



Bayswater Management Company, LP

Form ADV: Part 2A – Firm Brochure

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Form ADV, Part 2A (the “Brochure”) provides information about the qualifications and business practices of Bayswater Management Company LP and its affiliates (the “Adviser”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting www.sec.gov/about/forms/formadv-part2.pdf. If you have any questions about the contents of this Brochure, please contact Victor Wind by telephone, at 303.893.2503 , or by e-mail, at vwind@bayswater.us.

Additional information about the Adviser is also available on the SEC’s website at: www.adviserinfo.sec.gov. The Adviser is registered as an investment adviser with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Item 2 – Material Changes

The Adviser filed its last annual amendment to the Brochure in March 2019. A summary of the material changes made to this Brochure since the date of the last filing is set forth below:

- Updated Regulatory Assets Under Management as of December 31, 2019. **See Item 4.**
- Added key risk factors. For a more complete discussion of risks, investors should refer to the appropriate offering documents. **See Item 8.**
- Confirmed that Bayswater Resources co-invests alongside the Funds at the same time as and on the same economic terms and conditions (other than fees or carried interest) as the Fund. **See Item 10.**
- Identified an affiliated entity established to conduct warehoused transaction for Fund IV. **See Item 10.**
- Provided additional detail regarding warehoused transactions in Fund IV, consistent with disclosures in fund governing documents. **See Item 11.**
- Included additional disclosure of the Adviser's policies regarding gifts and entertainment and political contributions. **See Item 11.**
- Noted the placement agreement between the Adviser and Stanwich Advisors, LLC in connection with the Fund IV fundraise, and the nature of compensation thereunder. **See Item 14.**

The information set forth in this brochure is qualified in its entirety by the applicable fund offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering and/or governing documents, such documents will control.

We encourage all clients and investors to carefully review this document in its entirety.

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Item 4 – Advisory Business

Bayswater Management Company LP (the “Adviser”) is an investment advisory firm organized as a Delaware limited partnership. Bayswater Management GP, LLC is the general partner of the Adviser. Stephen Struna and Lynn Belcher are principal owners of the Adviser.

The Adviser conducts its advisory business through affiliated entities. Specifically, Bayswater Fund III-A GP, LLC, Bayswater Fund III-B GP, LLC, Bayswater Fund IV-A GP, LLC, Bayswater Fund IV-B GP, LLC and other entities that the Adviser may create from time to time (together “Affiliated Entities”) are not registered investment advisers. Instead, the Affiliated Entities rely on the Adviser’s registration in accordance with SEC guidance. See Item 10. This Brochure describes the business practices of the Adviser and its Affiliated Entities, as a single advisory business.

The Adviser currently provides discretionary investment management services to private funds, Bayswater Elgin Natural Resources Fund III-A, LP (“Fund III-A”), Bayswater Elgin Natural Resources Fund III-B, LP (“Fund III-B” and together with Fund III-A, “Fund III”), Bayswater Natural Resources Fund IV-A, LP (“Fund IV-A”), Bayswater Natural Resources Fund IV-B, LP (“Fund IV-B” and together with Fund IV-A, “Fund IV”) and may in the future serve as investment manager for other private fund (each, a “Fund” and collectively, the “Funds”). The Adviser does not have a separate client relationship with investors within the Funds, which are referred to throughout this manual as “Limited Partners” or “Investors”.

As disclosed in each of the Fund III and Fund IV offering documents, the Company also manages Bayswater Resources, LLC (“Bayswater Resources”), an entity that co-invests alongside the Funds in each investment asset. The Funds and Bayswater Resources are together referred to as “Clients”.

The Adviser’s services to the Funds consist of (i) investigating, identifying and evaluating investment opportunities; (ii) structuring, negotiating and making investments on behalf of the Funds; (iii) managing and monitoring the performance of such investments; and (iv) exiting such investments on behalf of the Funds. The Adviser’s services to each Fund are subject to the specific investment objectives and restrictions applicable to such Fund, as set forth in such Fund’s limited partnership agreement, Private Placement Memorandum, and other governing documents (collectively, the “Governing Documents”).

The Funds are offered exclusively to individuals and other persons who qualify as “accredited investors” under Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and/or “qualified purchasers” as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Company Act”) and are therefore not required to register as investment companies with the SEC in accordance with the exemptions set forth in Sections 3(c)(1) or 3(c)(7) of the Company Act.

Investors and prospective investors in each Fund should refer to the Governing Documents of that Fund for information on the investment objectives and investment restrictions with respect to that Fund. There can be no assurance that any of the Funds’ investment objectives will be achieved. As such, the Adviser’s services are generally not tailored to the individualized needs of any particular investor of the Fund. Since the Adviser does not provide individualized advice to investors (and an investment in the Fund does not, in and of itself, create an advisory relationship between the investor and the Adviser), investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

As of December 31, 2019, the Adviser had approximately \$1.2 billion in regulatory assets under management. The Adviser manages all Client assets on a discretionary basis.

All discussion of the Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Funds, and conflicts of interest faced by the Adviser in connection with the management of the Funds are qualified in their entirety by reference to each Funds' respective Governing Documents.

Item 5 – Fees and Compensation

Management Fees

In consideration for its services, the Adviser typically receives a management fee from each of the Funds, which is generally equal to a percentage of the total capital commitments to such Fund. The fee percentage and/or the base upon which the fee is calculated may vary with the size of the Fund and may also vary over the life of the Fund, as negotiated and determined at the time the Fund is established and as set forth in its Governing Documents. The percentage of the management fee is calculated based on each investor's aggregate capital commitment in such Fund. Upon occurrence of certain events that are fully described in the Governing Documents of each Fund ("Adjustment Date"), the management fee generally accrues at an annual rate based on a percentage of the aggregate capital contributions of all investors used to make investments in portfolio companies that have not been sold or written off.

In addition, the Adviser typically receives certain allocations and distributions calculated and charged based on a share of capital gains on or capital appreciation of the assets of such Funds, as negotiated and determined at the time such Funds are established and as set forth in its Governing Documents. These allocations and distributions are commonly known as "carried interest." The Adviser and its affiliates generally do not receive carried interest until all investors have received aggregate distributions equal to the sum of their capital contributions to the Funds.

The management fees and carried interest distributions generally are not negotiable. However, the Adviser and/or the general partner of the Funds have discretion to reduce or waive management fees and/or carried interest distributions. Employees of the Adviser generally are not subject to management fees or carried interest. Certain Investors may negotiate different management fees or carried interest provisions in side letter or other agreements with the Adviser.

Management fees are typically funded or withheld from proceeds and/or revenues from investments but may also be funded with capital contributions paid quarterly, in advance. Carried interest distributions generally will be distributed to the Adviser's affiliates from time to time upon the disposition of investments by a Fund and are distributed to such affiliate in accordance with the terms of the applicable Governing Documents.

As stated above, the Adviser charges management fees quarterly, in advance. The Adviser will refund any pre-paid management fee by a Fund if the advisory contract with such Fund is terminated before the end of the billing period. Management fee refunds are calculated on a pro-rata basis for partial periods.

Expenses

Expenses are incurred and/or paid by the Adviser or an affiliate in connection with managing the Funds and the underlying investments in each Fund. In addition, expenses are incurred by an affiliate in connection with acting as the "operator" of certain oil and gas investments. The Adviser will attempt to allocate all expenses fairly and equitably to the party(ies) that benefit from such expenses, consistent with Fund governing documents and consistent with the Council of Petroleum Accountants Societies, Inc. ("COPAS") accounting procedures. In general, expenses are allocated between 1) the Adviser or an affiliate; 2) the Funds; 3) Bayswater Resources; and 4) the investment properties and/or all working interest owners of such investment properties.

Subject to certain limitations, the Funds will bear all costs and expenses incurred in connection with the organization of the Funds and any other entity pertaining to the Funds, as well as the offering of interests, including any third party legal and accounting fees, printing costs, reasonable travel and administration expenses, and out-of-pocket expenses ("Organizational Expenses").

The Funds will be responsible for all expenses relating to its own operations ("Fund Expenses"), including fees, costs and expenses directly related to the purchase and sale of the portfolio investments (including its pro rata share of expenses associated with the operations of natural gas and oil properties acquired as prescribed under industry standard joint operating agreements such as well-based operator fees), expenses of custodians, counsel and accountants, any insurance, indemnity or litigation expenses, all costs of the Funds' administration and preparation of its financial statements and reports to investors, costs of the valuation agent's services and expenses, costs of holding any meetings of the investors or the advisory committee, and any taxes, fees or other governmental charges levied against the Funds, and any other expenses that are customary in the oil and gas industry. In addition, the Funds shall be responsible for all out-of-pocket costs of the Adviser and the affiliates, and all fees and expenses due any third party legal, financial, accounting, consulting, or other advisors or any lenders, investment banks, and other financing sources in connection with transactions which are not consummated. The Funds will share in any expenses incurred by the Adviser or an affiliate as a result of contributions to political action committees ("PACs") or other organizations organized to challenge legislation or regulations related to oil and gas exploration and production that are counter to the Funds' economic interest.

All expenses of the Funds will generally be allocated to the Investors pro rata in proportion to the respective interests of such investors in the Funds; provided, however that the Adviser may, in its sole discretion, allocate to each investor investment expenses which are solely allocable to such investor.

Expenses incurred in conjunction with operating investment properties are borne by such investment property or shared by the working interest owners of such property consistent with COPAS accounting procedures. Such investment property expenses include all direct costs associated with the acquisition and development of the oil and gas properties including but not limited to drilling and completion costs, equipment costs, operating expenses, technical services expenses, operator overhead expenses and legal, regulatory and tax expenses.

Other Compensation

As noted in Item 8 below, the Adviser utilizes preferred equity for certain funds. When preferred equity is used, those funds issue preferred equity partnership interests with a coupon to an affiliated entity that has borrowed funds from a commercial bank to obtain the funds with which to purchase

such preferred equity partnership interests. While the Adviser expects the cost of preferred equity to resemble the cost of affiliated entities' cost of borrowing, the Adviser generally expects to earn a spread on the amount earned by the affiliated preferred partner over its cost of borrowing.

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

The Adviser or its affiliates have a carried interest in the Funds subject to certain provisions as outlined in the Governing Documents. The Adviser and its affiliates may also participate in parallel vehicles in which investors may co-invest with the Funds. To the extent the carried interest in one Fund is greater or the overall performance of one Fund is better than another, the Adviser may have an incentive to allocate promising investments to the Fund that would result in a greater carried interest to the Adviser and its related persons. Performance-based fees or compensation, in general, may create an incentive for an adviser or affiliates to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee.

The carried interest provisions for parallel funds generally are identical. The level of anticipated carried interest is not a consideration in allocation decisions. Bayswater Resources invests alongside Funds III & IV, in a proportion disclosed to Investors in Fund governing documents and as described in **Item 11** below.

Item 7 – Types of Clients

The Adviser currently manages the assets of U.S. privately offered pooled investment vehicles for which its affiliates act as general partner or sponsor. The Funds' structures most resemble that of a "private equity fund" and would be considered "private funds" for purposes of the Investment Company Act of 1940.

Generally, the Adviser expects to enter into arrangements solely with Fund investors that are: (a) "accredited investors" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended; (b) and "qualified purchasers" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940. The minimum commitment that will be accepted from a prospective investor is \$5 million, subject to the discretion of the general partner of the Funds to accept lesser amounts. Investment opportunities in Bayswater Resources have been offered to certain employees and key contractors of the Adviser who are not required to meet the same investor criteria as Fund investors.

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

The Adviser's investment objective is to achieve current long-term capital appreciation by investing in and developing a portfolio of oil and gas properties. To achieve these objectives, the Adviser intends to (i) acquire interests in properties with current production and associated acreage with significant development potential; (ii) acquire interests in properties located within the top established and active plays or basins which have significant underdeveloped resource potential or production potential based on geo-technical evaluation; (iii) opportunistically acquire mineral interests, overriding royalty interests, and other similar non-operating interests; and (iv) acquire interests in older conventional oil fields and enhance production through improvements in operations or in the application of new technology. For further information on the Adviser's investment objectives and strategy, refer to the Funds' private placement memoranda.

The Adviser has and plans to continue to use “parallel fund structures” whereby the “A Fund” in each fund series (i.e., Fund III, Fund IV, etc.) will generally own working interests in oil and gas properties and a corresponding “B Fund” will own net profits interests in the same oil and gas properties owned by the A Fund. Within this parallel fund structure, the A Fund will or may utilize leverage or debt and the B Fund will or may issue preferred equity interests; each consistent with Fund governing documents and when it is appropriate to enhance returns and to increase the level of funding available for acquisition and improvement of targeted investment properties. The amount of leverage used, or preferred equity issued, is generally restricted based on provisions in Fund governing documents, generally to a certain maximum percentage of investor capital commitments or total fund capitalization. The Adviser, while intending to make prudent use of leverage or preferred equity, intends to limit its use to those properties which reasonably support it and whose base production and enhancement opportunities reasonably justify it.

THE STRATEGIES THAT THE ADVISER EMPLOYS ENTAIL A SIGNIFICANT DEGREE OF RISK AND COULD RESULT IN SUBSTANTIAL LOSSES UNDER CERTAIN CIRCUMSTANCES. ACCORDINGLY, AN INVESTMENT IN A FUND MANAGED BY THE ADVISER SHOULD BE UNDERTAKEN ONLY BY INVESTORS CAPABLE OF EVALUATING AND BEARING THE RISKS OF THE INVESTMENT. PLEASE REFER TO THE GOVERNING DOCUMENTS OF THE APPLICABLE FUND FOR MORE COMPLETE INFORMATION ON THE INVESTMENT STRATEGIES EMPLOYED BY SUCH FUND AND CORRESPONDING RISKS ASSOCIATED WITH SUCH INVESTMENT STRATEGIES.

Investing in oil and gas properties, mineral rights, and royalty rights involves risk of loss that the investors in the Funds should be prepared to bear. There can be no assurance that the investment objective of any Fund will be achieved, that any Fund will otherwise be able to successfully carry out its investment program, or that an investor will receive a return of its capital contributed to any Fund. A brief explanation of the material risks associated with the Adviser’s principal investment strategy and methods of analysis follows. Additional risk factors are set forth in the offering documents for each Fund provided to investors and potential investors.

Volatile Industry.

Oil and natural gas commodity prices are volatile and fluctuate due to a number of factors outside of the Adviser’s control. The financial condition, results of operations, and the carrying value of oil and gas properties of the Funds, depend largely upon the commodity prices for oil and natural gas, which have been, and are likely to continue to be, volatile. The Funds’ cash flow from operations is highly dependent upon the sales prices received from oil and gas production, which is subject in large part to prevailing commodity prices. Such commodity prices are subject to a variety of factors beyond the Adviser’s control.

Decline in Commodity Prices.

If commodity prices decline, oil and gas projects in which the Funds invest may become uneconomic and cause write downs of the value of the Funds oil and gas properties, which may adversely affect the financial condition of the Funds. An extended decline in commodity prices could render certain of the Funds’ investments uneconomic and result in a material adverse effect to the Funds financial condition. Deteriorating commodity prices may cause the Funds to recognize impairments in the carrying value of their investments.

Market Factors.

General economic conditions may affect the Adviser's investment activities. Interest rates, general levels of economic activity, the price of securities, and participation by other investors in the financial markets may affect the value of oil and gas assets and the number of investments made by the Funds or considered for prospective investment. Additionally, the Funds are likely to be significantly affected by the future prices of and the demand for oil natural gas, which are inherently uncertain. Prices for oil, natural gas and natural gas liquids have fluctuated greatly in the past, due to numerous factors beyond the control of the Fund, the General Partner or the Manager. The Fund may also be affected by the availability of equipment, supplies, personnel and facilities necessary to realize the value of its oil and gas assets. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the Fund's investments. Moreover, it remains unknown whether governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) will have a positive or negative effect on market conditions. There can be no assurance that the market will, in the future, become more liquid than it is at present and it may well continue to be volatile for the foreseeable future. The ability to realize investments depends not only on portfolio investments and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. Continued or renewed volatility in the financial sector may have an adverse material effect on the ability of the Fund to buy, sell and partially dispose of its portfolio investments. The Fund may be adversely affected to the extent that it seeks to dispose of any of its portfolio investments into an illiquid or volatile market, and the Fund may find itself unable to dispose of investments at prices that the Manager believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted.

Political Events and Changes in Law.

The Fund's investment activities and the value of its portfolio investments may be adversely affected by political events that are beyond its control. For instance, the outbreak of hostilities, election results, stalemates between branches of government over budgetary and other matters, or the death of a major political figure may have a significant adverse effect on the Fund's investment results. In addition, changes in U.S. federal or state laws, bank regulatory policies and accounting standards, as well as legislative acts, rulemaking, adjudicatory or other activities of Congress, the Securities and Exchange Commission, the Federal Reserve Board, the New York Stock Exchange, FINRA and other governmental or quasi-governmental bodies, agencies and regulatory organizations may adversely impact the Fund's business and its investments.

Highly Competitive Industry.

Competition in the oil and gas industry is intense, which may hinder the Funds' ability to obtain capital, contract for drilling equipment and secure trained personnel.

The Funds will operate in a highly competitive environment for contracting for drilling equipment and securing trained personnel. Competitors may be able to pay more for drilling equipment than the Funds' financial or personnel resources permit. Moreover, competitors for investment capital may have better track records in their programs, lower costs, or better connections in the securities industry segment that markets oil and gas investment programs than the Funds do. The Funds may not be able to compete successfully in the future in raising additional capital. All of these challenges could make it more difficult to execute the Funds' growth strategy.

Furthermore, competition also arises from other industries that supply alternative sources of energy. Product availability and price are the principal means of competition in selling oil and natural gas. Many of the Funds' competitors possess greater financial and other resources than the Funds, which may enable them to market their oil and gas production more effectively than the Funds do.

Exploration, Development and Production Risks.

Exploring for and producing oil and gas are costly, high-risk activities with many uncertainties that could adversely affect the Funds' financial condition or results of operations and, as a result, the Funds' ability to pay distributions to its investors.

The cost of operating a well is often uncertain, and cost factors can adversely affect the economics of a well. If commodity prices decline, the cost of developing, completing, and operating a well may not decline in proportion to the prices that are received for the production, resulting in higher operating and capital costs as a percentage of revenues. If oilfield service costs remain elevated in relation to prevailing commodity prices, the results of operations and cash flows could be adversely affected. Development and production efforts may be uneconomical if there are dry holes, or if productive wells do not produce sufficient oil and gas, and in turn revenues, to return a profit.

Acquisitions.

Properties that the Funds acquire may not produce as projected and the Funds may not be able to determine reserve potential, identify liabilities associated with the properties, or obtain protection from sellers against such liabilities.

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

One of the Funds' growth strategies is to capitalize on opportunistic acquisitions of oil and gas reserves. However, reviews of acquisition targets may be incomplete because it may not be feasible to review in depth every individual property involved in each acquisition of oil and gas reserves. Even a detailed review of any such records and properties may not necessarily have revealed existing or potential problems, nor would it have permitted a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Inspections may not always have been performed on every well acquired. Potential problems, such as deficiencies in the mechanical integrity of equipment or environmental conditions that may require significant remedial expenditures, are not necessarily observable, even when a well is inspected. Any unidentified problems could result in material liabilities and costs that negatively affect the financial condition and results of operations of the Funds as well as the Funds' ability to make cash distributions to investors.

Even if problems with an acquisition are identified by the Funds prior to its acquisition, the seller may be unwilling or unable to provide effective contractual protection or indemnity against all or part of these

problems and the potential losses that could result. Even if a seller does agree to provide indemnity, the indemnity may not be fully enforceable and may be limited by floors and caps on such indemnity.

Evaluation Limitations.

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

- recoverable reserves;
- future oil and natural gas prices and their applicable differentials;
- development plans;
- operating costs; and
- potential environmental and other liabilities.

The accuracy of these assessments is inherently uncertain, and the Adviser may not be able to identify attractive acquisition opportunities. In connection with these assessments, the Adviser will perform a review of potential oil and gas assets that it believes to be generally consistent with industry practices. Such review will not reveal all existing or potential problems, nor will it permit them to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Inspections may not always be performed on every well, if applicable, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken.

Geological Risk.

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

Marketing & Refining.

Even with respect to producing oil and gas assets, the availability of a ready market for such production will depend upon factors beyond the Funds’ control. Although there are numerous marketing firms that purchase crude from the wellhead and transport it to market, the marketability of production from oil and gas assets will depend in part upon the availability, proximity, and capacity of pipelines, tanker trucks, natural gas gathering systems, other transportation methods, and processing and refining facilities owned by third parties. The Adviser or its affiliates have historically had contracts with certain of such marketing firms in order to receive competitive rates, and such contracts are subject to the terms thereunder. However, any significant change in market factors affecting these infrastructure facilities, as

well as any delays in constructing new infrastructure facilities, could negatively affect the Funds' investments. These facilities may be temporarily unavailable due to market conditions or mechanical reasons. The marketing of production may also be affected by governmental regulations relating to the production and sale of oil and gas.

Much of the oil produced in certain provinces is refined locally. Upsets, or significant increases in supply availability, could limit the ability of certain refineries to take incremental crude volumes. In addition, the amount of oil and gas that can be produced and sold is subject to curtailment in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage, or lack of available capacity on these systems, tanker truck availability, and extreme weather conditions. The shipment of operators' oil and gas on third-party pipelines may be curtailed or delayed if it does not meet the quality specifications of the pipeline owners. The curtailments arising from these and similar circumstances may last from days to months. In many cases, operators are provided with only limited, if any, notice as to when these circumstances will arise and their duration. Any significant curtailment in gathering system or transportation, processing, or refining-facility capacity could reduce operators' ability to market oil production and have an adverse effect on the Funds. Operators' access to transportation options and the prices they receive can also be affected by federal and state regulation—including regulation of oil production, transportation, and pipeline safety—as well by general economic conditions and changes in supply and demand. In addition, the third parties on whom operators rely for transportation services are subject to complex federal, state, tribal, and local laws that could adversely affect the cost, manner, or feasibility of conducting business on properties of the Funds.

Operating Risks.

The operation of oil and gas properties is subject to numerous risks inherent in the oil and gas industry, such as blowouts, cratering, explosions, uncontrollable flows of oil, gas, or well fluids, fires, pollution, earthquakes, and environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution, and other environmental damage, and suspension of operations. The Funds' operations could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs, and other environmental damages. The Funds could be liable for environmental damages caused by previous property owners, without regard to fault, and for which the Funds may not have any recourse against the previous property owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could have a material adverse effect on the Funds' financial condition and results of operations. The Funds will seek to maintain insurance coverage for its operations, including limited coverage for sudden environmental damages, but insurance coverage for environmental damages that occur over time or insurance coverage for the full potential liability that could be caused by sudden environmental damages may not be available at a reasonable cost, and the Funds may be subject to liability or may lose substantial portions of their properties in the event of certain environmental damages.

Dependence on Third-Party Operators.

The Funds may depend on various unaffiliated operators for the exploration, development, and production of the properties underlying its investments. A reduction in the expected number of wells to be drilled on the Funds' acreage by these operators or the failure of these operators to adequately and efficiently develop and operate such acreage could have an adverse effect on the results of the Funds.

From time to time, the Funds may acquire non-operated working interests or mineral interests in properties operated by other companies. The failure of third-party operators to adequately or efficiently

perform operations or an operator's failure to act in ways that are in the Funds' best interests could reduce production and revenues, thereby reducing the value of and income received from the Funds' investments. Third-party operators are often not obligated to undertake any development activities other than those required to maintain leases on subject acreage. In the absence of a specific contractual obligation, any development and production activities will be subject to those operators' reasonable discretion. Those operators could determine to drill and complete fewer wells on acreage attributable to the Funds' investments than expected. The success and timing of drilling and development activities on the Funds' properties, and whether the operators elect to drill any additional wells on the Funds' acreage, depends on a number of factors that will be largely outside of the control of the Funds and the Adviser, including:

- the capital costs required for drilling activities by those operators, which could be significantly more than anticipated;
- the ability of those operators to access capital;
- prevailing commodity prices;
- the availability of suitable drilling equipment, production and transportation infrastructure, and qualified operating personnel;
- those operators' expertise, operating efficiency, and financial resources;
- approval of other participants in drilling wells;
- those operators' expected return on investment in wells drilled on the Funds' acreage as compared to opportunities in other areas;
- the selection of technology;
- the selection of counterparties for the marketing and sale of production; and
- the rate of production of the reserves.

Cash generated from the Funds' oil and gas assets is highly dependent on the successful development and exploitation of the Funds' properties. Third-party operators may elect not to undertake development activities, or may undertake these activities in an unanticipated fashion, which may result in significant fluctuations in the Funds' distributions. The Funds cannot determine that the potentially productive drilling locations will be identified by third-party operators or if such wells will ever be drilled, or if development of property by the operators will be profitable.

The oil and gas industry is highly capital intensive. Third-party operators may be highly dependent upon available cash and financing in order to pay maintenance costs and to make the substantial capital expenditures required to operate the Funds' properties. If those financing sources are not available to those operators on favorable terms or at all, then the development of such properties owned by the Funds may be adversely affected. This would likely lead to a decline in revenues from the Funds' oil and gas and mineral assets related to such third-party operators.

Drilling Risks.

The revenues and operating results of the Funds will be dependent upon the success of the Funds' exploitation, development, and drilling activities. These oil and gas activities involve numerous risks, including the risk that no commercially productive oil or gas reservoirs will be encountered. The following summarizes some of the more common hazards or events that may delay, hinder, or frustrate production from producing wells or the drilling of a well and/or may result in substantially increased drilling, completing, and operating costs:

- equipment failure and breakage;
- unavailability or excessively high cost of drilling and other oilfield services and equipment in competitive areas;
- unexpected subsurface conditions, such as difficult rock strata, which result in delays, damage to equipment, and well deviation;
- personnel errors which may result in loss of protective mud circulation, hole damage, pollution, or equipment breakage;
- surface and subsurface pollution and contamination of land, water supply, or atmosphere;
- adverse weather conditions;
- cratering, explosions, fires, blowouts, uncontrolled flows, or reservoir damage;
- oil or pollutant spills or release of toxic gases;
- personnel strikes or walkouts;
- costs of, or shortages or delays in the availability of, drilling rigs, tubular materials, and equipment;
- inability to fracture stimulate the planned number of stages;
- inability to run tools the entire length of the well bore during completion operations;
- inability to clean out the well bore after completion of the final fracture stimulation stage;
- bankruptcy or other adverse proceedings against operators, contractors, or subcontractors;
- injury, illness, or death of personnel, or material damage or loss of equipment or property;
- violation of regulations relating to environmental pollution, well deviation, reservoir contamination, or regarding the proper plugging and abandonment of a well; and
- theft or other malicious damage to equipment or a well.

Any of the above, as well as other factors, could impede, delay or prohibit operators from achieving their development or operational plans for the properties, and could adversely affect expected net revenues attributable to the same.

The Funds may be required to obtain permits from one or more governmental agencies in order to perform drilling and completion activities, including hydraulic fracturing. Such permits are typically required by state agencies but can also be required by federal and local governmental agencies. As with all governmental permitting processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit to be issued, and the conditions that may be imposed in connection with the granting of the permit. Hydraulic fracturing has been particularly scrutinized.

Drilling activities involve the risk that no commercially productive oil or gas reservoirs will be found or produced. The operator of the properties owned by the Funds may drill or participate in new wells that are not productive. The operator may drill wells that are productive but that do not produce sufficient net revenues to return a profit after drilling, operating, and other costs, in which case, the Funds would not receive any return on its investment. Whether a well is productive and profitable depends on a number of factors, many of which are beyond the Funds' control. If the operators of the properties owned by the Funds do not drill productive and profitable wells in the future, the financial condition and results of operations of the Funds will be materially and adversely affected.

The operator of properties owned by the Funds may determine that the optimal exploration or development of its oil and gas assets requires the drilling of horizontal wells. Horizontal drilling activities involve a greater risk of mechanical problems than conventional, vertical drilling operations. In some cases, the locations will require wells be drilled to greater depths, which may involve more complex drilling operations than shallow wells. When drilling horizontal wells, operators risk not landing the well bore in the desired drilling zone and straying from the desired drilling zone. When drilling horizontally

through a formation, operators' risk being unable to run casing through the entire length of the well bore and being unable to run tools and other equipment consistently through the horizontal well bore. In addition, to the extent operators engage in horizontal drilling, those activities may adversely affect their ability to successfully drill in identified vertical drilling locations.

Furthermore, certain of the new techniques that operators may adopt, such as infill drilling and multi-well pad drilling, may cause irregularities or interruptions in production due to, in the case of infill drilling, offset wells being shut in and, in the case of multi-well pad drilling, the time required to drill and complete multiple wells before these wells begin producing. The results of drilling in new or emerging formations are more uncertain initially than drilling results in areas that are more developed and have a longer history of established production. Newer or emerging formations and areas often have limited or no production history and consequently operators will be less able to predict future drilling results in these areas. If operators' drilling results are weaker than anticipated or they are unable to execute their drilling program on the Funds' properties because of capital constraints, lease expirations, access to gathering systems, or declines in oil and natural gas prices, the Funds may be negatively affected. Further, as a result of any of these developments the Funds could incur material write-downs of its oil and gas properties and the value of its undeveloped acreage could decline.

Estimating Oil and Gas Reserve Quantities.

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

Technological Developments.

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

Unavailability of Equipment or Personnel.

The energy industry is cyclical and, from time to time, there is a shortage of drilling rigs, equipment, raw materials (particularly sand and other proppants), supplies, or qualified personnel. During these periods, the costs and delivery times of rigs, equipment, and supplies are substantially greater. In addition,

demand for, and wage rates of, qualified drilling rig crews rise with increases in the number of active rigs in service. If the unavailability or high cost of drilling rigs, equipment, supplies, or qualified personnel were particularly severe, the Fund's business could be materially and adversely affected.

Regulation of Production.

Federal, state, and local authorities extensively regulate the oil and gas industry. Legislation and regulations affecting the industry are under constant review for amendment or expansion, raising the possibility of changes that may affect, among other things, the pricing, taxation, or marketing of oil and gas production. Noncompliance with statutes and regulations may lead to substantial penalties, and the overall regulatory burden on the industry increases the cost of doing business and, in turn, decreases profitability. Federal, state, and local authorities regulate various aspects of oil and gas drilling and production activities, including the drilling of wells (through permit and bonding requirements), the spacing of wells, the unitization or pooling of oil and gas properties, environmental matters, safety standards, the sharing of markets, production limitations, plugging and abandonment, and restoration. The current trend of more extensive and restrictive environmental legislation and regulation may continue into the future. Regulatory considerations and risks related to hydraulic fracturing, environmental liability, climate legislation, hedging regulation, and other factors are further described in fund offering documents

Depletion.

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

Title to Acquired Assets.

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

Hedging.

Although the Funds will seek to hedge a portion of its production to reduce the risk of price volatility, the derivatives used to hedge such risk, "lag" development programs and not all of the Funds' forecasted production can be hedged. Accordingly, not all of the Fund's oil and gas investments can be protected from commodity price declines through the use of hedges.

The Funds have and plan to continue to use swaps, zero or low-cost collars, and other derivative instruments for hedging purposes. In general, however, all derivative transactions involve some combination of market risk, credit risk, counterparty credit risk, funding risk, liquidity risk, and operational risk. Highly customized derivative transactions in particular may increase liquidity risk. In evaluating the

risks and contractual obligations associated with a particular derivative transaction, it is important to consider that a derivative transaction may be modified or terminated only by mutual consent of the original parties and subject to agreement on individually negotiated terms. Therefore, it may not be possible for the Adviser to modify, terminate, or offset the Funds' obligations or the Funds' exposure to the risks associated with a transaction prior to the derivative contract's scheduled termination date.

Leverage and Preferred Equity.

As discussed above, the Funds will or may use either debt or preferred equity in an effort to improve the return on invested Fund capital and to increase the level of funding available for acquisition and improvement of investment properties. Such activity, even if limited in scope and conservative in practice, could pose a risk of over-extension by the Fund in the event of a collapse in energy prices. If the assets of the Fund are insufficient to service the leverage or preferred equity requirements, the General Partner may recall distributions previously made to Limited Partners (subject to certain limitations set forth in Fund governing documents) or a default could occur under the terms of the debt or preferred equity. In the event of such a default, an Investor could risk losing its entire investment in the Fund.

The use of preferred equity by the B Fund in a parallel fund structure is done to provide similar economic benefits (as well as some of the risks) a those being obtained by the A Fund's use of leverage, but without B Fund generating "unrelated debt-financed income" under Section 514 of the Internal Revenue Code that would be taxed to the B Fund as "unrelated taxable business income" under Section 512 of the Code ("UBTI").

Insurance Risks.

The Funds' business activities will be subject to uninsured operational risks, which may include, but are not limited to, the following:

- damages to equipment caused by adverse weather conditions, including hurricanes and flooding;
- facility or equipment malfunctions;
- pipeline ruptures or spills;
- fires, blowouts, craterings, and explosions;
- abnormally pressured formations and environmental hazards such as oil spills, gas leaks, ruptures, or discharges of toxic gases;
- uncontrollable flows of oil or gas or well fluids;
- acts of terrorism; and
- risks associated with drilling, including completion risks, cost overruns and the drilling of non-economic wells or dry holes.

The occurrence of any of these or similar events could result in substantial losses due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties, and suspension of operations, which could adversely affect the Funds' ability to conduct operations or cause substantial losses. The Funds will likely maintain insurance against some but not all of these risks. The Adviser may elect not to cause the Funds to obtain insurance if it believes that the cost of available insurance is excessive relative to the perceived risks presented. Losses could therefore occur for uninsurable or uninsured risks or in amounts in excess of the Funds' insurance coverage. The occurrence of an event

that is not fully covered by insurance could have a material adverse impact on the Funds' business activities, financial condition, results of operations, and ability to pay distributions.

Terrorism and Continued Hostilities in the Middle East Could Decrease the Fund's Cash Flow.

Terrorist attacks and the threat of terrorist attacks, whether domestic or foreign, as well as the military or other actions taken in response, cause instability in the global financial and energy market. Terrorism, continued hostilities in the Middle East, and other sustained military campaigns could adversely affect the results of operations and cash flows of the Funds in unpredictable ways, including through the disruption of fuel supplies and markets, increased volatility in oil and natural gas prices, or the possibility that the infrastructure on which the operators developing the Funds' investments rely could be a direct target or an indirect casualty of an act of terror.

Cyber Security Breaches and Identity Theft.

The Manager, the Fund's service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Fund and its investors, despite the efforts of the Manager and the Fund's service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Fund and its investors. The Fund's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, 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. Unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Manager, the Fund's service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Manager's systems to disclose sensitive information in order to gain access to the Manager's data or that of the Fund's investors. Although the Manager has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Fund may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Fund's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to the Investors (and the beneficial owners of the Investors). Furthermore, breach of our technology systems through cyber-attacks, or failure to manage and secure our technology environment, could result in malfunctions in the operations of our business, loss of valuable information, loss of investments, liability for stolen assets or information, remediation costs to repair damage caused by a breach, additional costs to mitigate against future incidents and litigation costs resulting from an incident. Moreover, loss of confidential client information could harm our reputation and subject us to liability under the laws that protect personal data, resulting in increased costs or loss of revenues.

Epidemics, Pandemics, and Public Health Issues.

Our business activities as well as our clients and their operations and investments could be adversely affected by the outbreaks of epidemics in China and globally, such as CoronaVirus, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Specifically, CoronaVirus, or COVID-19, has been spreading rapidly around the world since December 2019 and has

negatively affected the global economy and the stock market. Although the long-term effects of coronavirus cannot currently be predicted, previous occurrences of other pandemic and epidemic diseases, such as H5N1 and H1N1, had an adverse effect on the economies of those countries in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the business, financial condition and operations of us and our clients. Should these or other major public health issues, including pandemics, arise or spread farther, we and our clients could be adversely affected by more stringent travel restrictions, additional limitations on the firm's operations or business and governmental actions limiting the movement of people between regions and other activities or operations.

Force Majeure & Catastrophic Risks.

The Firm and the Funds may be subject to operational risk from unforeseeable and uncontrollable catastrophic events, including fires, floods, earthquakes, adverse weather conditions, changes in law, eminent domain, wars, riots, terrorist attacks, pandemics, and other similar risks, which may be uninsurable or insurable at rates that the Firm deems uneconomic. These events could result in loss and litigation, among other potentially detrimental effects

Item 9 – Disciplinary Information

The Firm is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of management. There is no disciplinary information to report.

Item 10 – Other Financial Industry Activities and Affiliations

General Partners. Certain of the Affiliated Entities serve as the general partner or managing member with respect to the Funds as disclosed in Item 4. Consistent with SEC guidance, the General Partners are not registered with the SEC but rely on the registration of the Firm. The affiliated general partner for each Fund will receive the performance compensation described in **Item 5**.

Operator. To assist with acquisition and ownership of direct working interest in oil and gas properties, the Adviser formed a wholly owned operator, Bayswater Operating Company LLC (the "Operator"). The Operator directly, or indirectly through an affiliate, Bayswater Exploration and Production, LLC ("Bayswater E&P") will be designated to oversee drilling and production operations when possible. This is intended to provide the Funds with greater control of the timing and conduct of drilling operations on the properties. The Operator also provides engineering, geotechnical, and operational services to the Funds and has primary responsibility with respect to the identification, evaluation, acquisition, operation, and divestiture of oil and gas properties and related interests on behalf of the Funds.

Affiliate Co-Investment Vehicles. Bayswater Resources is an entity established by the Adviser to co-invest alongside the Funds in each investment. Bayswater Resources is owned primarily by the Adviser, its employees and one third-party member. The Adviser allocates portfolio investments among Bayswater Resources and Funds III and IV, consistent with Funds' governing documents, and as described in Item 11, below. Bayswater Resources co-invests alongside the Funds at the same time as and on the same economic terms and conditions (other than fees or carried interest) as the Fund and shares pro rata in all expenses related to such investments. Bayswater Fund IV

Holdings LLC (“Fund IV HoldCo”), a wholly owned subsidiary of the Adviser and affiliate of Bayswater Resources, was established to effect warehoused transactions, as described below in **Item 11**.

Prior Funds. The Adviser’s senior management team, in conjunction with a separate management company, previously organized two prior funds with a similar investment objective and strategy as Fund III, Blenheim Natural Resources Fund, LLC (“Fund I”) and Blenheim Elgin Natural Resources Fund II, LLC (“Fund II” and together with Fund I the “Prior Funds”). Separate companies served as the fund manager in each of the Prior Funds and performed fund administration and compliance functions. Neither company is involved in Fund III or Fund IV; however, certain key employees of such companies comprise the senior management team of the Adviser. Fund I and Fund II are no longer making any new investments but continue to own oil and gas assets in the same geographic areas as Fund III and Fund IV. Bayswater E&P continues to serve as the operator for certain remaining properties.

Other Activities. Employees are generally expected to devote their full professional time and efforts to the business of the Adviser and its affiliates and avoid activities that could present actual or perceived conflicts of interest. Employees must generally obtain prior approval from the Chief Compliance Officer (“CCO”) for outside activities. Certain Firm principals sit on the board of public companies or have roles with respect to other private oil and gas entities that do not invest in the same geographic areas or formations in which Bayswater invests. Firm principals and employees may have personal and family investment entities and may invest in public or private investments, which are unrelated to the investment activities of the Adviser of the Funds. Any personal investment activities must be consistent with the Firm’s Code of Ethics. Please refer to **Item 11** for a further discussion on potential conflicts of interest.

Other Registrations. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.

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

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

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

Insider Trading & Privacy Policy

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

The Adviser has a privacy policy that explains the manner in which the Adviser collects, utilizes and maintains non-public personal information about investors, as required under federal legislation. The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

Related-Party Transactions

The Adviser and its related persons do not recommend to the Funds, or buy or sell for the Funds account, securities in which they hold a material financial interest. However, as noted above, Bayswater Resources, a co-investment entity managed and owned in part by the Adviser generally invests or will invest alongside Funds III and IV in the proportion described in Fund governing documents. In addition, an affiliate of the Adviser has and may in the future fund a portfolio investment and transfer such interest to the Fund subsequent to the initial closing of the relevant Fund, at cost plus the reimbursement of interest, costs or other expenses incurred in connection with the acquisition (a “warehoused transaction”). In a prior warehoused transaction, such expense included a portion of the carried interest paid to be paid to the individual who sourced such transaction. The Adviser generally discloses any warehoused transactions in Fund offering documents and an investor’s election to invest in the Fund after receipt of such disclosure will be deemed to demonstrate consent to such transaction. As disclosed in fund governing documents, shortly after the first closing of Fund IV, Fund IV acquired, at cost plus third-party interest paid, certain warehoused properties from Fund IV HoldCo.

Also as disclosed in fund governing documents, Fund IV-B may acquire working interests and transfer these interests with Bayswater Resources or an affiliate in exchange for net profits interests after the properties begin to produce oil and gas. Such transaction will be disclosed to and consent received from Fund IV’s Limited Partner Advisory Committee (“Advisory Committee”).

Other than described above, the Adviser does not engage in principal transactions during the normal course of its business. If it becomes necessary in the future to engage in principal or cross transactions, the Adviser will conduct such transactions in a manner that is consistent with its fiduciary obligations, the applicable Fund governing documents and relevant securities statutes, including the Advisers Act. Accordingly, the Adviser may disclose the details of any impending principal or cross transactions, warehoused transactions or other related party transactions, contemplated for a new Fund in Fund offering documents. Any principal or cross transactions after the initial close of a Fund require disclosure to and consent from the respective Fund’s Advisory Committee.

Gift & Entertainment Policy

The Adviser’s employees may on occasion accept gifts or invitations to entertainment but must always act in the best interest of the Adviser and its clients and avoid any activity that might create an actual

or perceived conflict of interest or impropriety in the course of the firm's business relationships. Employees are generally required to report gifts and entertainment events of significant value.

Political Contribution Policy

Employees of the Adviser may make political or charitable contributions from time to time. Political contributions are generally permitted, except where such contributions may raise issues under the pay-to-play rule. Employees who are considered Covered Associates of the Adviser are required to report all political contributions made to government officials, candidates for political office and political action committees ("PACs").

Item 12 – Brokerage Practices

The Adviser's advisory business generally involves privately negotiated transactions in oil and gas properties and other mineral interests with the prospective seller or prospective purchaser(s), and generally do not involve the services of a traditional broker or dealer as is customary in the transaction of registered securities.

The Adviser may engage certain hedging transactions as permitted and contemplated under Fund governing documents. The Adviser selects the firm(s) and/or other counterparties through which hedging activity is transacted based on reputation, reliability, expertise, financial stability or other relevant factors. The Adviser does not currently have any "soft dollar" or directed brokerage arrangements with brokers.

Item 13 – Review of Accounts

The Adviser's investment team understands that they are responsible for making investments consistent with the Funds' investment objectives, policies and restrictions as set forth in the Governing Documents of the Fund. After identifying an investment opportunity and making the investment, the Adviser and its investment team engage in ongoing monitoring and management of the underlying assets. Specifically, the Adviser established an Investment Committee to review and approve each of Funds' investments and dispositions. The Investment Committee consists of the Adviser's senior personnel.

The Adviser's Chief Compliance Officer or designated compliance personnel periodically reviews the portfolio of each Fund and such other information as deemed necessary to evaluate whether investment decisions are consistent with the investment guidelines set forth in the Governing Documents of each Fund. If any discrepancy is found, the CCO discusses the discrepancy with the investment team and the Chief Executive Officer to determine if modifications to the portfolio can or should be made or other remedial actions should be taken. The investment team also monitors the investment portfolios of each Fund on an ongoing basis and will adjust the composition, increase or decrease exposure to identified risks, and evaluate exit strategies.

As described in Fund governing documents, the Funds establish an Advisory Committee comprised of representatives of the Limited Partners who are unaffiliated with the Adviser and appointed by the Fund's general partner to engage in certain activities as specified in Fund governing documents. Generally, the Advisory Committee's role is to 1) review valuations and/or valuation methodology, as requested by the Company; 2) review and approve or disapprove of potential conflicts of interest in any principal or other transactions or relationships; 3) advise the general partner on any matter presented to the Advisory

Committee; and 4) review any other matters requiring consent, approval, review or waiver of the Advisory Committee as set forth in Fund governing documents.

The Adviser requires that all portfolio holdings reflect current, fair and accurate investment valuations. The Adviser's valuation policy is based on *ASC 820 - Fair Value Measurements and Disclosures*, *International Private Equity and Venture Capital Valuation Guidelines*, and other industry standards. The Adviser's Valuation Committee is responsible for establishing, reviewing and revising, as applicable, the valuation of each portfolio investment (i) initially, upon closing of a Fund's investment in an asset based on the Company's underwriting methodology, (ii) annually at each year-end based upon a reserve report audited by an independent third party petroleum engineering firm; and (ii) at the end of each calendar quarter based on internal engineering reports and analysis.

Investors in the Funds generally are provided with unaudited quarterly statements and annually receive audited fiscal year-end financial information. The Adviser provides quarterly management letters to investors in the Funds describing the Funds' positions and performance and its views on the market and potential investment pipeline. The Adviser may also provide investors in the Funds other periodic narrative reports regarding the Funds' portfolio.

Item 14 – Client Referrals and Other Compensation

The Adviser has engaged Stanwich Advisors LLC ("Stanwich") to act as placement agent and assist in capital raising activities for Fund IV fundraising. Compensation is a retainer and a percentage of the aggregate subscription amount of investor leads sourced by Stanwich, subject to certain carve-outs. The Adviser is responsible for the cost of placement fees.

Each of the Firm's principals also serve as officers of Bayswater E&P, which serves as the operator or oil and gas properties in which Bayswater invests, as noted in Item 10 above, and receive compensation from such entity for services provided. Expenses of Bayswater E&P are paid or reimbursed by third-party working interest owners in oil and gas properties, as described in the Joint Operating Agreement and consistent with COPAS Accounting Procedures as provided to Investors in Fund governing documents and described in Item 5 above. Neither the Adviser nor any affiliate generally otherwise receives any economic benefit from a non-client for providing investment advice or other advisory services to its Clients.

Item 15 – Custody

While it is the Adviser's practice not to accept or maintain physical possession of any Fund assets, the Adviser is deemed to have custody of the Funds' assets under Rule 206(4)-2 of the Advisers Act, because the Adviser has the authority to deduct fees from Funds' accounts and because the Adviser's affiliates act as the general partner the Funds.

In order to comply with Rule 206(4)-2, Adviser utilizes the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold Client assets, to the extent required by the rule. In accordance with Rule 206(4)-2, Adviser also (1) engages an outside auditor to audit the Funds at the end of each fiscal year and (2) distributes the results of the audit in audited financial statements that are prepared in accordance with United States generally accepted accounting principles to all investors in the Funds within 120 days after the end of the fiscal year. Investors should carefully review the financial statements.

Item 16 – Investment Discretion

The Adviser generally manages its Funds' and Clients' investments on a discretionary basis under the Funds' Governing Documents or under an investment management agreement between the Funds and the general partner of the Funds or other Client agreements. Typically, an affiliate of the Adviser is granted full authority as general partner or managing member to make all decisions for the Fund, subject only to such restrictions or investment guidelines as may be set forth in the Governing Documents and offering documents, and the general partner delegates such authority and duty to carry out such functions as well as certain administrative functions to the Adviser.

However, the Adviser may, under certain circumstances, enter into agreements or side letters with Investors that limit certain fund investments to address specific legal, regulatory, tax or policy restrictions of the Investor.

Each Investor will generally grant the general partner thereof a limited power of attorney to enable the General Partner to execute the applicable partnership agreement and perform certain other activities in connection therewith on its behalf.

Item 17 – Voting Client Securities

The Adviser's investment strategy involves private investments in oil and gas and other mineral interests. As a result, the Adviser does not generally hold Fund investments in public equity securities and therefore does not generally receive proxies on behalf of the Funds.

Item 18 – Financial Information

The Adviser is not aware of any financial condition that could impair its ability to meet its contractual and fiduciary commitments to the Funds and has not been the subject of any bankruptcy petition.