

Item 1.- Cover Page

Part 2A of Form ADV: Firm Brochure

Silver Hill Energy Partners, LP

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

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

This Brochure contains certain information in a manner and format required by the SEC. Additional information, which must be read and considered with the information in this Brochure, may be found in other documents including, as applicable, offering memoranda, subscription agreements and/or investment management agreements, among others.

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

Item 2. - Material Changes

Silver Hill filed this other-than-annual amendment to its Brochure on January 02, 2021. This amendment (i) reflects the formation and first closing of Silver Hill's first flagship fund, Silver Hill Energy Partners III, L.P., a Delaware limited partnership (the "*Partnership*") and (ii) updates the description of the business practices of Silver Hill and its affiliates, including with respect to the Partnership and certain risk factors. We encourage all recipients of this Brochure to carefully read this Brochure as it amends, restates and supersedes the information contained in all prior brochures filed by Silver Hill in its entirety. All information contained in this Brochure is given as of the date set forth on the cover page. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide a summary of such changes. Silver Hill will also reference the date of the last annual update of its Brochure on each future amendment, if applicable.

A copy of this Brochure may be requested by contacting Mr. Taylor Rea, the Adviser's Chief Compliance Officer at (214) 865-6555.

Item 3. - Table of Contents

Item 1. - Cover Page.....	1
Item 2. - Material Changes	ii
Item 3. - Table of Contents.....	iii
Item 4. - Advisory Business	4
Item 5. - Fees and Compensation.....	5
Item 6. - Performance-Based Fees and Side-By-Side Management.....	8
Item 7. - Types of Clients	9
Item 8. - Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9. - Disciplinary Information	17
Item 10. - Other Financial Industry Activities and Affiliations.....	18
Item 11. - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	19
Item 12. - Brokerage Practices.....	20
Item 13. - Review of Accounts	21
Item 14. - Client Referrals and Other Compensation.....	22
Item 15. - Custody.....	23
Item 16. - Investment Discretion	24
Item 17. - Voting Client Securities	25
Item 18. - Financial Information.....	26

Item 4. - Advisory Business

Silver Hill commenced its business operations in the fourth quarter of 2020 coincident with the first closing of the Partnership. Silver Hill utilizes the energy management expertise, industry relationships, and operating capabilities of Kyle D. Miller, Drew L. Wellsfry, Scott R. Smetko, Patrick H. Halpin and Taylor B. Rea (collectively, the “**Principals**”) and other employees of Silver Hill and its affiliates (collectively, the “**Management Team**”) to advise the Partnership as Silver Hill’s sole Client (as discussed below), on acquisitions and development of onshore oil and gas and related infrastructure assets and minerals in North America.

The Partnership, together with any parallel investment entities that make investments alongside the Partnership (collectively, the “**Fund**”), anticipates investing a substantial portion of the limited partner commitments in Silver Hill Energy Partners III, LLC, an operating company formed to directly acquire and operate oil and gas assets (“**SHEP III**”). The Fund may also hold operated and non-operated oil and gas assets and related infrastructure assets and minerals through other direct or indirect subsidiaries and/or invest in a joint venture with a strategic partner to hold such assets.

The sole general partner of Silver Hill is Silver Hill Energy Partners GP, LLC, which is, in turn, beneficially owned and controlled by Kyle D. Miller. Silver Hill III GP LP, a Delaware limited partnership (the “**General Partner**”) is the general partner of the Partnership.

Silver Hill serves as an investment manager and provides discretionary advisory services to the Partnership, which as of the date of this Brochure is Silver Hill’s only “Client.” Under the Governing Fund Documents, Silver Hill and/or the General Partner are permitted to form parallel investment entities or alternative investment entities to make investments alongside the Partnership, and may also form one or more successor funds. Such entities and/or successor funds, if formed, may become “Clients” of Silver Hill. Unless the context otherwise provides, references herein to “**Clients**” shall refer collectively to the Partnership and any future parallel investment entities, alternative investment entities and/or successor funds.

Under the terms of an investment management agreement (the “**Management Agreement**”), Silver Hill provides such services to the Client as are reasonably requested from time to time by the General Partner in connection with identifying and analyzing prospective investments in oil and gas assets within North America (the “**Investments**”), performing due diligence investigations, structuring and negotiating the terms of the Investments, monitoring the Investments and recommending dispositions or other resolutions of Investments. Silver Hill provides investment advisory services solely to its fund Clients and its services are not tailored individually to the limited partners or investors of the Fund (the “**Investors**”).

Silver Hill manages the assets of the Partnership in accordance with the terms of the Fund’s limited partnership agreement, subscription agreement, offering memorandum and other governing documents applicable to the Fund (the “**Governing Fund Documents**”). Except as expressly provided in the Governing Fund Documents, the Investors are not permitted to restrict Investments by the Fund and, except in limited circumstances, are not permitted to withdraw from the Fund prior to its dissolution.

As of January 02, 2021, Silver Hill manages approximately \$145 million in Client assets on a discretionary basis and does not manage any assets on a non-discretionary basis.

Item 5. - Fees and Compensation

Silver Hill and its affiliates receive compensation from fees based on a percentage of assets under management, carried interest allocations and expense reimbursements. Investors should review all fees charged by Silver Hill and its affiliates to fully understand the total amount of fees to be paid by the Fund and, indirectly, the Investors.

Below is a discussion of how the Adviser is compensated in connection with providing advisory and management services to the Fund as its initial Client. The following information is a summary only and is qualified in its entirety by the Client's Governing Fund Documents:

Management Fee. For certain management services that the Adviser provides to the Fund as described in more detail under the Management Agreement, the Adviser is entitled to an annual management fee (the “**Management Fee**”) payable by the Fund. The Management Fee is equal to a fixed percentage (per annum) of each Investor's contractually committed capital. The amount of Management Fees payable by the Client is subject to reduction after the occurrence of certain events such as the expiration of the investment period. Management Fees accrue and shall be payable by the Fund quarterly in advance. The General Partner may call capital from the Investors to pay the Management Fees, or Management Fees may be paid by reducing the amount of distributions payable to the Investors by the amount of such accrued Management Fees. The Management Fee obligation of the Fund, and the Investors, may only be terminated or modified as provided by the Governing Fund Documents and the Management Agreement. The Management Fee is calculated on an annual basis and is prorated for partial periods.

Performance-Based Fees. In addition to the Management Fee, the Fund will pay the General Partner a performance-based or capital appreciation-based fee based upon a percentage of the distributions made to each Investor in the form of carried interest (the “**Carried Interest**”). The manner of calculation of the Carried Interest payable to the General Partner is disclosed in the Governing Fund Documents. Generally, however, a certain percentage of the investment profits of the Fund are allocated as a Carried Interest to the General Partner after payment of all of the capital contributions made by an Investor to fund Investment costs and to pay Fund fees (including Management Fees) and expenses, plus a preferred return on such capital contribution amounts.

Operating Expenses. As mentioned above, the Fund anticipates investing a substantial portion of the aggregate Investor capital commitments in SHEP III. SHEP III and other direct or indirect subsidiaries of the Fund will, in turn, (i) acquire oil and gas assets, (ii) operate and develop the acquired oil and gas assets, (iii) employ and pay all compensation and employee benefits to its field, operating and administrative personnel and (iv) pay its allocable portion of office rent and equipment to the extent its office space and equipment is shared with Silver Hill and/or other affiliates of Silver Hill. Although the Principals will serve as officers of SHEP III, SHEP III will not bear any salaries or other compensation of, and costs of providing any employee benefits to, the Principals. The salaries and other compensation of, and costs of providing employee benefits to, the Principals and fund-level support staff (currently consisting of three (3) full-time employees) will be borne by the Adviser. In addition, the Adviser will bear the salaries and other compensation of, and costs to provide employee benefits to, two (2) employees dedicated to evaluating the desirability of potential acquisitions for SHEP III in accordance with the Fund's investment objective (the “**Evaluation**”).

Professionals”) until such time as Silver Hill reasonably determines that the Evaluation Professionals should dedicate substantially all of their working time to the operations of SHEP III. Promptly following such determination, Silver Hill will transfer the Evaluation Professionals’ employment to SHEP III (or a subsidiary thereof) and the cost of the Evaluation Professionals’ compensation and benefits shall be borne directly by SHEP III. The compensation paid by SHEP III to its employees, including the Evaluation Professionals at such time as their employment is transferred to SHEP III, are not offset against the Management Fees or any performance-based fees paid by the Fund to Silver Hill and/or its affiliates.

Pre-Formation Operating Expenses. A reasonable amount of pre-formation operating expenses advanced by an affiliate of Kyle D. Miller on behalf of SHEP III and the Partnership shall be deemed a capital contribution to the Partnership in respect of the Principals’ aggregate commitments to the Partnership.

Organizational Expenses. The Fund will bear or will reimburse Silver Hill, the General Partner and/or their affiliates for actual expenses incurred in organizing and raising capital for the Partnership, except for placement agent fees. Organizational expenses in excess of a certain amount and any placement agent fees will be borne exclusively by the Adviser.

Other Fund Expenses. The Fund will bear or will reimburse Silver Hill, the General Partner and/or their respective affiliates (to the extent not otherwise paid or reimbursed by SHEP III as described above under “*Operating Expenses*” or a third party) for all expenses attributable to the Fund’s activities, including but not limited to (a) legal, auditing, consulting, accounting, valuation, regulatory compliance and data provider services (including management systems and software), (b) the preparation of the Fund’s financial statements, regulatory filings such as Form PF, and the reports and other information made available to Investors under the Governing Fund Documents, tax returns and Schedules K-1, printing, filing and delivery expenses, (c) bank or custodial accounts and services, (d) costs of insurance, including premiums for insurance on the Principals for the benefit of the Fund and for director’s and officer’s liability and errors and omissions liability insurance including coverage of the Advisory Board members and the Investors who designated such Advisory Board members, and for cybersecurity insurance, (e) finding (including advertising and conferences related to deal finding), investigating, negotiating, acquiring, monitoring, holding, selling or exchanging of Investments (including fees and expenses of lawyers, accountants, consultants, brokers, finders and investment bankers), both for Investments that are consummated and for potential or proposed but unconsummated Investments, (f) any indebtedness incurred by the Fund, (g) the Partnership’s indemnification obligations under the Governing Fund Documents, (h) meetings of the Advisory Board and of the Investors, and (i) other extraordinary, nonrecurring matters (including the costs and expenses of litigation, tax audits, regulatory proceedings and any taxes or governmental levies, charges, awards, fees or costs assessed against the Fund).

The Fund will incur transaction costs as set forth above. While the Adviser generally does not expect that the Fund’s activities will require the services of broker-dealers, the Fund and, accordingly, the Investors may also be subject to brokerage costs. See Item 12 below, for additional information regarding brokerage practices.

Neither Silver Hill nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

As stated in Item 5 above, the Adviser and/or its affiliates may receive performance-based fees in the form of Carried Interest allocations from its Client. The fact that a significant portion of the Adviser's compensation (and its affiliates' and Management Team's compensation) is directly computed on the basis of profits generated by the sale or disposition of Fund assets, including the Fund's investment in SHEP III, creates an incentive for Silver Hill to make investments on behalf of the Fund that are riskier or more speculative than would be the case in the absence of such compensation. However, this incentive may be mitigated by the fact that the Principals have invested a significant amount of their own capital in the Fund.

Item 7. - Types of Clients

As described in Item 4, the Adviser provides investment advisory services to only one (1) Client, which as of the date of this Brochure is the Partnership. The Partnership is structured as a limited partnership. Investment advisory services are provided directly to the Partnership and not to the Investors, which are limited partners in the Partnership. Generally, each Investor must be a “qualified purchaser” for Investment Company Act purposes and satisfy other eligibility criteria and investment minimums, some of which are subject to waiver by the Adviser. Investors may include pension funds, endowments, foundations, pooled investment vehicles (*e.g.*, funds-of-funds), trusts, estates or charitable organizations, high net worth individuals, and corporate and business entities.

Investors may participate in SHEP III and other Partnership investments through parallel investment entities or alternative investment entities in accordance with the Governing Fund Documents. The Governing Fund Documents also permit Silver Hill to form one or more successor funds. Such entities and/or successor funds may also be Clients of the Adviser.

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

Silver Hill has an operations-focused, control-oriented investment strategy that will utilize the energy management expertise, industry relationships, and operating capabilities of the Management Team to source, acquire, exploit and develop onshore oil and gas assets within North America. In order to execute this strategy, the Management Team will draw upon its extensive combined experience (i) building and managing large-scale energy companies and (ii) sourcing and overseeing a variety of private equity and direct investments. Critical objectives that Silver Hill focuses on to execute this strategy include:

- Identify and attract high-quality talent
- Utilize proprietary relationships to source deal flow
- Foster innovation and external engagement across the organization
- Analyze deals thoroughly and pursue them with discipline
- Conceptualize value-add strategic joint ventures
- Execute creative and complex transactions efficiently
- Manage large-scale oil and gas operations
- Exploit and develop properties successfully
- Manage risk and monitor investment performance rigorously
- Create competitive tension and capitalizing on monetization windows
- Build sustainably profitable assets to generate excess returns across cycles

The Fund anticipates investing a substantial portion of the Investors' commitments in SHEP III, an operating company formed to directly acquire and operate oil and gas assets. The Fund may also hold operated and non-operated oil and gas assets and related infrastructure assets and minerals through other direct or indirect subsidiaries and/or invest in a joint venture with a strategic partner to hold such assets.

INVESTING IN THE FUND, INVOLVES A SIGNIFICANT RISK OF LOSS THAT ALL FUND INVESTORS SHOULD BE PREPARED TO BEAR.

Illiquid Nature of Investment

An investment in the Fund involves a high degree of financial risk that could result in a loss of all or a part of the Investors' capital commitments. There can be no assurance that Silver Hill's investment strategy for the Fund will produce favorable returns. An investment in the Fund is highly illiquid. Investors in the Fund should be able to bear the financial risks of investing for an indefinite period of time. There is generally no secondary market for interests in the Fund and none is expected to develop.

Fund Expenses; Potential Conflicts in Calculation of Certain Fund Costs and Expenses

The Fund's expenses, including Management Fees, may be a higher percentage of net assets than would be found in other investment entities. The Fund will be responsible for all costs and expenses in connection with its operation, other than the costs and expenses that will be the responsibility of the General Partner or Silver Hill. A potential conflict of interest exists in Silver Hill's determination whether certain costs or expenses that are incurred in connection with the operation of the Fund, or whether such expenses should be borne by the General Partner or Silver Hill. The Fund will be reliant on the determinations of Silver Hill in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as between the Fund and any other funds managed by Silver Hill and/or affiliates of Silver Hill.

Carried Interest

As described in Item 6, the existence of the General Partner's Carried Interest in the circumstances described in the Governing Fund Documents and third-party direct investments in SHEP III may create an incentive for the

General Partner to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of such performance-based arrangement.

Side Letters

Silver Hill may enter into a side letter or other similar agreement with certain Investors in connection with their admission to the Fund, and may do so without the approval of any other Investors. Generally, these agreements have the effect of establishing rights under or supplementing the terms of the Governing Fund Documents with respect to such Investor in a manner more favorable to such investor than those applicable to other investors.

Availability of Suitable Investment Opportunities; Competition

Silver Hill 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 reserve quantities, future production rates, operating costs, infrastructure requirements, environmental and other liabilities, and other factors beyond Silver Hill's control. Silver Hill may be unable to identify a sufficient number of attractive acquisition opportunities to meet the Fund's investment objective. Silver Hill will be competing for acquisitions against other groups that may make competing offers for acquisition opportunities, possibly including direct investment firms, banks, industry groups and private-equity-backed portfolio companies. The Investors will not have the ability to evaluate for themselves the relevant economic, financial and other information regarding the acquisitions to be made by the Fund.

First Time Nature of the Fund; Lack of Operating History

The Fund was recently established and has no operating history. The successful investment of the Investors' capital commitments will depend, among other things, upon the skills and professional personnel of Silver Hill and SHEP III. The past investment performance of entities with which such professional personnel have been associated should not be construed as an indication of future results of any investment in the Fund. The Fund is the first pooled investment vehicle that the Principals have organized.

Market Volatility and the COVID-19 Pandemic

The outbreak of COVID-19 and its development into a pandemic in March 2020 have resulted in significant disruption globally. Actions taken by various governmental authorities, individuals and companies around the world to prevent the spread of COVID-19 have restricted travel, business operations, and the overall level of individual movement and in-person interaction across the globe. An extended slowdown of the United States' economic growth, demand for commodities and/or material changes in governmental policy could result in lower economic growth and lower demand for oil and gas. This may adversely impact the Fund's performance and activity.

Cyber Security Breaches and Identity Theft

Silver Hill and its affiliates' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunications 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. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, Silver Hill, the Fund and/or SHEP III 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 Silver Hill's, the Fund's and/or SHEP III's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Investors (and the beneficial owners of Investors). Such a failure could harm Silver Hill's, the Fund's and/or SHEP III's reputation, subject any entity and its respective affiliates to legal claims or otherwise affect their business and financial performance.

Certain Investments May be Leveraged

SHEP III and other Investments of the Fund may employ leverage. Such leverage will be in reasonable amounts relative to SHEP III's or such other Investments' asset base and cash flow. The Fund may also engage in short-term borrowings to finance the acquisition of Investments or other expenses of the Fund pending the receipt of capital call proceeds from the Investors. The use of debt increases the risk of loss because borrowings represent

a prior claim on assets and require fixed payments, regardless of the profitability of particular assets encumbered by such borrowing. In the case of default under any borrowing, some or all of the assets of the borrower could be taken by the lenders in payment of their claims. Moreover, leveraged capital structures are more sensitive to commodity price volatility, rising interest rates and to increases and decreases in revenues and expenses. If the assets of SHEP III or such other Investments of the Fund are insufficient to service the applicable leverage requirements, a default could occur under the terms of the debt. In the event of such a default by SHEP III or another Investment of the Fund, the Fund could risk losing its entire investment in SHEP III or such other Investment and the Investors could risk losing their entire investment in the Fund.

Loans to companies in the oil and gas industry are often structured as reserve-based lending (an “RBL Loan”). Under an RBL Loan, the loan value is based on a company’s proved developed reserves. Price volatility in the oil and gas market can therefore affect the amount that oil and gas companies can borrow under an RBL Loan, potentially making access to capital limited or unavailable.

Any instruments governing the indebtedness of SHEP III or any other Investments of the Fund may impose significant operating and financial restrictions on it and may significantly limit or prohibit, among other things, the ability of SHEP III or other Investments of the Fund to pay distributions to the Fund, repay indebtedness prior to its stated maturity, sell assets, or engage in mergers or acquisitions. These restrictions could also limit the ability of SHEP III or other Investments of the Fund to incur additional indebtedness, make needed capital expenditures, withstand a future downturn in SHEP III’s or such other Investments’ business or the economy in general, or otherwise conduct necessary corporate activities. A failure by SHEP III or other Investments of the Fund to comply with these restrictions could lead to default. In the event of default, the holders of such indebtedness would normally be entitled to declare all of the funds borrowed pursuant thereto to be due and payable together with accrued and unpaid interest. In such event, there can be no assurance that SHEP III or any other Investment of the Fund would be able to make such payments or to borrow sufficient funds from alternative sources to make any such payment. Even if additional financing could be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to SHEP III or other Investments of the Fund. In addition, indebtedness of SHEP III or any other Investment of the Fund may be secured by all or a substantial portion of its oil and gas assets. The pledge of such collateral to existing lenders could impair the ability of SHEP III or other Investments of the Fund to obtain additional favorable financing.

Importance of Key Personnel

The Fund will depend on the skill and expertise of the Management Team. There can be no assurance that the Principals or other Management Team members will continue to provide investment services to Silver Hill during the life of the Fund. In the event that such key personnel should ever become unable or unwilling to act on behalf of the Fund or SHEP III or there is a material diversion of the time commitment of such key personnel to matters other than those relating to the Fund and SHEP III, the Fund could be materially and adversely affected and might not be able to find a replacement as qualified or upon as favorable terms as such members.

Advisory Board

The General Partner may consult with the Advisory Board in certain situations, including with respect to potential conflicts of interest. Although the Advisory Board is intended to act as the representative of the Investors, the interests of the members of the Advisory Board may not be aligned with the interests of other Investors. Individual members of the Advisory Board do not owe any fiduciary duties to the Fund and will not be required to act in a fiduciary capacity with respect to the Fund or any other Investor, other than an obligation to act in good faith. Individual members of the Advisory Board may have interests that differ from the interests of all Investors, collectively, or any other Investor, individually.

Due Diligence Risk

In conducting due diligence and evaluating prospective Investments, Silver Hill will be required to rely on information available to it. Silver Hill selects Investments on the basis of, among other things, information and data filed with government regulators and publicly available or made available to Silver Hill by the target companies or third parties. Silver Hill evaluates all such information and, where it deems appropriate, seek independent corroboration of such information to the extent possible. In many cases, Silver Hill is dependent upon the integrity of the management of entities filing such information and of the target companies and third parties providing such information. Accordingly, there can be no assurance that Silver Hill will be able to confirm the accuracy or completeness of any such information. The value of an Investment, including the assets underlying

the Investment, may therefore be adversely affected by fraud, misrepresentations or omissions on the part of a target company or other parties. The Fund's ability to generate a return or enforce contractual rights relating to an Investment may be impacted as a result. Silver Hill may also rely on the advice of consultants in connection with its evaluation of prospective Investments. However, there can be no assurance that such consultants' evaluations will be accurate. Information, and the ability to verify such information, may be particularly limited where an Investment opportunity is short-lived. Silver Hill cannot guarantee that its due diligence investigations in respect of any prospective Investment will reveal all relevant facts that may be material to its determination of whether to cause the Fund to make such Investment. Any failure to identify all relevant facts may result in an investment decision that Silver Hill would not have made had it been in possession of all relevant facts, which could adversely affect the performance of the Fund and, therefore, Investors' returns.

Industry and Investment Concentration

Because the Fund's Investments are concentrated within the oil and gas industry, an investment in the Fund may be subject to greater market fluctuations than an investment in a portfolio of securities representing a broader range of industries. In addition, the Fund expects to invest a substantial portion of the Investor's capital commitments in SHEP III. As a consequence, the aggregate return of the Fund will be affected by the performance of SHEP III. If SHEP III acquires properties concentrated in any particular basin or geographic area, this concentration could disproportionately expose the Fund's interests to operational and regulatory risk in that area, and adverse developments in the oil and gas market or the area of the properties, including, for example, transportation or treatment capacity constraints, curtailment of production or treatment plant closures for scheduled maintenance, could have a significantly greater impact on the revenues than if the properties were more diversified.

Generalized Risks Inherent to Investments in the Oil and Gas Industry

Investments in oil and gas assets are subject to various risks, including adverse changes in commodity prices, adverse changes in geopolitical conditions, adverse changes in the availability of debt financing, adverse changes in interest rates, adverse changes in tax rates and other operating expenses, adverse changes in environmental laws and regulations, adverse changes in other governmental rules and fiscal policies, environmental claims arising in respect of oil and gas assets acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, risks due to dependence on cash flow, acts of God, uninsurable losses, and other factors that are beyond the control of Silver Hill.

Uncertainties in Estimating Reserves

Numerous uncertainties are inherent in estimating quantities of oil and natural gas reserves. The process of estimating oil and natural gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, engineering, and economic data for each reservoir, and these reports rely on various assumptions, including assumptions regarding future oil and gas prices, production levels, and operating and development costs. As a result, estimated quantities of proved reserves, projections of future production rates, and the timing of development expenditures may prove to be inaccurate. Over time, SHEP III may make material changes to reserve estimates taking into account the results of actual drilling and production. Any significant variance of actual results from SHEP III's assumptions could greatly affect SHEP III's estimates of reserves, the economically recoverable quantities of oil and gas attributable to any particular group of properties, the classifications of reserves based on risk of recovery, and estimates of future net cash flows. This could materially adversely impact the value of the Fund's investment in SHEP III.

Unavailability of Equipment or Personnel

The energy industry is cyclical and, from time to time, there is a shortage of drilling rigs, equipment, supplies, or qualified personnel. During these periods, the costs and delivery times of rigs, equipment and supplies are substantially greater. In addition, demand for, and wage rates of, qualified drilling rig crews rise with increases in the number of active rigs in service. If the unavailability or high cost of drilling rigs, equipment, supplies, or qualified personnel were particularly severe, the Fund's and SHEP III's business could be materially and adversely affected.

Demand for Oil and Gas; Price Volatility

The Fund's strategy is materially dependent upon the demand for oil and gas. The availability of a ready market for SHEP III's oil and gas production depends on a number of factors beyond SHEP III's and the Fund's control, including the demand for, and supply of, oil and gas, the availability of alternative energy sources, the proximity of reserves to, and the capacity of, oil and gas gathering systems, pipelines or trucking and terminal facilities, and processing facilities. Any significant change in market factors affecting these infrastructure facilities, as well as any delays in constructing new infrastructure facilities, could harm SHEP III's businesses. SHEP III may also have to shut-in some of its wells temporarily due to a lack of market or adverse weather conditions including drought and hurricanes. Any significant change in SHEP III's ability to produce and market its oil and natural gas production could have a material adverse effect on SHEP III's financial condition and results of operations and, in turn, on the value of the Fund's investment in SHEP III.

Historically, the markets for oil and gas have been volatile and are likely to remain volatile in the future. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of Silver Hill. At the beginning of 2019, members of the Organization of Petroleum Exporting Countries ("OPEC") and some non-members, including Russia, renewed pledges to reduce planned oil production in an effort to draw down a global oversupply and to rebalance supply and demand. As a result of a decrease in global demand for oil and natural gas due to the outbreak of COVID-19 at the beginning of March 2020, negotiations to extend this pledge were unsuccessful. As a result, Saudi Arabia announced a significant reduction in its export prices and Russia announced that all agreed oil production cuts between members of OPEC and Russia would expire on April 1, 2020. Following these announcements, global oil and natural gas prices declined sharply and, for the first time in history, went into negative territory in anticipation of futures contracts expiring in May 2020. Further negotiations in April 2020 resulted in an agreement to reduce production volumes in an effort to stabilize global oil prices. While prices have recovered from their record lows in April 2020, they remain at depressed levels and may experience ongoing oil price volatility.

SHEP III's revenue, profitability and future rate of growth are substantially dependent upon prevailing prices for oil and gas, which are dependent upon numerous factors beyond the control of Silver Hill. There can be no assurance that future prolonged decreases in oil and gas prices will not occur. Any significant prolonged decline in oil and gas prices generally will have a material adverse effect on SHEP III's financial condition and level of operations and expenditures for the development of SHEP III's oil and gas reserves.

Hedging

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. SHEP III may seek to reduce exposure to the volatility of oil, natural gas and natural gas liquids prices by actively hedging a portion of production through the purchase and sale of financial derivative products. The prices at which production can be hedged will be dependent upon prices at the time, which may be higher or lower than current oil and gas prices, and SHEP III may not be able to hedge future production at prices they deem attractive. Hedging could prevent SHEP III from receiving the full advantage of increases in oil or gas prices above the fixed amount or range specified in the hedge. SHEP III may be required to make payments under hedging contracts regardless of whether SHEP III has access to the quantities of oil or gas specified in the hedge.

Hydraulic Fracturing

Hydraulic fracturing is an important and commonly used process that Silver Hill anticipates will be utilized by SHEP III or other Investments of the Fund to develop and exploit some or all of the properties it acquires. In recent years, some governmental agencies and experts have warned that hydraulic fracturing could adversely affect groundwater. To the extent that such claims are made with respect to Investments, they could have an adverse effect on the Investments.

Currently, the regulation of hydraulic fracturing is primarily conducted at the state level through permitting and other compliance requirements. In addition to the possible federal regulation of hydraulic fracturing, which would result in additional permitting and disclosure requirements and operating restrictions, some states and local governments have considered imposing various conditions and restrictions on drilling and completion operations, including requirements regarding casing and cementing of wells, testing of nearby water wells, restrictions on the

access to and usage of water and restrictions on the type of chemical additives that may be used in hydraulic fracturing operations. Such federal and state permitting and disclosure requirements and operating restrictions and conditions could lead to operational delays and increased operating and compliance costs and, moreover, could delay or effectively prevent the development of crude oil and natural gas from formations which would not be economically viable without the use of hydraulic fracturing.

Highly Competitive Industry

Competition in the oil and gas industry is extensive, and some of the Fund's and SHEP III's competitors have greater financial, technological and other resources than the Fund and SHEP III. The oil and gas industry is also characterized by rapid and significant technological advancements. SHEP III will face intense competition from other private equity and industry joint ventures, as well as both major and independent oil and gas companies. Some competitors will have financial, technological and other resources substantially greater than the Fund and SHEP III, and some of them are fully integrated oil companies. These companies may be able to pay more for development prospects and productive oil and gas properties. As a result, SHEP III may not be able to buy properties at affordable prices or to successfully develop properties. In addition, these companies may enjoy technological advantages and may be able to implement new technologies more rapidly than the Fund and SHEP III. Furthermore, larger competitors may be able to absorb the burden of any changes in federal, state and local laws and regulations more easily than the Fund and SHEP III can, which would adversely affect SHEP III's competitive position. The ability of SHEP III to acquire, develop and exploit oil and gas properties will depend upon SHEP III's ability to successfully conduct operations, implement advanced technologies, evaluate and select suitable properties and consummate transactions in this highly competitive environment.

Operating Risks; Insurance

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 operations of the Fund's Investments could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs, and other environmental damages. SHEP III and other direct or indirect subsidiaries of the Fund could be liable for environmental damages caused by previous property owners, without regard to fault. 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 financial condition and results of operations of the Fund's Investments. SHEP III shall seek to procure and maintain or cause to be procured and maintained all insurance that would be maintained by a reasonably prudent operator or non-operator, as applicable, of oil and gas assets and properties similar to the Investments and as required by law, rules, regulations and agreements applicable to each Investment, including directors and officers insurance, as SHEP III deems appropriate. Though SHEP III plans to maintain insurance of various types to cover its operations, SHEP III cannot guarantee that insurance will be adequate to cover losses or liabilities. Also, SHEP III cannot predict the continued availability of insurance at premium levels that justify its purchase.

Environmental Compliance; Greenhouse Gas Emissions

The Investments are subject to increasingly stringent laws and regulations relating to the use and generation of hazardous substances, radioactive materials, and wastes, and to environmental protection, including laws and regulations governing air emissions, water discharges, water quality and waste management. The Investments will incur significant costs to comply with environmental laws and regulations. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement. Violations of these laws and regulations can result in substantial civil penalties and criminal sanctions. They can also result in private claims from third parties that allege damages caused by the environmental impacts of the Investments' operations. In addition, greenhouse gas emissions have become the subject of increasing international, national, state and local focus and regulation. Any future laws or regulations to limit greenhouse gas emissions that are generated in the course of producing oil and gas could negatively impact the Investments' operations. Any future laws or regulations that increase the costs of using fossil fuels, such as a carbon tax or a cap and trade program, could increase the price of the Investments' product in comparison to alternative energy sources. Moreover, the physical changes caused by global warming, including the increased frequency of droughts and related impacts on water supplies, could have negative impacts on the Investments' operations.

Climate Change and Related Regulatory, Social and Market Actions

In addition to regulatory risk, other market and social initiatives resulting from the changing perception of climate change present risks for SHEP III's business. For example, in an effort to promote a lower-carbon economy, there are various public and private initiatives subsidizing the development and adoption of alternative energy sources and technologies, including by mandating the use of specific fuels or technologies. These initiatives may reduce the competitiveness of carbon-based fuels, such as oil and gas. Moreover, certain financial institutions, funds and other sources of capital have begun restricting or eliminating their investment in oil and natural gas activities due to their concern regarding climate change. Such restrictions in capital could decrease the value of the Fund's Investments. Finally, governmental entities and other plaintiffs may bring claims against the Fund's Investments for purported damages caused by the alleged effects of climate change. These and the other regulatory, social and market risks relating to climate change described above could result in unexpected costs, increase operating expenses and reduce the demand for oil and gas.

Drilling Risks

The revenues and operating results of SHEP III and the Fund will be dependent upon the success of the exploitation, development, and drilling activities of SHEP III or the other Investments of the Fund. These oil and gas activities involve numerous risks, including the risk that no commercially productive oil or natural gas reservoirs will be discovered. The timing and cost of the exploitation and operation of wells is often uncertain. Operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, loss of drilling fluid circulation, facility or equipment failures or accidents, adverse weather conditions, compliance with governmental requirements, and shortages or delays in the availability of equipment and personnel.

Drilling activities involve the risk that no commercially productive oil or gas reservoirs will be found or produced. SHEP III may drill or participate in new wells that are not productive. SHEP III 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 Fund would not receive any return on its Investments, including SHEP III. Whether a well is productive and profitable depends on a number of factors, many of which are beyond Silver Hill's control.

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

Item 9. - Disciplinary Information

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

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

Item 10. - Other Financial Industry Activities and Affiliations

Neither the Adviser nor any of the Management Team members are registered, or have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Neither the Adviser nor any of the Management Team members 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.

Silver Hill has entered into the Management Agreement with the Fund pursuant to which Silver Hill provides investment advisory services at and under the direction of the General Partner. As stated in Item 4, an affiliate of the Adviser serves as the General Partner.

Other Activities of the Principals and Affiliated Entities of the Principals.

Certain of our Principals and other affiliated persons and entities hold or may hold direct or indirect personal investments in various entities, companies, investments and assets/properties, including certain investments in private companies and investment companies that may be considered to compete with the Fund and/or SHEP III, and may serve on boards of directors (or similar governing bodies) of such investments. Under the Governing Fund Documents, the Principals are permitted to spend a reasonable amount of time on certain existing investments in assets and companies made by the Principals and their respective affiliates prior to the first closing date of the Fund and any substantially-related or follow-on investments in such assets or companies (the “**Existing Investments**”). The Principals are not required to present investment opportunities relating to the Existing Investments to the Fund.

Silver Hill does not recommend or select other investment advisers for its Client.

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

Code of Ethics

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

Conflicts of Interest

The General Partner and certain of the Principals have made an investment in the Fund. As disclosed in Item 5 and Item 6, the General Partner also earns a Carried Interest in the Fund. The Principals and other members of the Management Team will be entitled to participate in distributions on account of the Carried Interest. As discussed in Item 6 above, the existence of the Carried Interest may create an incentive for Silver Hill, as an affiliate of the General Partner, to recommend that the General Partner make investments on behalf of the Fund that are riskier or more speculative than would be the case in the absence of such compensation. However, this incentive may be mitigated by the fact that the Principals have invested a significant amount of their own capital in the Fund. The General Partner, Silver Hill and their respective affiliates may, but are not obligated to, present opportunities to invest in the Existing Investments or opportunities received by the Principals in their respective capacities as members of the board of directors (or similar governing body) of any Existing Investments. To the extent the Principals propose that the Fund invest in any Existing Investment, the Advisory Board of the Fund is required to approve any such investment. In addition, the Advisory Board of the Fund is responsible for resolving any potential conflicts of interest between the Fund, the Investors and/or SHEP III, on the one hand, and the General Partner, Silver Hill and/or its affiliates, on the other hand.

Item 12. - Brokerage Practices

Silver Hill anticipates that the majority of the Fund's Investments, either directly or indirectly through SHEP III, will be made in oil and gas properties and related assets. Generally, the purchase and sale of such properties and assets are effected through privately negotiated transactions that will not require or utilize the services of a broker-dealer. At times, however, even in privately negotiated transactions, an investment bank, finder or other intermediary may be required or desired. If a broker-dealer or other intermediary is engaged by Silver Hill or the Fund, such broker-dealer would be compensated for services rendered, often on a commission basis. If Silver Hill participates in the selection of such a broker-dealer or other intermediary, Silver Hill anticipates that it will consider various factors, including, but not limited to, reputation, marketing approach, access to buyers and fees.

Silver Hill may receive products or services from broker-dealers and other counterparties on an unsolicited basis and without regard to transaction costs paid by the Fund or the volume of business that Silver Hill directs to these counterparties. Otherwise, the Adviser does not anticipate utilizing any "soft dollar" arrangements.

Item 13. - Review of Accounts

The Principals are responsible for oversight and monitoring of the Investments of the Client. The Principals will meet regularly to review and discuss each Investment and potential investment opportunities. Some of the processes and procedures utilized by Silver Hill to monitor and review Investments and to seek to mitigate risk include the following:

- Hedging program to limit the Fund's and SHEP III's commodity price risk with regular meetings to monitor hedges;
- Quarterly valuations and annual audit/third-party reserve reports; and
- Firm-wide discussions to review and highlight important events and risks.

Silver Hill provides each Investor with the following reports in accordance with the terms of the Governing Fund Documents:

- Audited annual financial statements;
- Unaudited quarterly financial statements for the first three quarters of a year;
- Individual capital account statements on a quarterly basis; and
- Annual tax information necessary to complete any applicable tax returns.

Silver Hill also intends to hold annual Investor meetings.

Item 14. - Client Referrals and Other Compensation

The Governing Fund Documents authorize Silver Hill to charge SHEP III or any other subsidiary of the Fund transaction, management service, break-up, or similar fees, including overhead reimbursement (to the extent that Silver Hill or any affiliate of Silver Hill provides management services or back-office support to SHEP III or any other subsidiary of the Fund). The Management Fees payable to Silver Hill will be reduced by 100% of any of the foregoing fees, excluding, for the avoidance of doubt, reimbursement of any of the expenses to be borne by SHEP III as described in Item 5 under the caption “*Operating Expenses*.”

Silver Hill has retained Aviditi Financial, LLC (“***Aviditi***”) to seek commitments from certain prospective investors of the Fund. Aviditi is entitled to receive fees that are generally based upon the amount of interests in the Fund subscribed for by such investors. In all cases, placement fees are borne entirely by Silver Hill and not by the Fund or the Investors.

Item 15. - Custody

The Adviser may be deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Fund by virtue of the common control of the Adviser and the General Partner of the Fund. As required under the Advisers Act, Silver Hill plans to conduct its business operations in such a way that the Fund's cash and securities, other than certain privately held investments, will be held in custody by unaffiliated qualified custodians (*i.e.*, broker-dealers or banks).

As described in Item 13 above, Investors receive annual financial statements audited by an independent public accounting firm. Investors are urged to carefully review these statements.

Item 16. - Investment Discretion

In accordance with the terms of the Management Agreement, and subject to the direction and control of the General Partner, Silver Hill has discretionary authority to determine, without obtaining specific consent from the Fund or the Investors, the Investments to be made by the Fund, and to perform the day-to-day investment operations of the Fund.

Item 17. - Voting Client Securities

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

Item 18. - Financial Information

A balance sheet is not required to be provided as the Adviser does not require or solicit prepayment of any fees six months or more in advance. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Client.

The Adviser has never been the subject of a bankruptcy petition.