market prices for these commodities or the effect that any price fluctuations would have on future conditions in the energy industry as a whole or a specific sector of that industry. Prices for crude oil, natural gas, NGLs, petrochemical and refined products have fluctuated greatly in the past, and prices for many of these commodities have seen depressed levels in recent years. Fluctuations in the prices of these commodities are due to numerous factors beyond the control of the Funds, including the local and worldwide supplies of crude oil, NGLs, petrochemicals and natural gas, the development of new technologies that have improved the ability of market participants to access reserves and increase production (particularly in the U.S.), political instability or armed conflict in regions producing crude oil and natural gas, the availability, moderation and price of foreign imports and domestic exports, the level of consumer demand, the effects on demand by a pandemic, the price and availability of alternative fuels and changes in government regulation, taxation and price controls. The volatile nature of commodities markets, the development of new technologies and the unpredictability of actions of commodities-exporting countries, including the United States, make it particularly difficult to estimate future prices of commodities and to quantify all risks associated with commodity price movements.
- **Illiquid Investments** – Most, if not all, of the investments to be made by the Funds will be highly illiquid, and there can be no assurance that the Funds will be able to realize a return on such investments in a timely manner or at attractive prices. The sale of any such investments may be subject to significant delays and the incurrence of additional costs, and it may be possible to execute a sale only at a substantial discount. As a result, the Funds approach their investments as a long-term commitment, with no certainty of return. The Funds will invest primarily in unregistered equity securities, which cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction that is exempt from registration under the Securities Act and complies with all other U.S. and non-U.S. securities laws. Furthermore, there is often no readily available public market for the sale of these securities. As a result, such securities often must be held for a significant period of time. In addition, the sale or other disposition of such securities will often be subject to restrictions under the terms of the governing documents of the issuing company or agreements entered into in connection with the investment made by the Funds.

- **Board Representation and Control Positions** – It is anticipated that the Funds will appoint representatives to serve as members of the boards of directors, boards of managers or similar governing bodies (the “Boards”) of many, if not all, of the Portfolio Companies in which it makes an investment and frequently will have control positions by appointing a majority of the Boards’ members. While such representation is important to the Funds’ investment philosophy and should enhance the Funds’ ability to oversee its investments, it creates certain additional risks. For example, it could expose the Funds or its personnel to claims by a Portfolio Company, its security holders or its creditors. In addition, the exercise of control over a company poses additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability characteristic of a Portfolio Company may be disregarded.
- **Joint Ventures and Partnerships** – It is expected that some of the Funds’ investments will be made through joint ventures or partnerships between the Funds or a Portfolio Company or an affiliate of the Funds and one or more third parties. The investment by the Funds in a joint venture or partnership that conducts a particular project or holds a particular asset may involve risks not present in a direct investment. For example, it is possible that a co-venturer or partner of the Funds could become bankrupt or insolvent, have economic or business interests or goals that are inconsistent with those of the Funds or take actions that are contrary to the policies or objectives of the Funds. The Funds’ ability to enhance an investment, whether through operational improvements or otherwise, could be limited with respect to projects as to which control is shared with one or more third parties and could lead to larger than expected Portfolio Company capital commitments to protect such investments.
- **Regulation of the Energy Industry** – The energy industry is affected from time to time in varying degrees by political developments and a wide range of federal, state and local statutes, rules, orders and regulations. For example, crude oil, NGLs and natural gas production, operations and economics are or have been affected by price controls, taxes and other laws relating to the crude oil, NGLs and natural gas industry, by changes in such laws and by changes in administrative regulations. In addition, various federal, state and local laws and regulations relating to the protection of the environment may affect the operations and costs of the companies engaged in the energy industry and the “midstream” sector. These laws and regulations may (1) require that permits or approvals be obtained in order to construct or operate facilities and conduct related activities, (2) restrict the types, quantities and concentration of various substances that can be released into the environment, (3) require reporting of the storage, use or release of certain chemicals and hazardous substances, (4) require removal or cleanup of contamination under certain circumstances, which may require the expenditure of material amounts over a significant period of time, and (5) impose substantial civil liabilities or criminal penalties. Moreover, there has been a trend in recent years toward stricter standards in environmental, health and safety legislation and regulation, which could impact the success of companies in which the Funds invest.
- **Crude Oil and Natural Gas Exploration and Development Risks** – Companies with which Portfolio Companies do business may be subject to risks inherent in the exploration for and

development of reserves, including the need to make substantial capital expenditures to identify prospects, drill and complete wells and conduct development and production operations, and the possibility that insufficient recoverable crude oil, NGLs and natural gas reserves may be encountered. Such companies may also be subject to the risks associated with unusual or unexpected mechanical failures, fires or explosions and pollution or other environmental risks. These hazards 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. There can be no assurance that Portfolio Companies or the companies with which they do business will be able to fully insure against all risks associated with their businesses, either because such insurance is not available or because the cost of such insurance would be prohibitive.

- **Petrochemical and Refined Products Industry Risks** – Companies with which Portfolio Companies do business may be subject to risks inherent in the operation and construction of petrochemical and refinery plants, including the need to make substantial capital expenditures to upgrade facilities, switch to more economic feedstocks or meet more-stringent environmental requirements. Such companies may also be subject to the risks associated with unusual or unexpected mechanical failures, fires or explosions and pollution or other environmental risks. These hazards 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. There can be no assurance that Portfolio Companies or the companies with which they do business will be able to fully insure against all risks associated with their businesses, either because such insurance is not available or because the cost of such insurance would be prohibitive.
- **Opposition to Portfolio Company Operations** – It is not uncommon for energy industry participants to be exposed to a variety of other legal risks, including legal action from special interest groups. Special interest groups may use legal processes to seek to impede particular projects to which they are opposed. Portfolio Companies may face opposition to the operation or expansion of their businesses or facilities from environmental groups, landowners, tribal groups, local groups and other advocates. Such opposition could take many forms, including organized protests, attempts to block or sabotage operations, intervention in regulatory or administrative proceedings involving Portfolio Company assets, or lawsuits or other actions designed to prevent, disrupt or delay the operation of Portfolio Company assets and business. In addition, acts of sabotage or eco-terrorism could cause significant damage or injury to people, property or the environment or lead to extended interruptions of Portfolio Company operations.
- **Cybersecurity** – The General Partners, the Investment Advisors, the Funds or their Portfolio Companies may face cybersecurity threats to gain unauthorized access to sensitive information, including information regarding the Limited Partners and the Funds' investment activities or to render data or systems unusable, which could result in significant losses. If such events were to materialize, they could lead to losses of sensitive information or capabilities essential to the General Partners', the Investment Advisors', the Funds' or the Portfolio Companies' operations and could have a material adverse effect on their reputations, financial positions, results of operations or cash flows, could lead to financial

losses from remedial actions, loss of business or potential liability or could lead to the disclosure of Limited Partners' personal information. Cybersecurity attacks are evolving and include malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, corruption of data and loss of operational control of assets, which could increase the risk of fire or environmental damage. The General Partner's, the Investment Advisor's, the Funds' or the Portfolio Company's controls and procedures, business continuity systems and data security systems could prove to be inadequate. These problems may arise in one or more of such entities' internally developed systems and the systems of third-party service providers.

**It is critical that investors refer to the relevant Fund Documents for a complete understanding of ESP's investment strategies and methods of analysis. The information contained herein is a summary only and is qualified in its entirety by such documents.**

#### **Item 9: Disciplinary Information**

ESP and 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.

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

ESP is affiliated with the Fund that it advises as listed below:

- Energy Spectrum Partners VIII LP

The general partner for the above listed Fund is Energy Spectrum Capital VIII LP. ESP does not believe that this affiliation creates a material conflict of interest with the Fund or with investors in that Fund.

In addition to the above, ESP's relying adviser, ESC, serves as the investment adviser to the following Funds:

- Energy Spectrum Partners VI LP
- Energy Spectrum Partners VII LP

The general partners for the above listed Funds are Energy Spectrum Capital VI LP and Energy Spectrum Capital VII LP. ESP does not believe its affiliation with ESC creates a material conflict of interest for any of its Funds or the investors in those Funds.

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

##### Participation in Client Transactions

ESSC, the owner of ESP, its employees or a related entity (collectively "Related Persons"), will generally have an investment in the Funds managed by ESP via ownership of the general partners. As a result, Related Persons have an interest in the Funds' investments.

## Conflicts of Interest

ESP has adopted and implemented written compliance policies and procedures that are designed to address conflicts of interest. ESP further mitigates conflicts primarily through specific limitations and disclosures outlined in each Fund's respective Fund Documents to act in the best interests of the Funds and to disclose (potential) conflicts of interest to the Funds and their investors and/or to a Fund's Limited Partner Advisory Committee.

## Code of Ethics and Personal Trading

ESP strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, ESP has adopted a Code of Ethics (the "Code"). Employees must use reasonable care and exercise independent judgment when conducting investment analysis, making investment recommendations, making investment transactions, promoting ESP's services, and engaging in other professional activities. ESP expects all employees to adhere to the highest standards with respect to any potential conflicts of interest with either the Funds or investors. As a fiduciary, ESP must act in the Funds' best interests at all times.

The Code governs personal trading by ESP officers, all other supervised persons and all non-supervised persons who have access to nonpublic information regarding any Fund's investments or trading, who are involved in making securities recommendations to the Funds or who have access to nonpublic securities recommendations (any such person, an "Access Person"), including that Access Persons disclose their personal securities holdings and transactions to ESP on a periodic basis. ESP's Code requires Access Persons to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, 3) provide ESP with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Access Persons have a direct or indirect beneficial interest, and 4) subject such holdings and transactions to review by the CCO or his designee. The Code also includes a Restricted Trading List, which includes securities in which no Access Person may place trades. In addition, the Code includes reporting requirements and restrictions designed to supervise the giving or receiving of gifts and entertainment, and employees' outside business activities. The Code requires ESP and its employees to pre-clear certain political donations. Also, policies and procedures for reporting, investigating, and treating violations are included in the Code.

Investors may request a copy of the Code by contacting ESP at the address or telephone number listed on the first page of this document.

ESP also maintains insider trading policies and procedures that are designed to prevent the misuse of material, non-public information. ESP's personnel are required to certify to their compliance with the Code, including the Insider Trading Policies, on a periodic basis.

## **Item 12: Brokerage Practices**

ESP focuses on making investments in private securities. The Funds therefore do not typically deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable in connection with investments made by the Funds. To the limited extent ESP transacts in public securities, it intends to select brokers based upon the broker's ability to provide best execution for the Funds. Similarly, ESP attempts to ensure that the Funds pay no more than the perceived fair value for portfolio companies as well as reasonable fees for services necessary to complete the transactions.

ESP recognizes that the analysis of execution and implementation quality involves a number of factors, both qualitative and quantitative. In implementing transactions for the Funds, ESP will take into account the full range of applicable factors when hiring third party service providers or other intermediaries for the purpose of completing transactions. Factors include general expertise and background, the type and size of the transaction involved, the stability or solvency of the service provider or counterparty, settlement capabilities, time required to complete the role sought, research services or any arrangements relating to overall performance in the best interest of the Funds.

ESP is generally authorized to make the following determinations, subject to the Funds' investment objectives and restrictions, without obtaining prior consent from the relevant Funds 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.

ESP does not participate in any soft dollar arrangements with any broker.

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

The Funds are monitored on a continuous basis by personnel at ESP. The progress of all Portfolio Companies is monitored on an ongoing basis and is subject to the supervision and review by ESP investment professionals. ESP seeks to continuously provide value-added insight and support to the Portfolio Companies management teams and often interacts with them on a daily or weekly basis. ESP regularly reviews the status of the Portfolio Companies' business plans and performance metrics to maximize value and make changes as necessary. ESP investment professionals are typically members of the Boards for each Portfolio Company, which meet at least quarterly and usually monthly, with ESP generally in a control position of such Portfolio Companies. As such, the ESP investment professionals will normally review, approve and monitor the annual budgets proposed by each Portfolio Company."

ESP provides written quarterly and annual reports to investors in the Funds. Such quarterly reports aim to provide updated information on investments and includes unaudited financial statements of the Funds. The annual report will include audited financial statements for each of the Funds. Information relating to each new investment is communicated to investors in the applicable capital call notice, and distribution notices will also contain information regarding the applicable investment(s). ESP also holds an annual investor meeting for all Funds.

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

ESP's clients are the Funds. The Company does not compensate any third parties for client referrals. However, ESP and its affiliates may enter into placement agent arrangements whereby third parties introduce investors to the Company or the Funds. Placement agents may collect fees from the general partners.

ESP and its affiliates may receive merchant banking, investment banking, transaction, or similar fees with the Funds and their Portfolio Companies. Any such fees offset the Company's management fees, as described in each Fund's governing documents.

#### **Item 15: Custody**

ESP has access to the Funds' assets since it or a related person serves as the investment adviser, general partner, or managers of the Funds. Investors will not receive statements from any custodians. To comply with the Advisers Act Custody Rule (*i.e.*, Rule 206(4)-2) and to provide meaningful protection to investors, the Funds are subject to an annual financial statement audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements will be prepared in accordance with generally accepted accounting principles, and distributed to investors in accordance with Rule 206(4)-2 and delivery requirements stated in the Funds governing documents.

#### **Item 16: Investment Discretion**

In accordance with the execution of terms and conditions disclosed in the Funds governing documents, and subject to the direction and control of the General Partners, ESP has discretionary authority to determine the investments 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. Any limitations on this authority are included in the Funds' governing documents, investor side letters, and/or ESP's internal compliance policies and procedures.

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

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, ESP has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that ESP receives will be treated in accordance with these policies and procedures. A copy of ESP's written proxy and voting policies and procedures, as well as a record of how ESP has voted in the past, will be maintained and available for review upon request.

A preponderance of the investments held by the Funds are private companies which typically do not issue proxies. However, in the event proxies are required to be voted, ESP will vote its clients' proxies in the best interest of its clients and not its own.

Any request made by an investor for ESP's policies and procedures as well as information related to any proxies voted by ESP, must be promptly reported to the CCO. ESP shall furnish the



information requested by any such investor within a reasonable time period and maintain a copy of the investor's request and the information furnished by ESP.

**Item 18: Financial Information**

A balance sheet is not required to be provided as ESP (1) does not solicit fees more than six months in advance, (2) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (3) has not been subject to any bankruptcy proceeding during the past 10 years.