

Form ADV Part 2A: Firm Brochure

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Riverstone Investment Group LLC is an investment adviser that is registered with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Riverstone Investment Group LLC. If you have any questions about the contents of this brochure, please contact us at (212) 993-0076. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Riverstone Investment Group LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

Since the last annual update of this brochure, which was filed on March 27, 2020, we filed an other-than-annual update on July 30, 2020 to reflect the addition of RIGL Holdings, LP as a relying adviser and the removal of Riverstone Investment Limited as a relying adviser of Riverstone Investment Group LLC. This annual update does not contain any material changes, but includes routine annual updating changes, clarifying changes, enhanced disclosures throughout Part 2A of Form ADV and updated regulatory assets under management.

We recommend that you read this Part 2A of Form ADV in its entirety.

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Item 4 **Advisory Business**

Founded in 2005, Riverstone Investment Group LLC (collectively with our affiliates, “we,” “our firm,” “the firm” or “Riverstone”) is an investment advisory services firm specializing in investment management for private equity funds. The sole owner of our firm is Riverstone Holdings LLC. Founders Pierre F. Lapeyre, Jr. and David M. Leuschen are the principal owners of and control Riverstone Holdings LLC indirectly through certain intermediate entities. Riverstone Investment Group LLC was formerly known as Riverstone Investment Services LLC.

Our firm offers investment advisory services to private equity and credit funds (generally referred to in this brochure as our clients or our funds) sponsored by Riverstone Holdings LLC or its affiliates and, with respect to certain funds, jointly with our joint venture partner, The Carlyle Group. We specialize in buyout, growth capital and other equity and debt investments in the energy and power sectors, and our advice encompasses most segments of the energy and power industry globally, including the following:

- exploration of oil and gas as well as other natural energy sources,
- midstream energy activities such as transportation and distribution of products and logistics associated with managing supply and demand across geographic regions and over time,
- electric generation (*i.e.*, the conversion of raw materials, primarily coal, natural gas and crude oil derivatives, into electricity),
- energy and power service, and
- renewable and alternative energy, including wind, biofuels, biomass, geothermal, hydroelectric, solar photovoltaic and solar thermal energy.

We oversee and manage certain of our existing sponsored investment funds, other investment vehicles and their investments through joint ventures with entities owned by The Carlyle Group. Specifically, these jointly-sponsored investment funds are:

- Carlyle/Riverstone Global Energy and Power Fund III, L.P.;
- Riverstone/Carlyle Global Energy and Power Fund IV, L.P.;
- Riverstone/Carlyle Renewable Energy and Alternative Energy Fund II, L.P.; and
- Other investment vehicles associated with the foregoing funds.

Our percentage ownership of the joint ventures with The Carlyle Group varies from fund to fund. The investment management functions for our existing jointly-sponsored funds (other than anti-money laundering review) are shared between our firm and Carlyle Investment Management L.L.C., an SEC-registered investment adviser. We perform back office administration for all jointly-sponsored investment funds, while anti-money

laundrying functions for all of our existing jointly-sponsored investment funds are performed by The Carlyle Group, with a supervisory role played by us. Each of our existing jointly-sponsored investment funds has an investment committee composed of members of our firm and The Carlyle Group. The investment committee agrees on investment strategies and portfolio investments. Our firm's and The Carlyle Group's representation on the respective investment committees of our existing jointly-sponsored investment funds varies from fund to fund.

We also independently oversee and manage the following funds:

- Riverstone Global Energy and Power Fund V, L.P., and its affiliated vehicles;
- Riverstone Global Energy and Power Fund VI, L.P., and its affiliated vehicles;
- Riverstone Non-ECI Partners, L.P., a fund that invests alongside Riverstone Global Energy and Power Fund VI, L.P. and Riverstone Energy Limited in non-ECI generating investments;
- Riverstone Credit Partners, L.P., and its affiliated vehicles;
- Riverstone Credit Partners II, L.P., and its affiliated vehicles;
- Riverstone Credit Partners III, L.P. (which is expected to launch in 2021), and its affiliated vehicles;
- Riverstone Energy Limited, a registered close-ended collective investment scheme incorporated in Guernsey that is publicly traded on the London Stock Exchange;
- A Riverstone advised registered Mexican trust (identified as F/179432 with the ticker: RIVERCK15) that is publicly traded on the Mexican Stock Exchange (hereinafter referred to as "Riverstone Energy and Power CKD Trust");
- A Riverstone advised registered Mexican trust (identified as F/18037-6 with the ticker: RSRENCK17) that is publicly traded on the Mexican Stock Exchange (hereinafter referred to as "Riverstone Renew CKD Trust");
- Riverstone Echo Continuation Fund, L.P. and its affiliated vehicles;
- Riverstone Echo Rollover Fund, L.P. and its affiliated vehicles; and
- Riverstone Credit Opportunities Income Plc, and its affiliated vehicles.

Our firm manages each fund in accordance with such fund's investment strategy and restrictions as set forth in its offering documents. We and our funds focus on buyout, growth capital and other equity and debt investments in the energy and power sectors. In addition, certain of our professionals participate on investment committees in order to formulate investment strategies and render specialized investment advice.

The amount of client assets that we manage on a discretionary basis, as of December 31, 2020, is \$14,435,293,867. We do not manage any client assets on a non-discretionary basis.

Item 5 Fees and Compensation

The following provides a general description of the fees, compensation and expenses that our funds pay. Each fund's limited partnership agreement or other governing documents describe such fees, compensation and expenses in much greater detail. Investors in the funds should refer to the relevant fund's limited partnership agreement or other governing documents for an accurate description of the fund's fees, compensation and expenses.

Our firm or our affiliates typically receive compensation from our clients based on a percentage of assets we manage and performance-based compensation in the form of "carried interest" or a performance allocation.

We assess a management fee on total and funded commitments (or in the case of Riverstone Energy Limited on net asset value) to our clients except certain co-investment vehicles. Currently, the fee ranges between 0.5% to 1.5% of the capital commitments (or net asset value) (or, depending on the current stage in the term of the applicable fund, total funded commitments) with respect to each of our clients.

Our firm, or one of our affiliates, receives a carried interest or performance allocation as performance-based compensation from each of our clients except certain co-investment vehicles. Our carried interest currently ranges from 15% to 20%. The particular fees and compensation relevant to a private investment fund or other investment vehicle are disclosed to investors in the offering materials for the relevant fund or other investment vehicle.

From time to time, we or our affiliates have entered, and may in the future enter, into side letters or other written understandings with individual investors that have the effect of establishing rights under, or altering or supplementing, the terms of a particular fund's partnership agreement or other relevant governing documents. The altered terms sometimes include but are not limited to fees, incurrence of expenses, transparency, transfer rights, excuse rights (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments) or notice requirements. Our firm and our affiliates do not impose a uniform schedule of management fees or performance-based compensation for all funds.

Our compensation is subject to waiver and reduction in our sole discretion. Our firm, our affiliates and certain of our professionals have invested, and may in the future invest, in investment vehicles advised by us. Our principals and employees are not subject to management fees or carried interest on their direct or indirect investment in our funds. If our firm, our affiliates or our professionals are investing in an investment vehicle sponsored by us, any actual or potential fee waiver is disclosed to potential investors in the offering materials for the particular investment vehicle.

Asset-Based Fees

Our funds pay management fees as described below. Investors in our funds indirectly pay the management fees by way of capital contributions to the funds according to their capital commitments and/or their invested capital as described below. The following percentages represent an annual rate.

- **Carlyle/Riverstone Global Energy and Power Fund III, L.P.**
 - investors are no longer required to pay management fees with respect to this fund.
- **Riverstone/Carlyle Global Energy and Power Fund IV, L.P.**
 - during the commitment period, the investor's management fee is a regressive rate structure based on the total amount invested in the client and parallel investment vehicles:
 - 1.5% with respect to the first \$5 billion of aggregate capital commitments;
 - 1.0% with respect to the portion of capital commitments in excess of \$5 billion;
 - after the commitment period, 0.75% of the investor's funded commitment, reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net writedowns associated with the portfolio of investments.
- **Riverstone Global Energy and Power Fund V, L.P.**
 - during the commitment period, 1.5% of the investor's capital commitment;
 - after the commitment period, 1.0% of the investor's funded commitment, reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net writedowns associated with the portfolio of investments.
- **Riverstone Global Energy and Power Fund VI, L.P.**
 - during the commitment period, 1.5% of the investor's capital commitment;
 - after the commitment period, 1.0% of the investor's funded commitment, reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net writedowns associated with the portfolio of investments.

- **Riverstone Non-ECI Partners, L.P.**
 - during the commitment period, 1.5% of the investor's capital commitment;
 - after the commitment period, 1.0% of the investor's funded commitment for investments, reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net writedowns associated with the portfolio of investments.
- **Riverstone Energy and Power CKD Trust**
 - during the investment period, 1.5% of the maximum issuance amount as set forth in the prospectus;
 - after the investment period, 1.0% of the investor's funded contributions for investments (including reinvestments), reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net writedowns associated with the portfolio of investments.
- **Riverstone Renew CKD Trust**
 - during the investment period, 1.5% of the maximum issuance amount as set forth in the prospectus;
 - after the investment period, 1.0% of the investor's funded contributions for investments (including reinvestments), reduced proportionately by the acquisition cost of investments that the client no longer holds and the amount of any permanent net writedowns associated with the portfolio of investments.
- **Riverstone Credit Partners, L.P.**
 - during the commitment period, 1.5% of "Capital Under Management"; "Capital Under Management" means the aggregate amount invested by the fund (without duplication, together with the outstanding principal amount of any borrowings to finance the purchase of investments in lieu of, in advance of or contemporaneous with receiving capital contributions) (other than with respect to amounts contributed by Riverstone and certain of its affiliates and associates (as further discussed in the partnership agreement)) in unrealized investments (and any entities formed to hold any co-investment, as permitted under the partnership agreement) to the extent then held by the fund at the determination date less aggregate net losses from permanent net writedowns as of such date.
 - after the commitment period, 1.0% of Capital Under Management.
- **Riverstone Credit Partners II, L.P.**
 - during the commitment period, 1.5% of Capital Under Management;

- after the commitment period, 1.0% of Capital Under Management.
- **Riverstone Credit Partners III, L.P.**
 - during the commitment period, 1.5% of Capital Under Management;
 - after the commitment period, 1.0% of Capital Under Management.
- **Riverstone/Carlyle Renewable Energy and Alternative Energy Fund II, L.P.**
 - during the commitment period, 1.5% of the investor's capital commitments;
 - after the commitment period, 1.0% of the investor's funded amounts for investments that the client holds, reduced proportionately by the amount of any permanent net writedowns associated with the portfolio of investments.
- **Riverstone Energy Limited**
 - a management fee of 1.5% of the net asset value of the fund payable quarterly in arrears (but management fees will only be charged to the extent that cash proceeds from the sale of the fund's shares have been invested or are committed to an investment).
- **Riverstone Echo Continuation Fund, L.P.**
 - 0.5% of the investor's funded contributions for investments, reduced proportionately by the acquisition cost of investments no longer held by the fund and the amount of any permanent write downs of any investments held by the fund.
- **Riverstone Echo Rollover Fund, L.P.**
 - investors are not required to pay management fees with respect to this fund.
- **Riverstone Credit Opportunities Income Plc**
 - investors are not required to pay management fees with respect to this fund.

Occasionally, we provide investors in our funds or third parties (including third parties whose participation might add value to the investment in terms of consummating, operating or exiting the investment) the opportunity to participate in investment vehicles sponsored by us that will invest in certain of our portfolio companies alongside our funds. Such investment vehicles typically are required to invest and dispose of their investment in the applicable portfolio companies at the same time and on the same terms as the applicable fund making the investment. Investors in such investment vehicles are generally not subject to any management fees or performance-based compensation, but in certain cases have been subject and may in the future be subject to such fees or other fees as set forth in the relevant governing documents.

Performance-Based Compensation

After returning all capital contributions to investors and subject to any writedowns associated with our clients' investment portfolios, our funds generally (but not certain coinvestment vehicles) will distribute to our firm or our affiliates a certain percentage of the profits of each realized investment, which is commonly referred to as "carried interest." Please see below for the applicable carried interest with respect to each client.

- **Carlyle/Riverstone Global Energy and Power Fund III, L.P.**
 - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone/Carlyle Global Energy and Power Fund IV, L.P.**
 - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Global Energy and Power Fund V, L.P.**
 - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Global Energy and Power Fund VI, L.P.**
 - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Non-ECI Partners, L.P.**
 - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Energy and Power CKD Trust**
 - the investors in the trust bear a carried interest that equals 20% of realized gains to an affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.

- **Riverstone Renew CKD Trust**
 - the investors in the trust bear a carried interest that equals 20% of realized gains to an affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Credit Partners, L.P.**
 - distributes 15% of realized gains to our affiliate only after investors receive a 6% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Credit Partners II, L.P.**
 - distributes 15% of realized gains to our affiliate only after investors receive a 6% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Credit Partners III, L.P.**
 - distributes 15% of realized gains to our affiliate only after investors receive a 6% compound, cumulative annual preferred return on capital contributions.
- **Riverstone/Carlyle Renewable Energy and Alternative Energy Fund II, L.P.**
 - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions.
- **Riverstone Energy Limited**
 - generally a performance allocation, calculated and payable at the underlying holding subsidiary level, equal to 20% of the realized gains (if any) on the sale of any underlying asset of the fund. In some cases, Riverstone may elect to get paid a performance allocation on unrealized gains to the extent a underlying asset of the fund has been held for seven years or longer (subject to certain conditions).
- **Riverstone Echo Continuation Fund, L.P.**
 - distributes 20% of realized gains to our affiliate only after investors receive an 8% compound, cumulative annual preferred return on capital contributions, in addition to other hurdles.

- **Riverstone Echo Rollover Fund, L.P.**
 - investors are not required to pay carried interest with respect to this fund.
- **Riverstone Credit Opportunities Income Plc**
 - distributes to our affiliate (i) 20% of cash distributions in excess of a 4% yield on the aggregate proceeds of all issues of ordinary shares of the company, and (ii) 10% of cash distributions in excess of 8% (each subject to a cap).

Each year, we charge management fees quarterly in advance of each quarter, except Riverstone Energy Limited, which pays fees in arrears. Investors in our funds pay these fees to our clients pursuant to capital calls made by our clients (or based on net asset value in the case of Riverstone Energy Limited).

We also receive performance-based compensation or carried interest from our clients, except certain co-investment vehicles. We generally receive a carried interest from our clients when distributions occur to investors in such clients under the circumstances described above. As a result, we do not receive carried interest on a regularly scheduled basis.

In connection with our advisory services, clients bear all of their own expenses (ordinary and extraordinary). The enumerated lists below are detailed but do not include every possible expense a client may incur. The expense arrangements summarized below are set out in the offering materials and governing documents for each sponsored investment fund.

We may offset some of the investment-related expenses listed below against the management fees.

Organizational Expenses

Our clients pay for expenses related to their organization, including:

- legal expenses,
- accounting expenses,
- filing expenses and fees incurred in connection with organizing and establishing the fund client and its affiliates, and
- expenses incurred in connection with marketing and offering of interests in the fund and its affiliates (including travel expenses (which in some cases includes reimbursement of private air charters (e.g., NetJets) and privately-owned aircraft expenses, as well as business and first class travel) (“Travel Expenses”), and printing costs or other similar amounts, incurred in connection with the offering of interests in our fund client and its affiliates).

Our clients generally have a cap on the expenses listed above, and our affiliates, typically the general partner of a fund, bear expenses in excess of these caps either directly or through a management fee offset (to the extent there are management fees available to offset such expenses).

Operational Expenses

Our clients also pay for expenses related to their operation, such as:

- fees, costs and expenses directly related to the purchase, holding and sale of the fund's investments,
 - expenses of any administrators, custodians (including fees, costs and expenses of any depositary), counsel, accountants and other professionals (including the audit and certification fees and costs of printing and distributing reports to the fund's investors) and any other out-of-pocket expenses incurred in connection with the administration of a fund or otherwise with fund accounting, tax and legal advice (including with respect to actual or potential litigation, if any) and information technology, in each case whether performed by staff of the firm and its affiliates, or by third parties,
 - all out-of-pocket fees, costs and expenses, if any, incurred in developing, negotiating, structuring, acquiring, trading, settling, monitoring, holding and disposing of actual investments, directly or through one or more intermediate vehicles, including without limitation any financing, legal, accounting, advisory and consulting expenses in connection therewith (including Travel Expenses, meal, communication, certain entertainment and selected research subscription expenses) (to the extent not subject to any reimbursement of such costs and expenses by entities in which a fund invests or other third parties),
 - fees, costs and expenses relating to or arising from establishing, implementing, monitoring or measuring the impact of environmental, social and governance policies and programs and cybersecurity with respect to the Riverstone funds or their portfolio companies,
 - any insurance, indemnity or litigation or extraordinary expense or liability,
 - brokerage commissions, custodial expenses, other bank service fees and other investment costs, fees and expenses actually incurred in connection with actual investments,
 - principal and interest on and fees and expenses arising out of all borrowings made by a fund, including, but not limited to, the arranging thereof,
 - certain structuring expenses, such as blocker expenses,
 - out-of-pocket expenses of the fund's investor advisory committee,

- out-of-pocket implementation, licensing, consulting and maintenance costs relating to technology systems (such as CRM, portfolio monitoring, valuation and reporting systems),
- expenses of any offices established for tax or other regulatory purposes for the fund's investments,
- certain taxes,
- any fees or other governmental charges levied against the fund, and
- expenses for transactions not completed, including amounts payable to third parties and all fees and expenses of lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated, and any deposits or draw-down payments that are forfeited in connection with unconsummated transactions.

We allocate the expenses among the applicable clients and the applicable investments of each client in a fair and reasonable manner. In certain cases potential co-investors will not bear the broken-deal expenses that a Riverstone main fund incurs in pursuit of an investment, or subscription credit facility fees and expenses, which are generally allocated entirely to the applicable Riverstone fund that is the borrower under such facility. With respect to broken-deal expenses, these cases are typically syndicated co-investments where a Riverstone main fund is actively seeking to make an investment and the investment is later abandoned prior to the time that co-investors have committed to make an investment along-side the fund. In these cases the entire broken-deal expenses will be borne by the applicable main fund and no broken-deal expenses will be allocated to any potential co-investors. In certain cases friends and family co-investment vehicles that invest alongside the main Riverstone funds in all portfolio companies do not share in broken-deal expenses of the main funds. This occurs in cases where Riverstone initially pays broken-deal expenses but does not seek reimbursement of such expenses from the applicable main fund. In such cases, the next drawdown for management fees is subject to offset for other fees received by Riverstone, but the offset amount is itself decreased by broken-deal expenses for which no drawdown notice was issued. As the internal friends/family co-investment vehicles are not subject to management fees, by terms of the main fund's partnership agreements the internal co-investment vehicles are not apportioned broken-deal expenses in such cases. In addition, in certain instances, a Riverstone fund will bear expenses in respect of an existing or prospective portfolio company that will not be borne by other owners or investors in such portfolio company (including co-investors or Co-Invest Funds), where Riverstone has determined such arrangement to be in the best interest of such Riverstone fund (e.g., a Riverstone fund engages or pays for a consultant for services in respect of a portfolio company without reimbursement by other owners of the portfolio company).

From time to time, certain of our funds have and in the future may recruit a management team to pursue a new "platform" opportunity expected to lead to the formation of a future portfolio company. In other cases, the fund have and in the future may form a new portfolio

company and recruit a management team to build the portfolio company through acquisitions and organic growth. In both cases, the fund will bear the expenses of the management team or portfolio company, as the case may be, including any overhead expenses, diligence expenses or other related expenses in connection backing the management team or the build out of the platform company. Such expenses may be borne directly by the applicable fund as partnership expenses or indirectly as the fund will bear the start-up and ongoing expenses of the newly formed platform portfolio company. None of these expenses will offset any fund management fees.

Investment-Related Expenses

In addition, our clients may incur expenses in connection with an investment, such as:

- break-up fees,
- organizational fees,
- set-up fees,
- monitoring fees,
- directors' fees,
- investment banking fees,
- underwriting fees, and
- syndication fees.

We allocate the expenses among the applicable clients and the applicable investments of each client in a fair and reasonable manner. Because we render advice to private equity and credit funds, and investments are made on a negotiated basis, opportunities for trade executions are rare. In these circumstances, our clients will pay brokerage fees. Please see Item 12 for further details.

Our funds pay their asset-based management fees in advance, except Riverstone Energy Limited, which pays fees in arrears. Should our management services be terminated prior to the complete rendering of services for the period, we would refund to the relevant clients an amount of their management fees pro-rated from the date of our termination to the end of the period to which the advance fee covered. The relevant clients would then refund such amount to their investors based on the amount of management fees paid by them.

From time to time, our affiliates have caused, and may in the future cause, our funds to make distributions to them in amounts sufficient to permit the payment of the tax obligations of our affiliates and their direct and indirect owners in respect of allocations of income related to their carried interest. These advances will reduce any amounts of carried interest that we and our affiliates later receive until these advances are restored to the fund. In the event that aggregate carried interest distributions (including any such prior advances)

are greater than the actual amount of carried interest to which our affiliates are entitled upon a final distribution by a fund client (determined on an after-tax basis in accordance with the applicable fund agreement), we and our affiliates must repay any outstanding balances to the fund through a “clawback” mechanism, except in the case of Riverstone Energy Limited and any other vehicle which does not have a “clawback” provision.

Neither our firm nor any of our principals, affiliates or employees receives any transaction-based compensation for the sale of securities of our funds to investors in those funds.

We may receive certain fees in connection with the portfolio investments of our funds. Please see Item 11 for a discussion of those arrangements.

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

Our firm or our affiliates generally receive performance-based compensation in the form of carried interest or performance allocations from each of our clients, except with respect to certain co-investment vehicles. The firm does not believe that this arrangement creates a conflict of interest since the co-investment vehicles are generally intended to invest alongside a fund on substantially the same terms and in accordance with the terms of the applicable fund governing documents. Please see Item 5 for a detailed explanation of our performance-based compensation. The existence of the carried interest or performance allocation may create an incentive for our firm or our affiliates to make riskier or more speculative investments on behalf of our clients than would be the case in the absence of these arrangements, although our commitment of capital to our funds should reduce this incentive. Furthermore, when allocating investments, the firm or our affiliates may have incentives to favor clients with higher potential for carried interest over clients with lower potential for carried interest. As described in more detail below, we have adopted allocation policies designed to treat all clients fairly and equitably in accordance with the applicable governing documents.

Item 7 Types of Clients

All of our clients are private equity and credit funds. Our clients rely on certain exceptions from the definition of “investment company” in the Investment Company Act of 1940, as amended (the “1940 Act”); accordingly, none of our funds is registered as an investment company under the 1940 Act. Investors participating in our private equity and credit funds may include individuals, certain banks or thrifts institutions, sovereign wealth funds, pension and profit sharing plans, trusts, estates, endowments, charitable organizations or other corporate or business entities (which may include entities that are owned, directly or indirectly, by principals or other employees of Riverstone or its affiliates). Riverstone has also entered into, and may in the future enter into separately managed accounts with clients. In some cases private equity professionals from other firms or other services professionals may also be investors in our fund.

Our firm determines in its sole discretion any requirements for entering into an investment advisory contract with a fund or otherwise opening or maintaining an account, including whether a private fund is large enough to implement its desired investment program.

Typically, the funds require minimum investment amounts ranging from \$5 million to \$10 million, but such amounts have been and in the future will be reduced with the prior agreement of Riverstone, subject to applicable legal requirements.

Fund interests are offered and sold generally to investors that are (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended and (ii) “qualified clients” as defined under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) or other “knowledgeable employees” of Riverstone.

Item 8 Method of Analysis, Investment Strategies and Risk of Loss

In managing our funds, we employ methods of analysis and investment strategies suitable for each fund’s investment objective as summarized below. More detailed descriptions of each fund’s investment methods of analysis and investment strategies are included in the fund’s offering documents and governing documents. There can be no assurance that Riverstone will achieve the investment objectives of a fund and loss of investment capital is possible.

Investment Strategies

We employ various investment strategies, including investing in energy and power companies as well as renewable energy companies.

Our firm, on behalf of our clients, invests in companies with a broad range of enterprise values, as either controlling or strategic minority positions. In minority investments, we seek on behalf of our clients to negotiate varying degrees of control over certain key areas of corporate governance, including capital spending, external financing and major corporate transactions, as well as controls over exits.

With respect to our buyout and growth capital funds, our clients’ investments may include buyouts of non-core assets or operating subsidiaries of large corporations, build-up and consolidation plays, growth capital investments, and strategic industry partnerships. With respect to our Credit Funds (as defined below), our client’s investments will primarily be in primary and secondary investments in the debt securities of small to mid-sized companies. We source investments worldwide.

We vary the investment programs within the energy and power sectors according to our clients’ needs. Among all of our buyout and growth capital fund clients we may engage in any combination of the following:

- investing in the energy and power sectors, such as:
 - investing in restructuring of energy and power companies,

- investing in renewable energy companies,
- investing in utility companies, and
- investing in oil and natural gas companies,
- investing in equity and equity-related securities,
- investing in debt securities, including, among others:
 - debt instruments made in connection with an investment in equity or equity-related securities,
 - debt investments with a view to a restructuring in which we anticipate that our client will receive an equity interest,
 - debt investments intended to facilitate consummation of an equity investment, and
 - debt investments that are equity-related investments,
- investing in non-U.S. securities,
- investing in emerging markets,
- investing in small capitalization companies,
- royalty interests or mineral production payments,
- borrowing/leveraging, including short-term bridge loans (on an unsecured basis),
- hedging equity, credit, currency, commodity price and/or interest rate exposure, and
- investing in or with other partnerships and entities.

Most of the above strategies involve medium to long-term investment in equity or debt securities with some investment in swaps, commodities and property interests.

From time to time, we have made, and may in the future make, short-term investments on behalf of clients for cash management purposes that may include investments in bank depository products, commercial paper and government securities. Other investments may take the form of privately negotiated investment instruments including unregistered equity and debt from both foreign and domestic issuers.

The above strategies are generally applicable to the firm's Credit Funds as well, except its investment activities will be focused on debt securities of North American companies, as described further below, and will generally not include investments in equity securities. In particular, the Credit Funds' investments have included, and may in the future include, investing in individual debt securities of companies trading at distressed levels but that we

believe are fundamentally sound, providing senior secured financing alternatives to small and mid-sized energy companies and acquiring existing loans from banks on an opportunistic basis.

We describe material risks relevant to our investment strategies below.

Methods of Analysis

With respect to each of our clients, we use our extensive industry expertise and relationships with key players in the industry to thoroughly evaluate and investigate the fundamentals of our investment prospects. We also have significant experience in conducting due diligence, valuation and all other aspects of deal execution, including financial and legal structuring, accounting and compensation design. We draw upon our extensive network of relationships with industry-focused professional advisory firms to assist with due diligence in other areas such as regulatory risk, contractual liabilities, accounting, tax, employee benefits, environmental, engineering and insurance.

Our firm, on behalf of a client, will generally only make an investment in a company after a comprehensive review of:

- a target company's management team,
- industry dynamics,
- competitors and competing technologies,
- the quality of a company's assets, products and services,
- the company's competitive position and strategy,
- financial statements,
- off-balance sheet and contingent liabilities,
- debt capacity and financing needs,
- equity and debt market perspectives,
- environmental, political and regulatory risks, and
- economic risk, exit alternatives and return potential.

We analyze and evaluate investment opportunities using conventional financial measures, regardless of the sector or the development stage of the portfolio company. We work with the management teams of target companies to analyze past and present results, create a thorough operating plan and assess the organizational and capital resources necessary to improve the target company's performance as well as exit alternatives.

Our approach to portfolio monitoring and development requires a close working relationship with senior management of our clients' portfolio companies, a clear blueprint for portfolio companies' growth and an incentive plan to ensure the organization's commitment to success. Working together with management, we expect to create value through:

- carefully reviewing capital investments,
- redirecting capital spending and operating priorities as necessary,
- optimizing asset portfolios through acquisitions and divestitures,
- adopting cost management efforts,
- adding appropriate personnel, or
- completing value-creating acquisitions.

Despite our thorough research and analysis, investing in any security involves a risk of loss that any clients and investors in our clients must be prepared to bear. While the following is a detailed explanation of some of the significant risks associated with the investment strategies we employ, it does not describe all of the risks that may potentially be faced by any fund. Prior to making any investment in a fund, investors should review the applicable fund's private placement memorandum or other offering document for additional information regarding risks and conflicts of interest specific to such fund.

Certain general risks associated with an investment in any fund we advise include:

- *Investment Judgment and Market Risk.* The success of our investment programs depends, in large part, on correctly evaluating the future price movements of potential investments. We cannot guarantee that we will be able to accurately predict these price movements and that our investment programs will be successful.
- *Highly Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. Our clients compete for investments with other private equity investors, as well as companies, public equity markets, individuals, financial institutions and other investors. Furthermore, over the past several years, an ever-increasing number of private equity funds have been formed, including in the energy and power sector (and many such existing funds have grown in size), resulting in an unprecedented amount of capital available for private equity investment. Additional funds with similar objectives may be formed in the future by other unrelated parties. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to our clients and adversely affecting the terms upon which investments can be made. There is no assurance that we will be able to locate, consummate and exit

investments that satisfy our clients' rate of return objectives or realize upon their values, or that our clients will be able to invest fully their committed capital.

- *Financial Markets and Regulatory Change.* The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of investment funds, including those resulting from a reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which we work. Market disruptions over the recent years and the increase in capital being allocated to investment funds and other alternative investment vehicles have led to increased scrutiny and regulation over the investment fund and asset management industry. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to our clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our clients' interests.
- *Risk of Limited Number of Investments.* We anticipate that our clients may participate in a limited number of investments. As a consequence, the aggregate return of our clients may be substantially adversely affected by the unfavorable performance of even a single investment.
- *Investments Longer than Term.* We, on behalf of a fund, may make investments that may not be advantageously disposed of prior to the date the fund will be dissolved, either by expiration of our client's term or otherwise.
- *Uncertainty of Financial Projections.* Our firm or our affiliates will generally establish the capital structure of portfolio companies on the basis of financial projections for these portfolio companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.
- *The AIFMD and the UK AIFMR.* The Directive 2011/61/EU of the European Parliament and of the Council of June 8, 2011 on Alternative Investment Fund Managers together with Commission Delegated Regulation (EU) No 231/2013 supplementing Directive 2011/61/EU, as well as any similar or supplementary law, rule or regulation including any equivalent or similar law, rule or regulation implemented and applicable in the United Kingdom (the "UK") following its withdrawal from the European Union (the "EU"), or subordinate legislation or guidance thereto (as amended from time to time, the "UK AIFMR"), as implemented in any relevant jurisdiction, in all cases as amended from time to time (the "AIFMD") imposes requirements on AIFMs (as defined in the AIFMD) that market AIFs (as defined in the AIFMD) to professional investors who are domiciled or have a registered office within the

European Economic Area (the “EEA”) or the UK, as applicable. For these purposes a fund is a non-EEA and non-UK AIF and the firm is a non-EEA and non-UK AIFM.

The AIFMD allows member states to permit the marketing of non-EEA AIFs by non-EEA AIFMs in accordance with local laws, provided that local laws meet the requirements of Article 42 of the AIFMD. There is no requirement for member states to operate or maintain a national private placement regime and, if they do, the member state is free to impose stricter rules than the minimum requirements of Article 42 of the AIFMD. Where national private placement is permitted, the AIFM must comply with Article 22 (requirements relating to an annual report), Article 23 (prescriptive pre-investment and periodic disclosure to investors), Article 24 (relating to periodic reporting to regulators) and Articles 26 to 30 if applicable (the provisions relating to the acquisition and control of non-listed companies and issuers, including the asset-stripping rules). In addition to these minimum requirements, some jurisdictions require a non-EEA AIFM to comply with substantially all of the AIFMD or certain additional compliance requirements, such as the appointment of a depositary. Given that national private placement regimes are, by definition, a matter of national law, a non-EEA AIFM must comply with different regulatory requirements in different member states, both in respect of the initial process for seeking to market in that member state and with respect to ongoing compliance. Since the firm, as a non-EEA entity, is not currently eligible for authorization and therefore cannot have the benefit of a marketing “passport”, it is required to comply with the national private placement regimes and other applicable rules of those EEA member states that allow private placement and in which interests in a fund are marketed and sold. Where the firm has marketed a fund in a member state in compliance with the national private placement regime and that marketing has resulted in investors in that member state investing in such fund, our ongoing compliance with the laws of that member state will continue at least until all of such investors dispose of their interests in such fund. Compliance with these requirements may therefore result in significant additional costs over the life of the funds and may reduce returns to investors. The rules, regulations and guidance related to the marketing of interests to investors domiciled or having their registered office in the EEA remain uncertain. Each of the firm and/or our affiliates and agents has endeavored to comply with these uncertain and evolving rules as interpreted as of the date of this brochure, but there is not absolute certainty as to their successful compliance. In the event that the firm or any of our affiliates or agents is found to have breached the provisions of the AIFMD (inadvertently or otherwise), our firm and/or our affiliates (and/or a fund indirectly) may face regulatory sanctions as a result of its non-compliance. Such activities and sanctions may impact the enforceability of any subscriptions received from investors domiciled or resident in the EEA (including potential rescission rights with respect to such investors), result in significant costs and ultimately materially and adversely affect such fund, its financial condition, liquidity, reputation and operations. Certain EEA member states have announced their intention to abolish their national private placement regimes in the near future. The abolition of such regimes may further limit the territories in which a fund may seek investors. In the future, the firm (or an associate) may be compelled to seek, or it may determine that it should seek, authorization as an AIFM in an EEA member state (should that option become available) and/or under a similar regime elsewhere. This would entail compliance with

all requirements of the AIFMD (and/or with similar requirements of a similar regime). In such circumstance, the AIFM of such fund would become subject to additional requirements, such as rules relating to remuneration, minimum regulatory capital requirements, restrictions on the use of leverage, restrictions on investment in securitization positions, requirements in relation to liquidity and risk management, asset-stripping prohibitions, valuation of assets, etc. Such requirements could adversely affect a fund, among other things by increasing the regulatory burden and costs of operating and managing a fund and its investments. They could also have indirect ramifications. Any required changes to compensation structures and practices, for example, could make it harder for the AIFM and its affiliates to recruit and retain key personnel.

Following Brexit and subject to compliance with the UK AIFMR, AIFMs may market AIFs to professional investors who are domiciled or have a registered office within the UK pursuant to the UK national private placement regime. The UK AIFMR currently imposes compliance obligations that are broadly similar to those detailed in the above paragraph in connection with a non-EEA AIFM marketing a non-EEA AIF pursuant to the national private placement regimes of certain EEA member states. If within scope of the UK AIFMR, an AIFM must comply with rule 3.3 of the Investment Funds sourcebook (requirements relating to an annual report), rule 3.2 of the Investment Funds sourcebook (prescriptive pre-investment and periodic disclosure to investors), rule 3.4 of the Investment Funds sourcebook (relating to periodic reporting to regulators) and Part 5 of the UK AIFMR if applicable (the provisions relating to the acquisition and control of non-listed companies and issuers, including the asset-stripping rules).

- *Brexit.* The UK withdrew from the EU on January 31, 2020 (“Brexit”). In connection with Brexit the UK and the EU agreed the Trade and Cooperation Agreement (“TCA”) that governs the future trading relationship between the UK and the EU in specified areas. The TCA took effect from January 1, 2021 following a transition period that commenced immediately following the Brexit date.

The UK is no longer in the EU customs union and is outside of the EU single market. As a result, logistical disruption is expected whilst the UK and EU implement the new relationship under the TCA. Notably, the TCA does not include an EU-wide cooperation arrangement for financial services, with UK firms instead having to negotiate individual EU member state regulations and cooperation/recognition arrangements. The initial timeframe set to agree a financial services cooperation framework may be subject to extension and a cooperation agreement on financial services is not guaranteed. The uncertainty surrounding the implementation of the TCA and the outcome of ongoing negotiations may have economic, tax, fiscal, legal, regulatory and other implications for the asset management industry, the broader European and global financial markets generally and for private funds, such as a fund and its investments. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing

business, or having service or other significant relationships in, the UK or the EU, including companies or assets held or considered for prospective investment by a fund.

The future application of EU-based legislation and/or taxation to the private fund industry in the UK will depend, among other things, on how the UK negotiates its relationship with the EU as regards financial services. There can be no assurance that any negotiated laws, taxation and/or regulations will not have an adverse impact on a fund and its investments, including, to the extent applicable the ability of a fund to achieve its investment objectives. The ongoing effects of Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management (due in part to redenomination of financial assets and liabilities,) an adverse effect on the ability of the firm to manage, operate and invest a fund and increased legal, regulatory or compliance burden for the firm or a fund, each of which may have a negative impact on the operations, financial condition, returns or prospects of a fund.

Whilst the most immediate impacts of Brexit on corporate transactions will likely be related to changes in market conditions, the development of new regulatory regimes and parallel competition law enforcement may have an adverse impact on transactions, particularly those occurring in, or impacted by conditions in, the UK and the EU.

- *Data Privacy.* The General Data Protection Regulation (“GDPR”) came into effect on May 25, 2018. The purpose of the GDPR is to provide for the protection of the individual’s right to privacy with respect to the processing of personal data. The GDPR is directly applicable in all EEA member states, creating a single legal framework that results in a more uniform application of data privacy laws across the EU.

Following Brexit, the GDPR has been imposed in UK law, as the UK General Data Protection Regulation (“UK GDPR”). The UK’s data protection regime primarily consists of the UK GDPR and the UK Data Protection Act 2018 (the “UK DP Laws”). The relationship between the UK and the EU in relation to certain aspects of data protection law remains unclear, and it is also unclear how the UK DP Laws will develop in the medium to longer term.

The firm will be deemed to be a “controller” with respect to personal data collected from such Data Subjects and will be required to comply with the provisions of the GDPR and UK DP Laws, which are extensive and require consistent and thorough application. The GDPR and UK DP Laws implement more stringent operational requirements and onerous accountability obligations for controllers and processors of personal data, including, for example, requiring expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements, and higher standards for controllers to demonstrate that they have obtained valid consent or have another legal basis in place to justify their data processing activities.

Controllers must put in place the necessary mechanisms to allow Data Subjects to exercise their data subject rights, such as the right to access and rectify their personal

data, the right to impose restrictions on processing, and in certain circumstances the right to request the deletion of personal information, to request the transfer of such information to another controller and to object to the processing of their personal information. The GDPR provides that EEA member states may make their own additional laws and regulations in relation to certain data processing activities, and may impose stricter governance requirements, which could limit the firm's ability to use and share personal data or could require localized changes to the firm's and a fund's operating models (if applicable). The provisions of the GDPR and UK DP Laws may also apply to a fund's investments, to the extent that they are established in the EU and the UK, or offer goods or services to, or monitor the behaviour of, EEA and UK Data Subjects.

To the extent applicable, we are also subject to certain rules with respect to cross-border transfers of personal data out of the EEA and the UK. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA and the United Kingdom to the U.S. Most recently, on July 16, 2020, the Court of Justice of the European Union ("CJEU") invalidated the EU-US Privacy Shield Framework ("Privacy Shield") under which personal data could be transferred from the EEA to US entities who had self-certified under the Privacy Shield scheme.

While the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances. Use of the standard contractual clauses must now be assessed on a case-by-case basis taking into account the legal regime applicable in the destination country, in particular applicable surveillance laws and rights of individuals and additional measures and/or contractual provisions may need to be put in place, however, the nature of these additional measures is currently uncertain. The CJEU went on to state that if a competent supervisory authority believes that the standard contractual clauses cannot be complied with in the destination country and the required level of protection cannot be secured by other means, such supervisory authority is under an obligation to suspend or prohibit that transfer.

We currently rely on the standard contractual clauses to transfer personal data outside the EEA, including to the U.S. among other data transfer mechanisms pursuant to the GDPR, but excluding the EU-US Privacy Shield. These recent developments are likely to require us to review and amend the legal mechanisms by which we make and/or receive personal data transfers to/in the U.S. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations.

Under the GDPR, fines of up to €20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, may be imposed for non-compliance. The UK GDPR mirrors the fines under the GDPR, i.e. fines up to the greater of £17.5 million or 4% of global annual turnover. In addition to the foregoing, a breach of the GDPR or UK GDPR could result in regulatory investigations, reputational damage, orders to cease/change our processing of our data, enforcement notices, and/or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs and diversion of internal resources. An assessment by a competent authority in the EEA and the UK that the firm has not complied with the requirements of the GDPR and UK DP Laws (if applicable) could result in serious financial and reputational damage to the firm or a fund. These laws (if applicable) also could cause costs of a fund and its investments to increase and result in further administrative burden, which is likely to reduce capital and time that can be deployed for making investments.

- *Environmental, Social & Governance (“ESG”) Matters.* ESG matters have been the subject of increased focus by certain regulators in the EU. For example, the European Commission has proposed legislative reforms, which include, without limitation: (a) Regulation 2019/2088 regarding the introduction of transparency and disclosure obligations for investors, funds and asset managers in relation to ESG factors, for which most rules are proposed to take effect beginning on March 10, 2021 and (b) a proposed regulation regarding the introduction of EU-wide taxonomy of environmentally sustainable activities, which is proposed to take effect in a staggered approach beginning on December 31, 2021. While the firm strives to implement ESG practices, there can be no assurance that the firm will be able to identify all ESG issues or will be able to successfully implement its ESG policies. The use of ESG metrics in the investment process may be subjective and are not subject to uniform standards, and, as such, there is no guarantee that the firm will be able to accurately assess and measure the ESG risks and ESG compliance of its investments and potential investments. ESG-based exclusionary criteria may result in a fund foregoing opportunities to make certain investments when it might otherwise be advantageous to do so, and/or selling certain investments due to their ESG characteristics when it might be disadvantageous to do so. The use of ESG criteria may affect a fund’s investment performance and, as such, a fund may perform differently compared to similar funds that do not use such criteria.
- *Investments in Oil and Natural Gas.* Our firm, on behalf of our clients, may invest in oil and natural gas companies. The following is a description of some of the risks associated with this type of investment.
 - *Volatility of Oil and Natural Gas Prices; Recent Energy Price Trends.* The performance of certain investments of our clients is substantially dependent upon prevailing prices of oil and natural gas. Historically, the markets for oil and natural gas have been volatile, and these markets are likely to continue to be volatile in the future. Prices for oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil and natural gas, market

uncertainty, speculation and a variety of additional factors that are beyond our control. These factors include:

- the level of consumer product demand,
 - the refining capacity of oil purchasers,
 - weather conditions,
 - domestic and foreign governmental regulations,
 - the price and availability of alternative fuels,
 - political conditions in the Middle East and other oil producing regions,
 - actions of the Organization of Petroleum Exporting Countries,
 - the foreign supply of oil and natural gas,
 - the price of foreign imports, and
 - overall economic conditions.
- *Drilling, Exploration and Development Risks.* Our firm, on behalf of our clients, may invest in businesses that engage in oil and gas exploration and development, a speculative business involving a high degree of risk. Oil and gas drilling may involve unprofitable efforts, not only from dry holes, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs.

Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include:

- encountering unexpected or irregular formations or pressures,
- premature declines of reservoirs,
- blow-outs,
- equipment failures and other accidents in completing wells and otherwise,
- cratering,
- sour gas releases,
- uncontrollable flows of oil,
- natural gas or well fluids,

- adverse weather conditions
- issues related to compliance with environmental regulations;
- title problems, and
- pollution, fires, spills and other environmental risks.

In addition, in making these investments, we must rely on estimates of oil and gas reserves. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, these estimates are inherently imprecise.

- *Midstream Capacity Constraints and Interruptions.* Certain portfolio companies may rely on various midstream facilities and systems, including facilities and systems operated by third parties. Regardless of who operates the midstream systems, a portfolio company's business may be interrupted or shut-in from time to time due to loss of access to plants, pipelines or gathering systems. Such access could be lost due to a number of factors, including, but not limited to, weather conditions, accidents, field labor issues or strikes. Such interruptions or constraints could negatively impact a portfolio company's profitability, and thus investment returns to a client fund.
- *Regulatory Risks and Approvals.* The power generation industry is subject to comprehensive United States and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect the portfolio companies and the prospects of the funds. Other power assets may be taxed or need to purchase offsets under proposed environmental legislation in the United States and existing or proposed environmental legislation in other parts of the world, which could affect economic viability.

The funds may invest in portfolio companies believed to have obtained all material governmental approvals required as of the date thereof to acquire and operate their facilities. In addition, a fund may be required to obtain the consent or approval of applicable regulatory authorities in order to acquire or hold certain ownership positions in portfolio companies. A portfolio company could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Moreover, additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in the companies' customers or affiliates or for other reasons. There can be no assurance that a portfolio company will be able to: (i) obtain all required regulatory approvals that it does not currently have or that it may be required to have in the future; (ii) obtain any necessary

modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility or sales to or from third parties or could result in additional costs to a portfolio company. In connection with the regulatory approval, licensing or review processes for any portfolio company, disclosures and other undertakings may be required from or in respect of the existing or prospective owners of such portfolio company, potentially including a fund and, in turn, the investors.

Regulatory changes in a jurisdiction where a portfolio investment is located may make the continued operation of the portfolio investment infeasible or economically disadvantageous and any expenditures made to date by such portfolio investment may be wholly or partially written off. The locations of the portfolio investments may also be subject to government exercise of eminent domain power or similar events. Any of these changes could significantly increase the regulatory-related compliance and other expenses incurred by the portfolio investments and could significantly reduce or entirely eliminate any potential revenues generated by one or more of the portfolio investments, which could materially and adversely affect returns to a fund.

- *Risks Relating to Hydraulic Fracturing Activities.* Several of our portfolio companies engage in hydraulic fracturing, which is a practice in the oil and natural gas industry that involves the injection of water, sand and chemicals under pressure into rock formations to fracture the surrounding rock and stimulate the production of hydrocarbons, particularly natural gas, from tight formations. The hydraulic fracturing process is typically regulated by state oil and gas commissions, but there has been increasing scrutiny and regulatory initiatives and proposed initiatives at the federal, state and local level to ban or regulate hydraulic fracturing and to study the environmental impacts of hydraulic fracturing and the need for further regulation of the practice. For example, debate exists over whether certain of the chemical constituents in hydraulic fracturing fluids may contaminate drinking water supplies, with some members of the United States Congress and others proposing to revisit the exemption of hydraulic fracturing from the permitting requirements of the United States Safe Drinking Water Act (the “SDWA”). Eliminating this exemption could establish an additional level of regulation and permitting at the federal level that could lead to operational delays or increased operating costs for those portfolio companies and could result in additional regulatory burdens that could make it more difficult to perform hydraulic fracturing and increase a portfolio company’s costs of compliance and doing business. Even in the absence of new legislation, the United States Environment and Protection Agency (the “EPA”) recently asserted the authority to regulate hydraulic fracturing involving the use of diesel additives under the SDWA’s Underground Injection Control Program.

Scrutiny of hydraulic fracturing activities continues in other ways, with the EPA having commenced a multi-year study of the potential environmental impacts of

hydraulic fracturing on drinking water, the initial results of which were made available in December 2012. Hydraulic fracturing operations require the use of water and the disposal or recycling of water that has been used in operations. The United States Clean Water Act (the “CWA”) restricts the discharge of produced waters and other pollutants into waters of the United States and requires permits before any pollutants may be discharged. The CWA and comparable state laws and regulations in the United States provide for penalties for unauthorized discharges of pollutants including produced water, oil, and other hazardous substances. Compliance with and future revisions to requirements and permits governing the use, discharge, and recycling of water used for hydraulic fracturing may increase a portfolio company’s costs and cause delays, interruptions or terminations of its operations which cannot be predicted.

Further, at the state level, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances or otherwise require the public disclosure of chemicals used in the hydraulic fracturing process.

If these or any other new laws or regulations that significantly restrict hydraulic fracturing are adopted, such laws or regulations could make it more difficult or costly for, or even prohibit, our portfolio companies to perform fracturing to stimulate production from tight formations as well as make it easier for third parties opposed to the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. Such developments could materially adversely affect our portfolio companies’ revenues and results of operations and result in the potential for adverse judgments against our portfolio companies. In addition, if hydraulic fracturing is regulated at the federal level, our portfolio companies’ fracturing activities could become subject to additional permitting and financial assurance requirements, more stringent construction specifications, increased monitoring, reporting and recordkeeping obligations, plugging and abandonment requirements, and attendant permitting delays and potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of, or prevent our portfolio companies from accessing, oil and natural gas that our portfolio companies are ultimately able to produce from their reserves.

- *Oil Shale Exploration and Extraction.* Our clients may, at times, invest in portfolio companies that engage in oil shale exploration and extraction. Exploration and development operations in oil shale extraction are subject to environmental regulations (further discussed below, see *Environmental Matters*), which could result in additional costs and operational delays. Future changes in environmental regulation, if any, could negatively affect the operations of portfolio companies involved in oil shale exploration and extraction. In addition, portfolio companies involved in oil shale exploration and extraction incur substantial expenditures to acquire oil shale properties, establish reserves through drilling and analysis, develop processes to extract oil, and develop the processing facilities and infrastructure at a site chosen for oil shale production. Portfolio companies cannot

be sure they will acquire or discover sufficient quantities or adequate quality of oil from oil shale or that they will be able to obtain enough funds required for development on a timely basis.

Significantly, oil shale exploration, development and operating activities are inherently hazardous. Any liabilities that a portfolio company engaged in oil shale exploration and extraction might incur may exceed any insurance policy limits, and it is possible that certain of their liabilities and hazards may be uninsurable.

Finally, if a portfolio company's exploration and extraction properties experience any title defects, the portfolio company may be required to compensate other parties or reduce its interest in the affected property. Also, the investigation and resolution of title issues would divert the company's focus away from ongoing exploration and development programs.

- *Offshore Operations.* Certain companies in which our clients invest conduct offshore operations. Their operations and financial results could be significantly impacted by conditions in some of these areas, such as the Gulf of Mexico. As a result of this activity, they are vulnerable to the risks associated with operating offshore, such as:
 - repatriation,
 - transparency issues,
 - hurricanes and other adverse weather conditions,
 - oil field service costs,
 - availability of oil fields,
 - terrorist attacks,
 - remediation and other costs resulting from oil spills,
 - lack of infrastructure, and
 - failure of equipment or facilities.
- *Investments in the Utility Industry.* Our firm, on behalf of our clients, may make certain investments in electric utility industries both in the United States and abroad.
 - *Effects of Ongoing Changes in the Utility Industry.* In many regions, including the United States, the electric utility industry is experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demand, technological advances, greater availability of natural gas and other factors. In response, for example, the Federal Energy Regulatory Commission (the "FERC") has implemented regulatory changes to increase access to the nationwide

transmission grid by utility and non-utility purchasers and sellers of electricity; similar actions are being taken or contemplated by regulators in other countries. A number of countries or regions, including many states within the United States, are considering or have implemented methods to introduce and promote retail competition. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation projects into which a client may invest may come under increasing pressure. Changes in regulation may result in consolidation among domestic utilities and the disaggregation of many vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry. In addition, independent power producers may find it increasingly difficult to negotiate long-term power sales agreements with solvent utilities, which may affect the profitability and financial stability of independent power projects.

We cannot give any assurance that:

- the existing regulations applicable to electric utility portfolio companies will not be revised or reinterpreted;
- new laws and regulations will not be adopted or become applicable to electric utility companies;
- the technology and equipment selected by the companies to comply with current and future regulatory requirements will meet these requirements;
- the companies' business and financial conditions will not be materially and adversely affected by future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with current and future laws and regulations; or
- regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

Pursuant to certain federal statutes, the FERC has jurisdiction over the transmission and wholesale sale of electricity in interstate commerce and over the transportation, storage and certain sales of natural gas in interstate commerce, including the rates, charges and other terms and conditions for such services, respectively. Failure to comply with applicable FERC regulations could result in the prevention of operation of a FERC-jurisdictional facility or prevent the sale of such a facility to a third party, as well as the loss of certain rate authority, refund liability, penalties and other unnamed remedies, all of which could result in additional costs to a portfolio company and could adversely affect a fund's investment results.

- *Changes in Environmental Laws and Regulations.* Certain companies in which our clients invest are subject to a number of environmental laws and regulations that

are currently in effect, including those related to the handling, disposal, and treatment of hazardous materials. Changes in compliance requirements or the interpretation by governmental authorities of existing requirements may impose additional costs, all of which could have an adverse impact on these companies.

- *Climate Change Laws.* In response to findings that emissions of carbon dioxide, methane and other greenhouse gases (“GHGs”) present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the federal Clean Air Act that, among other things, establish Prevention of Significant Deterioration (“PSD”) construction and Title V operating permit reviews for certain large stationary sources that are potential major sources of GHG emissions. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet “best available control technology” standards that will be established by the states or, in some cases, by the EPA on a case-by-case basis. These EPA rulemakings could adversely affect a portfolio company’s operations and restrict or delay its ability to obtain air permits for new or modified sources. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified onshore and offshore oil and gas production sources in the United States on an annual basis.

While U.S. Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level. However, the EPA announced that it will propose regulations to directly regulate and require reductions to methane emissions from the oil and gas industry. In the absence of federal climate legislation, a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emissions by means of cap and trade programs that typically require major sources of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting those GHGs. If U.S. Congress undertakes comprehensive tax reform, it is possible that such reform may include a carbon tax, which could impose additional direct costs on operations and reduce demand for refined products. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact a Riverstone fund’s investment program, any such future laws and regulations imposing reporting obligations on, or limiting emissions of GHGs from, a portfolio company’s equipment and operations could require it to incur costs to reduce emissions of GHGs associated with its operations. Substantial limitations on GHG emissions could also adversely affect demand for the oil and natural gas. Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events; if any such effects were to occur, they could have an adverse effect on a portfolio company’s E&P operations.

- *Operational Risk.* The utility industry is subject to various operational risks, including:

- incidents relating to property damages,
- equipment failures, and
- personal injuries.

These incidents may expose utility companies to potential claims beyond the scope of their insurance coverage.

- *Weather Conditions.* Weather conditions directly influence the demand for electricity. Significant fluctuations in temperatures could have a material impact on energy sales for any given period. Milder temperatures reduce demand for electricity and have a corresponding effect on utility companies' revenues. In addition, severe storms, such as hurricanes and ice storms, could cause damage to a utility company's facilities that may require additional costs to repair and have a material adverse impact on the company's results of operations, cash flows or financial position.
- *Disruption of Supplies.* Disruption in the delivery of fuel could limit utility companies' ability to operate their facilities. In addition, the supply markets for coal, natural gas and uranium are subject to price fluctuations, availability restrictions and counterparty default. It is not possible to predict the ultimate cost or availability of these commodities. Any of these costs could have a material adverse effect on the companies' financial results.
- *Start-Up, Venture Capital and Technology-Related Investments.* Our firm, on behalf of our clients, may invest in portfolio companies that:
 - are at a conceptual or early stage of development or that may have little or no operating history;
 - may offer services or products that are not yet developed or ready to be marketed or that have no established market;
 - may be operating at a loss or have significant fluctuations in operating results;
 - may be engaged in a rapidly changing business; and
 - may need substantial additional capital to set up infrastructure, hire management and personnel, develop product prototypes, support expansion or achieve or maintain a competitive position.

Such companies face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

Our firm, on behalf of our clients, may invest a significant portion of its assets in the securities of smaller, less-established companies. Investments in these companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by our client, these securities may be subject to more abrupt and erratic market price movements than those of larger, more-established companies. Less established companies tend to have lower capitalizations and fewer resources, and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and will have negative cash flow. We cannot give any assurance that any losses will be offset by gains (if any) realized on a client's other assets.

Our firm, on behalf of our clients, may also make significant investments in companies in rapidly changing high-technology fields. The technology industry is characterized by rapid change, evidenced by rapidly changing market conditions and participants, new competing products and improvements in existing products. Accordingly, energy technology companies may face special risks of product obsolescence. There can be no assurance that products sold by portfolio companies will not be rendered obsolete or adversely affected by competing products or that portfolio companies will not be adversely affected by other challenges inherent in the sector.

- *Investments in Renewable Energy.*
 - *Uncertainty of Renewable Energy Market.* The market for renewable energy products is emerging and rapidly evolving. If renewable energy technology proves unsuitable for widespread commercial deployment, if a certain renewable energy technology is ultimately surpassed by other technologies or if the demand for renewable energy products fails to develop sufficiently, our clients' investments in renewable energy may be adversely affected. In particular, certain of our clients' renewable energy projects may be structured to seek or incorporate renewable energy tax credits, the terms of which may change or which may be discontinued altogether. While certain renewable energy projects currently enjoy support from certain governments and regulatory agencies, there is no assurance that such support will continue in the future and any reduction or elimination of governmental support may have an adverse effect on the development and construction of such projects.
 - *Competition from Fossil Fuels and Other Non-Renewable Energy Resources.* The performance of certain investments of a client will be substantially dependent upon prevailing prices of oil and natural gas. If energy derived from fossil fuels becomes more expensive, the value of renewable energy and renewable energy technology increases as well. Conversely, if new methods of extraction or new sources of non-renewable energy are found, or if the cost of producing energy from these non-renewable sources decreases significantly for other reasons, the attractiveness of renewable energy sources would likely decrease.

The market for oil and other non-renewable energy sources remains volatile, and is likely to continue to be volatile in the future. Oil prices are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for oil, market uncertainty and a variety of additional factors that are beyond our control. These factors include:

- the level of consumer product demand,
- production levels,
- investment in exploration,
- the refining capacity of oil purchasers,
- weather conditions,
- energy efficiency of the consumer market,
- domestic and foreign governmental regulations,
- the price and availability of alternative fuels,
- political conditions in the Middle East, Africa, South America, Russia and other oil producing regions,
- actions of the Organization of Petroleum Exporting Countries,
- the foreign supply of oil and natural gas,
- the price of foreign imports, and
- overall economic conditions.

Continuing technological progress in pollution control equipment for non-renewable energy generation plants may make it feasible for utilities to continue to operate those plants under newly mandated clean air regulations. Non-renewable energy sources, such as fossil fuels, remain relatively abundant in the United States and elsewhere, and continued use of such energy sources in electric generation facilities will also apply pressure to the value of wind and solar power.

- *Weather and Climatological Risks.* Certain renewable energy companies may be particularly sensitive to weather and climate conditions. For example, portfolio companies specializing in hydroelectric power may be subject to variations in precipitation and the flow of the watersheds upon which their power plants are situated. An extended drought in a region where a portfolio company operates could reduce the operating effectiveness of the portfolio company and its assets. Likewise, companies focused on wind and solar energy also are subject to variations in weather patterns.

- *High Capital Costs for Certain Renewable Energy Investments.* Renewable energy projects typically involve relatively high levels of capital investment. These up-front expenditures involve a certain degree of risk. For example, geothermal power projects are characterized by high capital investment for exploration, drilling wells (including exploration wells which may not result in useful production) and installation of plants. Accordingly, geothermal exploration runs the risk of not finding a useable heat resource after expending effort on early reconnaissance and surface exploration equipment. A client may not achieve a return on investment in other renewable energy companies with similar high capital costs also as quickly as with cheaper fossil fuel power plants.
- *Challenges from Natural Resource Activists.* Renewable energy projects will be subject to siting requirements that are similar in many respects to those applicable to fossil fuels plants. Although a renewable energy plant is not likely to face the level of environmental or security issues that conventional fossil fuels and nuclear plants face, natural resource activists may challenge proposals to site a renewable energy plant in many favorable locations based on alleged disturbances to natural habitats for wildlife and adverse aesthetic impacts.

In addition to the above risks that relate to the energy and power sectors, there are some important risks associated with Riverstone Credit Partners, L.P., Riverstone Credit Partners II, L.P. and Riverstone Credit Partners III, L.P. (collectively, the “Credit Funds”) and the primary and secondary debt investments that the Credit Funds have made and intend to continue to make.

- *Different Strategy.* The size and type of investments to be made by the Credit Funds differ from prior Riverstone equity investments or funds, which have substantially different investment strategies and objectives than that of the Credit Funds and were managed by different investment professionals than those involved with the Credit Funds. Certain investment professionals who participate in providing investment advice to the Credit Funds have limited experience of working together at Riverstone or elsewhere individually or as a group in the context of managing a debt investment fund. The transactional advisory experience of the Credit Funds’ professionals prior to joining Riverstone is not fully relevant to the principal transactions they will pursue for the Credit Funds. Accordingly, investors should draw no conclusions from the prior experience of the investment professionals or the performance of any other Riverstone investments or fund and should not expect to achieve similar returns.
- *Nature of investment in Senior Loans.* The assets of the Credit Funds will likely include first lien senior secured debt, but may also include selected second lien senior secured debt, which involves a higher degree of risk of a loss of capital. The factors affecting an issuer’s first and second lien leveraged loans, and its overall capital structure, are complex. Some first lien loans may not necessarily have priority over all other unsecured debt of an issuer. For example, some first lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company). The imposition of prior liens on the Credit Funds’ collateral would adversely affect the priority of the liens and claims held by the

Credit Funds and could adversely affect the Credit Funds' recovery on their leveraged loans. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of the underlying assets selected as collateral may allow the Credit Funds to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to the applicable Credit Fund in respect to its investment.

Senior secured credit facilities are generally syndicated to a number of different financial market participants. The documentation governing the facilities typically requires either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the credit, such as waivers, amendments, or the exercise of remedies. In addition, voting to accept or reject the terms of a restructuring of a credit pursuant to a Chapter 11 plan of reorganization is done on a class basis. As a result of these voting regimes, the Credit Funds may not have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of debts owed to the Credit Funds.

Senior secured loans are also subject to other risks, including (i) the possible invalidation of a debt or lien as a "fraudulent conveyance", (ii) the recovery as a "preference" of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing, (iii) equitable subordination claims by other creditors, (iv) so-called "lender liability" claims by the issuer of the obligations and (v) environmental liabilities that may arise with respect to collateral securing the obligations. Loans may become non-performing for a variety of reasons. Adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership, or distressed exchange, can significantly diminish the value of the applicable Credit Fund's investment in any such company. Recent decisions in bankruptcy cases have held that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination. The Credit Funds' investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the applicable Credit Fund earlier than expected. In addition, depending on fluctuations of the equity markets, warrants and other equity securities may become worthless. To the extent a Credit Fund holds subordinated debt securities, such debt may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Such debt investments may not be protected by financial covenants or limitations upon additional indebtedness. Certain of the Credit Funds' senior loans may be unsecured or be senior subordinated notes. As a consequence, the Credit Funds' ability to achieve their investment objective may be affected.

- *Credit Risk.* One of the fundamental risks associated with the Credit Funds' investments is credit risk, which is the risk that an issuer will be unable to make principal and interest payments on its outstanding debt obligations when due. A Credit Fund's returns would be adversely impacted if an issuer of debt in which the Credit Fund invests becomes unable to make such payments when due.

Although a Credit Fund may make investments that the general partner believes are secured by specific collateral the value of which may initially exceed the principal amount of such investments or the Credit Fund's fair value of such investments, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. The Credit Funds may also invest in leveraged loans, high yield securities and other unsecured investments, each of which involves a higher degree of risk than senior secured loans. Furthermore, a Credit Fund's right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of the senior lender. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In addition, certain instruments may provide for payments-in-kind, which have a similar effect of deferring current cash payments. In such cases, a portfolio company's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the portfolio company, the occurrence of which is uncertain.

With respect to a Credit Fund's investments in any number of credit products, if the borrower or issuer breaches any of the covenants or restrictions under the indenture governing notes or the credit agreement that governs loans of such issuer or borrower, it could result in a default under the applicable indebtedness as well as the indebtedness held by the Credit Fund. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. This could result in an impairment or loss of the applicable Credit Fund's investment or result in a pre-payment (in whole or in part) of the Credit Fund's investment. As it relates to all of the foregoing risks and related considerations discussed above, it should also be noted that the Credit Funds are expected to also invest in high yield bonds and other unsecured investments, each of which involves a higher degree of risk than senior secured loans.

- *Sub-investment Grade and Unrated Debt Obligations.* The Credit Funds' investment strategy is focused on investing in instruments that may include first lien loans and notes, second lien loans and notes, senior unsecured and senior subordinated notes and capital leases, each of which may be sub-investment grade debt obligations. Investments in the sub-investment grade categories are subject to greater risk of loss of principal and interest than higher-rated instruments and may be considered to be predominantly speculative with respect to the obligor's capacity to pay interest and repay principal. Such investments may also be considered to be subject to greater risk than those with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated

with non-investment grade instruments, the yields and prices of such instruments may fluctuate more than those that are higher-rated. The market for non-investment grade instruments may be smaller and less active than those that are higher-rated, which may adversely affect the prices at which these investments can be sold and result in losses to the Credit Funds, which, in turn, could have a material adverse effect on the performance of the Credit Funds. In addition, the Credit Funds may invest in debt investments which may be unrated by a recognized credit rating agency, which may be subject to greater risk of loss of principal and interest than higher-rated debt obligations or debt obligations which rank behind other outstanding investments of the obligor, all or a significant portion of which, may be secured on substantially all of that obligor's assets. The Credit Funds may also invest in debt investments which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt investments involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Any of these factors could have a material adverse effect on the performance of the Credit Funds.

- *High Yield Debt.* The Credit Funds may invest in debt securities that may be classified as “higher-yielding” (and, therefore, higher-risk) debt securities. In most cases, such debt will be rated below “investment grade” or will be unrated and will face both ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. The market for high yield securities has experienced periods of volatility and reduced liquidity. High yield securities may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these debt securities may reflect individual corporate developments. General economic recession or a major decline in the demand for products and services in the industry in which the borrower operates would likely have a materially adverse impact on the value of such securities or could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these high yield debt securities.
- *Capital Structure Arbitrage.* In certain circumstances the execution of a distressed investing strategy involves the ability of the general partner to identify and exploit the relationships between movements in different instruments within an issuer's or borrower's capital structure (e.g., senior bank debt, second liens, debt instruments and other obligations, convertible and non-convertible senior and subordinated debt, preferred equity and common stock). Identification and exploitation of these opportunities involve uncertainty. In the event that the perceived pricing inefficiencies underlying the investments of an issuer held by a Credit Fund were to fail to materialize as expected by the general partner, the Credit Fund could incur a loss.

- *Nature of Junior, Subordinated and/or Unsecured investments.* Each Credit Fund's strategy may entail acquiring investments that are junior, subordinated and/or unsecured instruments. If the portfolio company in question does not successfully reorganize, the applicable Credit Fund will have no assurance (as do those distressed investors that acquire only fully collateralized positions) that it will recover any of the principal that it has invested. While such junior, subordinated or unsecured investments, all or a significant portion of which may be secured and/or subject the Credit Funds to a "first loss" subordinate holder position relative to other lenders, may benefit from the same or similar financial and other covenants as those enjoyed by the indebtedness ranking ahead of the investments and may benefit from cross-default provisions and security over the portfolio company's assets, some or all of such terms may not be part of particular investments. Moreover, the ability of the Credit Funds to influence a portfolio company's affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors will typically be able to block the acceleration of the mezzanine debt or other exercises by the Credit Funds of their rights as creditors. Accordingly, the applicable Credit Fund may not be able to take the steps necessary to protect its investments in a timely manner or at all and there can be no assurance that the rate of return objectives of the Credit Fund or any particular investment will be achieved. In addition, the debt investments in which the Credit Funds may invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and may not be rated by a credit rating agency.

The Credit Funds' investments may be in the form of subordinated debt instruments, which will rank behind the borrower's more senior indebtedness. As a result, upon any distribution to a borrower's creditors in a bankruptcy, liquidation or reorganization or similar proceeding, the holders of such borrower's more senior and/or secured indebtedness (to the extent of the collateral securing such obligation) will be entitled to be paid in full before any payment may be made on the applicable Credit Fund's investment. In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to a borrower, the Credit Fund will participate with all other holders of such borrower's indebtedness in the assets remaining after the borrower has paid all of its more senior and/or secured indebtedness (to the extent of the collateral securing such obligation). A borrower may not have sufficient funds to pay all of its creditors and the Credit Fund may receive nothing, or less, ratably, than the holders of more senior and/or secured indebtedness of such borrower or the holders of indebtedness that is not subordinated.

Further, the ability of a borrower to make payments on the loan underlying these securities is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit and any classes of securities junior to those in which the Credit Funds invest, the applicable Credit Fund will not be able to recover all of its investment in the securities purchased. Investments in subordinate securities have a higher risk of loss and credit default than investments in more senior securities and subordinated tranches absorb losses from

default before other more senior tranches are put at risk. Mezzanine debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) environmental liabilities that may arise with respect to collateral securing the obligations.

The Credit Funds’ investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the applicable Credit Fund earlier than expected, resulting in a lower return to the applicable Credit Fund than projected. This may happen when there is a decline in interest rates. Early repayments of a Credit Fund’s investments may have a material adverse effect on the Credit Fund’s investment objectives and the internal rate of return on invested capital. In addition, depending on fluctuations of the equity markets and other factors, warrants and other equity investments may become worthless. There can be no assurance that attempts to provide downside protection through contractual or structural terms with respect to a Credit Fund’s investments will achieve their desired effect. Certain investments of a Credit Fund may not have all of the characteristics targeted by the Credit Fund. Furthermore, the Credit Funds have limited flexibility to negotiate terms when purchasing newly issued investments in connection with a syndication of mezzanine or certain other junior or subordinated investments or in the secondary market.

- *Bank Loans and Participations.* A portion of a Credit Fund’s assets may be invested in bank loans and participations in bank loans. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws; (ii) so-called lender liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; (iv) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; and (v) limitations on the ability of a Credit Fund to directly enforce its rights with respect to participations. The loans invested in by the Credit Funds may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated.

Successful claims by third parties arising from these and other risks may be borne by the Credit Funds. Bank loans are frequently traded on the basis of standardized documentation, which is used in order to facilitate trading and market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that the current level of liquidity will continue or that the same documentation will be used in the future. The settlement of trading in bank loans often requires the involvement of third parties, such as administrative or syndication agents, and there presently is no central clearinghouse or authority that monitors or facilitates the trading or settlement of all bank loan trades. Often, settlement may be delayed based on the actions of any third party or counterparty, and adverse price movements may occur in the time between trade and settlement, which could result in adverse consequences for the applicable Credit Fund.

The Credit Funds may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. In addition, if a Credit Fund acquires loans pursuant to an assignment it is possible that the Credit Fund's claims may be subject to attack (i.e., equitable subordination or disallowance) on account of the conduct of the transferee. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest and not with the borrower. In purchasing participations, a Credit Fund may have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Credit Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, a Credit Fund may assume the credit risk of both the borrower and the institution selling the participation to the Credit Fund. In certain circumstances, investing in the form of a participation may be the most advantageous or only route for a Credit Fund to make or hold any investment, including in light of limitations relating to local laws or the willingness of administrative agents or borrowers to allow the Credit Fund to become a direct lender. Some of the bank loans acquired by the Credit Funds may be below investment grade. In terms of liquidity with respect to such investments, there can be no assurance that levels of supply and demand in bank loan trading will provide an adequate degree of liquidity for the Credit Funds' investments therein. In addition, the Credit Funds may make investments in stressed or distressed bank loans, which are often less liquid than performing bank loans.

- *Convertible Securities.* Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (a) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (b) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (c) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible

security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Credit Fund is called for redemption, the Credit Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the applicable Credit Fund's ability to achieve its investment objective.

- *Covenant Lite Loans.* Although the firm generally expects the loan documentation of most of the Credit Funds' investments to include both incurrence and maintenance-based covenants, there may be instances, such as those investments purchased by a Credit Fund on the secondary market, in which the Credit Fund invests in covenant-lite loans. An investment by a Credit Fund in a covenant-lite loan may potentially hinder the ability to reprice credit risk associated with the portfolio company and reduce the ability to restructure a problematic loan and mitigate potential loss. As a result, the applicable Credit Fund's exposure to losses may be increased, which could result in an adverse impact on the Credit Fund's return to its investors.
- *Collateralized Loan Obligations.* The Credit Funds' investments may include collateralized loan obligations ("CLO") products and other securitizations (including "equity" or residual tranches; and in such cases a double layer of fees and expenses would be borne by investors in the applicable Credit Fund), which are generally limited recourse obligations of a portfolio company ("Securitization Vehicles") payable solely from the underlying assets ("Securitization Assets") of the portfolio company or proceeds thereof. Consequently, holders of equity or other instruments or obligations issued by Securitization Vehicles must rely solely on distributions on the Securitization Assets or proceeds thereof for payment in respect thereof. The Securitization Assets may include, without limitation, broadly syndicated leverage loans, middle-market bank loans, CLO debt tranches, trust preferred securities or instruments, insurance surplus notes, asset-backed securities or instruments, mortgages, REITs, high-yield bonds, mezzanine debt, second lien leverage loans, credit default swaps and emerging market debt and corporate bonds, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. Securitization Vehicles are typically actively managed by an investment adviser, and as a result the Securitization Assets will be traded, subject to rating agency and other constraints, by such investment adviser. The aggregate return on the CLO equity instruments will depend in part upon the ability of each investment adviser to actively manage the related portfolio of Securitization Assets.

- Market Risk.* Issuers in which a Credit Fund invests could deteriorate as a result of, among other factors, an adverse development in their business (including due to adverse commodity price movements), a change in the competitive environment or the continuation or worsening of the current (or any future) economic and financial market downturns and dislocations. As a result, issuers that the applicable Credit Fund expected to be stable or improve may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress. In addition, exogenous factors such as fluctuations of the credit markets and capital markets also could result in investments owned by a Credit Fund becoming worthless. Similarly, while the Credit Funds will generally target investing in companies that the general partner believes are of high quality, these companies could still present a high degree of business and credit risk. There is a possibility that a Credit Fund may incur substantial or total losses on its investments. During an economic downturn or recession, investments of financially troubled or operationally troubled issuers are more likely to go into default than those of other issuers. Investments of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than those of companies not experiencing financial difficulties. The market prices of such investments are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many of the Credit Funds' investments may not be widely traded and that the applicable Credit Fund's investment in any such investment may be substantial relative to the market for such investments. The level of analytical sophistication, both financial and legal, necessary for successful investment in investments of issuers experiencing significant business and financial difficulties is unusually high. There is no assurance that the general partner will correctly evaluate the current or prospective future value of the assets underlying the Credit Funds' investments at any point in time or the prospects for a successful reorganization or similar action. As a result, the applicable Credit Fund may experience delays and incur losses and other costs in connection with the sale of its investments.
- Credit Ratings are Not a Guarantee of Quality.* Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating assigned to any corporate debt obligation is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such corporate debt obligation. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of any corporate debt obligation are only a preliminary indicator of investment quality, and not a completely reliable indicator of investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a

short period of time, with material adverse effects upon the corporate debt obligation. It is possible that many credit ratings of assets included in or similar to the corporate debt obligation will be subject to significant or severe adjustments downward.

- *Prepayment Risk.* The value of a Credit Fund's assets may be affected by prepayment rates on loans. Prepayment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Credit Funds' control. Therefore, the frequency at which prepayments (including voluntary prepayments by borrowers and liquidations due to defaults and insolvency) occur on a Credit Fund's investments can adversely impact the Credit Fund and prepayment rates cannot be predicted with certainty making it impossible to insulate the Credit Fund from prepayment or other such risks. Early prepayments give rise to increased re-investment risk, including, for example, when the prevailing level of interest rates falls, the applicable Credit Fund may be unable to re-invest cash in a new investment with an expected rate of return at least equal to that of the investment prepaid.
- *Spread Widening Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the debt instruments and other securities in which the Credit Funds invest may decline substantially. In particular, purchasing debt instruments or other assets at what may appear to be "undervalued" or "discounted" levels (due to perceived market dislocations or otherwise) is no guarantee that these assets will not be trading at even lower levels at a future time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk. Additionally, the perceived discount in pricing from previous environments described herein may still not reflect the true value of the assets underlying debt instruments in which the Credit Funds invest.
- *General Economic Conditions; The "Wedge".* The success of each Credit Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Credit Fund's investments), trade barriers, currency exchange controls, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency, emerging market volatility and national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts or security operations). The recent global recession was prolonged and serious. The volatility of the global credit markets could make it more difficult to obtain favorable financing for investments. During periods of volatility, which often occur during economic downturns, generally credit spreads widen, interest rates rise, and investor demand for high yield debt declines. These trends result in reduced willingness by investment banks and other lenders to finance new investments and deterioration of available terms. A Credit Fund's ability to generate attractive investment returns for its limited partners will be adversely affected to the extent the Credit Fund is unable to obtain favorable financing. Moreover, to the extent that such marketplace events are not temporary, they could have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the economy, which could restrict the ability of a Credit Fund to sell or liquidate

investments at favorable times or for favorable prices or otherwise may have an adverse impact on the business and operations of the Credit Fund. A future economic downturn could adversely affect the financial resources of the Credit Funds' portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Credit Funds could lose both invested capital in and anticipated profits from the affected portfolio companies. Such marketplace events have also impacted the availability and terms of financing for leveraged transactions. Private equity investors have recently been required to finance transactions with a greater proportion of equity relative to prior periods and the terms of debt financing are significantly less flexible for borrowers compared to prior periods. These developments may impair a Credit Fund's ability to consummate transactions and may cause the Credit Fund to enter into transactions on less attractive terms than those enjoyed by prior energy debt financing funds. No assurance can be given that current or anticipated market conditions, trends or opportunities will arise or continue, as applicable, or that the "Wedge," the growing gap between supply and demand for energy credit, will remain stable or grow during the life of each Credit Fund, since this will depend upon events and factors outside Riverstone's control. There can be no assurance that default and recovery rates experienced by companies in the energy sector relative to companies outside the energy sector will continue to compare favorably. There can be no assurance that conditions in the global financial markets will not worsen and/or adversely affect one or more of the Credit Funds' investments, its access to capital for leverage or a Credit Fund's overall performance. The Credit Fund's investment strategy and the availability of opportunities satisfying the Credit Fund's risk-adjusted return parameters relies in part on the continuation of certain trends and conditions observed in the market for investments (e.g., the inability of certain companies to obtain financing solutions from traditional lending sources or otherwise access the capital markets) and the broader financial markets as a whole, and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made or the beliefs and expectations currently held by Riverstone will prove correct and actual events and circumstances may vary significantly.

- *Benchmark Rates for Floating Rate Loans.* The London inter-bank offered rates ("LIBOR") and other inter-bank lending rates and indices (such rates and indices which are deemed to be benchmark rates together with LIBOR, the "Benchmark Rates") are the subject of ongoing national and international regulatory guidance and proposals for reform. Following the implementation of any such reforms, such Benchmark Rates could be discontinued or eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. In addition, on March 25, 2020, the FCA reaffirmed the central assumption that firms cannot rely on LIBOR being published after the end of 2021. The E.U. Benchmarks Regulation imposed conditions under which only compliant benchmarks may be used in new contracts after 2021. Other jurisdictions have also indicated they will implement reforms or phase-outs, which are currently scheduled to take effect at the end of

calendar year 2021. A transition away from the widespread use of the various Benchmark Rates to alternative rates is expected to occur over the course of the next few years.

Central banks and regulators in a number of major jurisdictions (for example, the United States, United Kingdom, European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for the applicable Benchmark Rates. For example, to identify a successor rate for U.S. dollar LIBOR, the Alternative Reference Rates Committee (“ARRC”), a U.S.-based group convened by the Federal Reserve Board and the Federal Reserve Bank of New York, was formed. The ARRC has identified the Secured Overnight Financing Rate (“SOFR”) as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by the U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR, at this time, there is a lack of clarity as to whether SOFR or any other alternative reference rates will attain market acceptance as replacements for LIBOR, what methods of calculating a replacement benchmark will be established or adopted generally, or whether different industry bodies, such as the loan market and the derivatives market, will adopt the same methodologies. In addition, as part of the transition to a replacement benchmark, parties may seek to adjust the spreads relative to such benchmarks in underlying contractual arrangements. It is not possible to predict the effect of any such changes, any establishment of alternative reference rates, whether the COVID-19 outbreak will have further effect on LIBOR transition timelines or plans, or other reforms to the Benchmark Rates that may be enacted in the United States, United Kingdom or elsewhere.

Investors should be aware that: (a) any of these changes or any other changes to Benchmark Rates could affect the level of the relevant published rate, including to cause it to be lower and/or more volatile than it would otherwise be; (b) if the applicable rate of interest on any loan is calculated with reference to a tenor or currency which is discontinued, such rate of interest could then be determined by the provisions of the affected loan, which could include determination by the relevant calculation agent based on market convention that may or may not be developed at that time, or the loan could otherwise be subject to a certain degree of contractual uncertainty; (c) the administrators of Benchmark Rates will not have any involvement in the investments of the Fund and could take any actions in respect of Benchmark Rates without regard to the effect of such actions on such investments; (d) any uncertainty in the value of a Benchmark Rate or, or any uncertainty in the prominence of a Benchmark Rate as a benchmark interest rate due to the recent regulatory reform could adversely affect liquidity of the Fund’s debt investments in the secondary market and their market value; and (e) an increase in alternative types of financing in place of Benchmark Rate-based loans (resulting from a decrease in the confidence of borrowers in such rates) could make it more difficult to source loans or reinvest proceeds in loans.

If a Benchmark Rate is discontinued, it is uncertain whether broad and consistent replacement conventions and methodologies will be developed in the lending market

and, if conventions develop, what those conventions will be and whether they will create adverse consequences for an issuer of debt obligations, or the holders of any such debt obligations. If no such conventions develop, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets will have on the price and liquidity of the lending market and the ability of the General Partner to effectively mitigate interest rate risks. Though most newly-originated debt obligations in which the Fund could seek to make investments are likely to provide mechanisms to amend the reference rate for their applicable interest rates, there can be no assurance that any such amendment (i) will be entered into, (ii) that is entered into will effectively mitigate interest rate risks or result in an equivalent methodology for determining such interest rates, (iii) will be entered into prior to any date on which the relevant debtholders such as the Fund in its capacity as a debtholder, suffer adverse consequences from the elimination or modification or potential elimination or modification of LIBOR or (iv) will not have a material adverse effect on the Fund in its capacity as a debtholder and the liquidity of such floating rate investments.

Any of the above or any other significant change to the setting of a Benchmark Rate could have a material adverse effect on the value of, and the amount payable under any loan or other debt instrument held by the Fund which pays interest linked to a Benchmark Rate.

- *Borrowing and Leverage.* The general partner may utilize permanent investment leverage in connection with the Credit Fund's investments (subject to a fund level cap (the "Portfolio Leverage Limit")). Such investment leverage increases the exposure of an investment to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment. Borrowings by a Credit Fund have the potential to enhance the Credit Fund's returns; however, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Credit Fund's cost of funds. As a general matter, the presence of leverage can accelerate losses. In addition, a Credit Fund may exceed the Portfolio Leverage Limit with respect to individual investments. Accordingly, the failure of any highly leveraged investment could have a disproportionate impact on the returns of the applicable Credit Fund.

Each Credit Fund's use of investment leverage may, amongst others, have the following consequences to the investors, including, but not limited to: (i) greater fluctuations in the net asset value of the Credit Fund's assets; (ii) use of cash flow (including capital contributions) for debt service, distributions, or other purposes; (iii) to the extent that Credit Fund revenues are required to meet principal payments, the investors may be allocated income (and therefore tax liability) in excess of cash distributed; and (iv) in certain circumstances, the Credit Fund may be required to dispose of investments at a loss or otherwise on unattractive terms in order to service its debt obligations or meet its debt covenants. There can be no assurance that a Credit Fund will have sufficient cash flow to meet its debt service obligations. As a result, the applicable Credit Fund's exposure to foreclosure and other losses may be increased due to the illiquidity of its investments.

The identity of the lender or group of lenders that will provide the leverage facility and investment leverage, and the terms upon which such leverage will be made available, have not yet been determined. The general partner may in its sole discretion at any time throughout the life of a Credit Fund, in light of then-prevailing business and markets conditions and portfolio considerations, amend, modify, restructure or refinance any leverage facility or investment leverage with such parties and on such terms as the general partner determines appropriate for the Credit Fund. In addition, a Credit Fund may need to refinance its outstanding debt as it matures. There is a risk that a Credit Fund may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of the existing loan agreements. In such circumstances, certain terms of any new or amended leverage facility may be less favorable than its predecessor facility. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. These risks could adversely affect a Credit Fund's financial condition, cash flows and the return on its investments. No assurance can be given that the leverage facility will be available throughout the life of the applicable Credit Fund. If a Credit Fund is unable to maintain the leverage facility or replace such facility upon its termination, the Credit Fund would not necessarily be able to make investments on a leveraged basis and in such circumstances, the general partner may, in its discretion, terminate the Commitment Period, dissolve the Credit Fund or take other appropriate actions. The leverage facility may also be secured by assignment of the obligations of the partners to make capital contributions to the applicable Credit Fund and a security interest in the investments made by the Credit Fund.

Each Credit Fund expects that it may operate at or near the Portfolio Leverage Limit or such higher amount as may be approved by the Credit Fund's limited partner advisory committee or a majority in interest of the limited partners. Each Credit Fund's debt generally will take the form of secured lines of credit. There can be no assurance that such financing will continue to be available or be available on acceptable terms. It is also possible that a Credit Fund may decide to repay any leverage with funds drawn from the commitments of the limited partners or to make future investments with little or no corresponding leverage. If a Credit Fund decides to pay down its leverage or to make its investments with little or no leverage, the returns of the limited partners may be adversely affected. Such returns may also be adversely affected if a Credit Fund is required to renew its leverage facility at times when the costs of borrowing in the leveraged market are not as favorable as when the Credit Fund made its underlying loans.

Because the Credit Funds may engage in portfolio financings where investments are cross-collateralized or cross-defaulted, multiple investments may be subject to the risk of loss. As a result, a Credit Fund could lose its interests in performing investments in the event such investments are cross-collateralized or cross-defaulted with poorly performing or nonperforming investments.

Recourse debt, which each Credit Fund reserves the right to obtain, may subject other assets of the Credit Fund to the risk of loss and an investor's commitment to be called

or Credit Fund assets to be sold to satisfy such debt. Full or partial recourse debt may also limit the ability of the applicable Credit Fund to effect a debt restructuring at or prior to maturity of the debt.

The general partner may cause the applicable Credit Fund to incur debt, such as debt resulting from bridge financing, subscription and/or asset-backed facilities. Such debt exposes the Credit Fund to refinancing, recourse and other risks. With respect to any asset-backed facility entered into by a Credit Fund (or an affiliate thereof), a decrease in the market value of the Credit Fund's investments would increase the effective amount of leverage and could result in the possibility of a "margin call" or violation of certain financial covenants pursuant to which the Credit Fund must either repay the borrowed funds to the lender, which could, subject to any limitations set forth in the Partnership Agreement require investors to make additional capital contributions in respect of such borrowings, or suffer foreclosure or forced liquidation of the pledged assets. Liquidation of a Credit Fund's investments at an inopportune time in order to satisfy such financial covenants could adversely impact the performance of the Credit Fund and could, if the value of its investments had declined significantly, cause the Credit Fund to lose all or a substantial amount of its capital. Moreover, if additional capital contributions were required to satisfy such financial covenants this would effectively reduce the amount of capital available for other investments and could adversely affect the diversification of the applicable Credit Fund's portfolio. In the event of a sudden, precipitous drop in the value of the a Credit Fund's assets, the Credit Fund might not be able to dispose of assets quickly enough to pay off its debt resulting in a foreclosure or other total loss of some or all of the pledged assets. Fund-level debt facilities may include other covenants such as, but not limited to, covenants against a Credit Fund making distributions to investors if there is a default under the fund-level debt facility and covenants against the Credit Fund incurring or being in default under other recourse debt, including certain Credit Fund guarantees of asset level debt. Any breach of those covenants could cause adverse consequences to the applicable Credit Fund if it is unable to cure or otherwise mitigate such breach.

The general partner may obtain its leverage through the use of a total return swap or other derivative contract, instrument or similar arrangement designed to substantially replicate the benefits and risks of holding its investments, but on a leveraged basis. Total return swap agreements generally are contracts in which one party (e.g., a bank or other financial institution) agrees to make periodic payments to another party (e.g., a Credit Fund) based on the change in market value of the assets underlying the contract and also in respect of interest generated by such underlying assets (e.g., the leveraged loans in which a Credit Fund will seek to indirectly invest) during a specified period, in return for periodic payments based on a fixed or floating yield on the total notional value of such underlying assets. Such total return swap agreements would allow a Credit Fund to obtain exposure to a portfolio of leveraged loan investments without owning or taking physical custody of such loans or investing directly therein. It is anticipated that such total return swap agreements would be structured to effectively add investment leverage to a Credit Fund's portfolio because, in addition to its total net assets, the Credit Fund would be subject to investment exposure on the notional amount of the swap. The leverage provided by such instruments will magnify the gains and

losses experienced by a Credit Fund and cause the value of the Credit Fund's assets to be subject to wider fluctuations than would be the case if the Credit Fund did not use the leverage feature in such instruments. Total return swap agreements entered into by a Credit Fund would be subject to the risk that one or more counterparties thereto would default on their payment obligations to the Credit Fund, due to such counterparty's insolvency, bankruptcy or other factors that are outside of the control of the general partner and the Credit Fund. Swap agreements also bear the risk that a Credit Fund will not be able to meet its obligation to such counterparty and therefore be subject to various remedies, including cross-defaults to other transactions with the same counterparty. Defaults by either a Credit Fund or a counterparty with respect to any such total return swap could cause the applicable Credit Fund to lose all or a portion of its assets. In addition, if a Credit Fund fails to maintain sufficient collateral to support its obligations under any total return swap or if certain specified credit event occurs with respect to the Credit Fund, then the swap contract will be terminated early and the Credit Fund will lose access to the leverage provided by such swap and, to the extent the Credit Fund owes payment obligations to its swap counterparty upon such early settlement of the swap, the Credit Fund will be required to make such payment at a time earlier than the scheduled settlement of the swap. Any total return swap providing investment leverage will not be traded on an exchange and, therefore, the risk to a Credit Fund of nonperformance by the counterparty to such an instrument may be greater, and the ease with which the Credit Fund can dispose of or enter into closing transactions with respect to such an instrument may be less, than in the case of an exchange traded instrument. Total return swaps are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. Also, any bankruptcy, insolvency or default by a counterparty to a Credit Fund could result in a loss of the Credit Fund's investments, including, for example, where investments are re-hypothecated or otherwise held by such counterparties and become subject to general claims of their creditors. Tax-exempt investors should note that the use of leverage by a Credit Fund may create "unrelated business taxable income."

- *Investments in Highly Leveraged Companies; Use of Leverage.* Each Credit Fund's investments are expected to include investments in companies whose capital structures may have significant leverage (which may include substantial leverage senior to the Credit Fund's investments), a considerable portion of which may be at floating interest rates. The leveraged capital structure of such companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or further deteriorations in the financial condition of the company or its industry. This leverage may result in more serious adverse consequences to such companies (including their overall profitability or solvency) in the event these factors or events occur than would be the case for less leveraged companies. In using leverage, these companies may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair their ability to finance or otherwise pursue their future operations or otherwise satisfy additional capital needs. Moreover, rising interest rates may significantly increase the portfolio company's interest expense, or a significant industry downturn may affect a company's ability to generate positive cash

flow, in either case causing an inability to service outstanding debt. Such leverage, when combined with the fund-level leverage described under “Borrowing and Leverage” above, will serve to magnify both a Credit Fund’s opportunities for gain and its risk of loss from a particular investment.

- *Risks Associated with Short Sales.* The Credit Funds may sell investments short. Selling investments short runs the risk of losing an amount greater than the amount invested. Short selling is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of an investment may appreciate before the short position is closed out. In addition, the supply of investments which can be borrowed fluctuates from time to time. A Credit Fund may be subject to losses if a counterparty or other lender demands return of the lent investments and an alternative lending source cannot be found or if the Credit Fund, as the case may be, is otherwise unable to borrow investments which are necessary to hedge its positions.

In addition to the above risks that relate to specific segments of the energy and power sectors, there are some important risks associated with investments related to the energy and power sectors generally.

- *Environmental Matters.* Environmental laws, regulations and regulatory initiatives play a significant role in the energy and power industry and can have a substantial impact on investments in this industry. For example, global initiatives to minimize pollution have played a major role in the increase in demand for natural gas and alternative energy sources, creating numerous new investment opportunities. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. The energy and power industry will continue to face considerable oversight from environmental regulatory authorities. Our firm seeks to evaluate carefully the expected impact of environmental compliance on all potential investments. Our firm, on behalf of our clients, may invest in portfolio companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements.

There can be no guarantee that we will be able to identify all costs and risks regarding compliance with environmental laws and regulations. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on portfolio companies or potential investments. Compliance with current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not incur additional unforeseen environmental expenditures. Moreover, failure to comply with any these requirements could have a material adverse effect on a portfolio company. There can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims.

- *Development and Construction Related to Power Businesses.* A portfolio company may also face construction risks typical for power generation and related infrastructure businesses, including, without limitation, (i) labor disputes, work stoppages or shortages of skilled labor, (ii) shortages of fuels or materials, (iii) slower than projected construction progress and the unavailability or late delivery of necessary equipment, (iv) delays caused by or in obtaining the necessary regulatory approvals or permits, (v) adverse weather conditions and unexpected construction conditions, (vi) accidents or the breakdown or failure of construction equipment or processes, (vii) difficulties in obtaining suitable or sufficient financing and (viii) force majeure or catastrophic events such as explosions, fires and terrorist activities and other similar events beyond a fund's control. Such developments could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction activities once undertaken, any of which could have an adverse effect on the funds and on the amount of funds available for distribution to fund investors. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations and unanticipated problems with project start-up. Such unexpected increases may result in increased debt service costs and funds being insufficient to complete construction. Such increases may result in the inability of project owners to meet the higher interest and principal repayments arising from the additional debt required. Delays in project completion can result in an increase in total project construction costs through higher capitalized interest charges and additional labor and material expenses and, consequently, an increase in debt service costs. It may also affect the scheduled flow of project revenues necessary to cover the scheduled operations phase debt service costs, operations and maintenance expenses and damage payments for late delivery. In addition, there are risks inherent in the construction work that may give rise to claims or demands against a portfolio investment from time to time. Delays in the completion of any project may result in lost opportunities or revenues or increased expenses, including higher operation and maintenance costs related to a portfolio investment. Portfolio investments under development or portfolio investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced.

Any events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, the construction. In addition, there are risks inherent in the construction work which may give rise to claims or demands against a portfolio company from time to time. Delays in the completion of any power project may result in lost revenues or increased expenses, including higher operation and maintenance costs related to a portfolio company.

A portfolio company may also need to restructure and effect improvements in its operations. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that such improvements will be successfully identified and/or implemented.

- *Regulatory Risks and Approvals.* The power generation industry is subject to comprehensive United States and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect the portfolio companies and the prospects of the funds. Other power assets may be taxed or need to purchase offsets under proposed environmental legislation in the United States and existing or proposed environmental legislation in other parts of the world, which could affect economic viability.

Our clients may invest in portfolio companies believed to have obtained all material governmental approvals required as of the date thereof to acquire and operating their facilities. In addition, our clients may be required to obtain the consent or approval of applicable regulatory authorities in order to acquire or hold certain ownership positions in portfolio companies. A portfolio company could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on the company. Moreover, additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in the companies' customers or affiliates or for other reasons. There can be no assurance a portfolio company will be able to:

- obtain all required regulatory approvals that it does not currently have or that it may be required to have in the future;
- obtain any necessary modifications to existing regulatory approvals; or
- maintain required regulatory approvals.

Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility or sales to or from third parties or could result in additional costs to a portfolio company. In connection with the regulatory approval, licensing or review processes for any portfolio company, disclosures and other undertakings may be required from or in respect of the existing or prospective owners of the portfolio company, potentially including our clients and in turn, the investors.

Regulatory changes in a jurisdiction where a portfolio investment is located may make the continued operation of the portfolio investment infeasible or economically disadvantageous and any expenditures made to date by such portfolio investment may be wholly or partially written off. The locations of the portfolio investments may also be subject to government exercise of eminent domain power or similar events. Any of these changes could significantly increase the regulatory-related compliance and other expenses incurred by the portfolio investments and could significantly reduce or entirely eliminate any potential revenues generated by one or more of the portfolio investments, which could materially and adversely affect returns to our clients.

- *Operating Pursuant to Complex Government Licenses, Leases, Concessions or Contracts.* A portfolio company's operations may rely on government licenses, concessions, leases or contracts that are generally very complex and may result in a dispute over interpretation or enforceability. If a portfolio company fails to comply with these regulations or contractual obligations, it could be subject to disgorgement of profits or monetary penalties, may lose its right to operate, and/or face other remedies. Where a fund's ability to operate a portfolio company is subject to a permit, license, concession or lease from the government, such requirements may restrict the portfolio company's ability to operate the business in a way that maximizes cash flows and profitability. The permit, license, lease or concession may also contain clauses or be subject to rules more favorable to the government counterparty or issuer of the relevant license than might apply in a typical commercial contract. For instance, the government may be able to terminate or amend a permit, license, lease or concession in certain circumstances unilaterally, or without requiring payment of adequate compensation. In addition, governments (as counterparties or license or permit issuers) also may have the discretion to change or increase regulation of a portfolio company's operations, or implement laws or regulations affecting the portfolio company's operations, separate from any contractual rights they may have. Governments have considerable discretion in implementing regulations that could impact a portfolio company's business, and because its business may provide basic, everyday services, and face limited competition, governments may be influenced by political considerations and may make decisions that adversely affect a portfolio company's business. In addition, a portfolio company may be subject to rate regulation that will determine the prices it may charge. It may be subject to unfavorable price determinations that may be final with no right of appeal or which, despite a right of appeal, could result in its profits being negatively affected.
- *Non-U.S. Investments.* Our firm, on behalf of our clients, may invest in portfolio companies located or operating principally outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to:
 - currency exchange matters, such as fluctuations in the rate of exchange between the U.S. dollar and non-U.S. currencies, and costs associated with conversion of investment principal and income from one currency into another;
 - differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets;
 - the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation;
 - certain economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, nationalization of business enterprises, the risks of political, economic or social

instability, the possibility of substantial rates of inflation and the possibility of expropriation or confiscatory taxation;

- the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities; and
 - less developed laws regarding corporate governance, fiduciary duties and the protection of investors, and other differences in applicable legal systems, including the possibility that our clients may experience difficulty in asserting legal claims or obtaining legal remedies in non-U.S. jurisdictions.
- *Reliance on Portfolio Company Management.* Each portfolio company's management team is responsible for the day-to-day operations. Although our firm or our affiliates are responsible for monitoring the performance of each investment and generally intend to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with our clients' plans and/or objectives.
 - *Risks in Effecting Operating Improvements.* In some cases, the success of our clients' investment strategy will depend, in part, on the ability of our firm to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. We cannot give any assurance that we will be able to successfully identify and implement these restructuring programs and improvements.
 - *Investment in Restructurings.* Our firm or our affiliates may make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may cause portfolio companies to become subject to bankruptcy proceedings. These types of investments could, in certain circumstances, subject our clients to certain additional potential liabilities that may exceed the value of our clients' original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of its actions. In addition, under certain circumstances, payments to our clients and distributions by our clients to the investors may be reclaimed if any payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.
 - *Currency and Exchange Rate Risks.* A portion of our clients' investments, and the income received by our clients with respect to these investments, may be denominated

primarily in foreign currencies. However, the books of our clients will be maintained, and contributions to and distributions from our clients generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments and the amounts of distributions, if any, to be made by our clients. In addition, our clients will incur costs in converting investment proceeds from one currency to another.

- *Hedging Policies and Commodities Price Risks.* In connection with certain investments, our firm, on behalf of a client, or a client's portfolio companies may employ hedging techniques designed to reduce the risks of adverse movements in commodities prices, interest rates, securities prices and currency exchange. If our client or a portfolio company engages in any hedging activities, it may be exposed to credit-related losses in the event of a non-performance by counterparties to the physical or financial instruments. Additionally, if commodity prices, interest rates or exchange rates increase above or decrease below those levels specified in any future hedging agreements, such hedging arrangements may prevent a client or a portfolio company from realizing the full benefit of such increases or decreases. In addition, any future commodity hedging arrangements could cause our client or a portfolio company to suffer financial loss if it is unable to produce sufficient quantities of the commodity to fulfill its obligations, if it is required to pay a margin call on a hedge contract or if it is required to pay royalties based on a market or reference price that is higher than a client's or the portfolio company's fixed ceiling price. To the extent that risk management activities and hedging strategies are employed to address commodity prices, exchange rates, interest rates or other risks, risks associated with such activities and strategies, including counterparty risk, settlement risk, basis risk, liquidity risk and market risk, could impact or negate such activities and strategies, which would have a negative impact on our clients' overall performance..
- *Use of Derivatives and Other Specialized Techniques.* Companies in the energy and power industry engage in derivatives transactions to insulate against changes in commodities prices. Our firm, on behalf of a client, or a client's portfolio companies may engage in other derivative or similar transactions as described above. These transactions may involve the purchase and sale of commodities or commodity futures, the use of forward contracts, swap agreements, put and call options, floors, collars or other arrangements. Those instruments may be difficult to value, may be illiquid and may be subject to wide swings in valuation caused by changes in the price of commodities or other underlying assets. Derivative instruments may trade principally on markets organized outside the United States. Markets for these instruments may be illiquid, highly volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable cost.

The investment techniques related to derivative instruments are highly specialized and may be considered speculative. These techniques often involve forecasts and complex judgments regarding relative price movements and other economic developments. The success or failure of these investment techniques may turn on small changes in exogenous factors not within the control of portfolio companies, our firm or our clients.

For all the foregoing reasons, the use of derivatives and related techniques can expose a client and its portfolio companies to significant risk of loss.

- *Regulatory Changes Relating to the Swaps and Foreign Exchange Markets.* The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) required the Commodity Futures Trading Commission (the “CFTC”), the Securities and Exchange Commission (“SEC”) and certain prudential regulators to promulgate certain rules and regulations regarding swaps and gave the CFTC the authority to expand federal position limits to swaps. The rules and regulations regarding swaps required under Dodd-Frank include, among other things, those relating to the regulation of certain swaps entities, such as swap dealers, the mandatory clearing of certain swaps, the mandatory trading of certain swaps on a regulated platform, margin requirements for uncleared swaps, and the reporting and recordkeeping of swaps.

Due to the requirements imposed by the Dodd-Frank Act, our clients may experience increased transaction costs as a result of mandatory clearing and mandatory execution requirements associated with certain swaps. In addition, mandatory margin requirements may limit our clients’ ability to engage in leveraged transactions. The CFTC is also revising existing federal position limit requirements to set position limits for futures and option contracts in certain energy markets and for swaps that are economically equivalent to such contracts, subject to certain exemptions. In addition, the CFTC has finalized related aggregation rules that require market participants to aggregate their positions with certain other persons under common ownership or control, unless an exemption applies, for purposes of the position limits. If adopted, the revised position limits rule and the final aggregation requirements could affect the ability of our clients and their portfolio companies to enter into derivatives transactions and may require added operating costs to monitor compliance with position limit levels and maintaining appropriate exemptions, if applicable.

- *Lending and Credit Risk.* From time to time, our firm, on behalf of our clients, may make either long-term or short-term (bridge financing) loans to certain portfolio companies on both secured and unsecured bases. These types of loans are subject to credit and interest rate risks. “Credit risk” relates to an issuer defaulting in the payment of principal and/or interest on an instrument. It is often difficult to fully assess credit risk, which may change over the life of an instrument. “Interest rate risk” refers to the risks associated with market changes in interest rates. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Finally, in the case of bridge financings, for reasons not always in our control, a long-term securities issuance or other refinancing may not occur, and the bridge loans may remain outstanding. In this event, the interest rate on these loans or the terms of these interim investments may not adequately reflect the risk associated with our client’s unsecured position.
- *Use of Subscription Lines.* The funds may fund the making of investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which can be, for example, the undrawn capital commitments of investors, i.e., subscription lines) prior to calling capital commitments. The interest expense and other

costs of any such borrowings will be borne by the applicable fund and, accordingly, may decrease net returns of such fund. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the applicable fund. In light of the foregoing, we have an incentive to cause such vehicle to borrow in this manner in lieu of drawing down capital commitments, subject to the operating and offering documents of each fund.

- *Public Company Holdings.* Our clients' investment portfolio may contain securities issued by publicly held companies or their affiliates. These investments may subject a client to risks that differ in type and degree from those involved with investments in privately held companies. These risks include, without limitation:
 - greater volatility in the valuation of these companies,
 - increased obligations to disclose information regarding these companies,
 - limitations on the ability of a client to dispose of these securities at certain times,
 - delays in our clients' sale of securities to complete the SEC's registration process,
 - increased likelihood of shareholder litigation against these companies' board members or significant shareholders, and
 - increased costs associated with each of the above-listed risks.
- *Disease and Epidemics.* The impact of disease and epidemics may have a negative impact on our business, the funds, their portfolio companies and their performance and financial position. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses and could also result in a general economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains. Moreover, our operations and those of our funds or portfolio companies could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on our business, our funds and underlying portfolio investments.

The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. In December 2019, a novel strain of coronavirus surfaced ("COVID-19") and has spread around the world, with resulting business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30,

2020. The speed and extent of the spread of COVID-19 and the duration and intensity of resulting business disruption and related financial and social impact, are uncertain and such adverse effects may be material. While governmental agencies and private sector participants will seek to mitigate the adverse effects of COVID-19, which may include such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel and other restrictions, and the medical community is seeking to develop vaccines and other treatment options, the efficacy of such measures is uncertain. The COVID-19 outbreak has materially reduced the demand for oil & gas products, and the global oil market is further depressed by the actions of Russia and Saudi Arabia. Such developments can have a material adverse effect on market participants, such as the portfolio companies, both in the short term and potentially longer.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the funds and the portfolio companies and could adversely affect the funds' ability to fulfill their investment objectives.

The extent of the impact of any public health emergency on the funds' and their portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the funds' portfolio companies, ability to source, manage and divest investments and ability to achieve their investment objectives, all of which could result in significant losses to the funds. In addition, the operations of the funds, their portfolio companies, and Riverstone may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

Riverstone has worked with its portfolio companies to combat the economic effect of COVID-19 by, among other things, assisting portfolio companies to reduce costs and ensure sufficient liquidity by drawing on available credit lines. Riverstone is also assisting its portfolio companies to adjust production based on customer needs and economic indicators. Riverstone will continue to communicate with its portfolio companies throughout the COVID-19 outbreak to evolve its business plans as the outbreak evolves. Riverstone's operations and business results, including with respect to the funds and their portfolio companies, could be materially adversely affected by the COVID-19 outbreak. The extent to which COVID-19 (or any other disease or epidemic) impacts business activity or investment results will depend on future

developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain COVID-19 or treat its impact, among others.

- *Business Continuity Plans.* In the event of unforeseen catastrophic events such as natural disasters, terrorist attacks and epidemics, Riverstone will initiate its business continuity plan to safeguard that its employees have the resources and technology necessary to continue their responsibilities and meet portfolio company and investor needs. The business continuity plan is tested to ensure that appropriate measures are put in place to manage any such catastrophic events. However, Riverstone is not able to predict the level of disruption that such catastrophic events may have on its operation or the ability of the plan to succeed in a time of crisis. Thus, its business continuity plan may be insufficient to continue operating Riverstone's business as usual. The failure of the business continuity plan for any reason could cause significant interruptions in Riverstone's, the funds' and/or a portfolio company's operations. Similar types of operational risks are also present for the portfolio companies in which the funds invest, which could have material adverse consequences for such companies and may cause the funds' investments to lose value. While Riverstone has limited ability to control these risks at the portfolio-company level, Riverstone will work with portfolio companies to implement their own business continuity plans.

Riverstone initiated its business continuity plan in response to the spread of COVID-19. Riverstone's offices are partially closed and the majority of Riverstone employees are working remotely. Riverstone employees have the necessary technology to continue meeting investor and portfolio company needs, including access to laptops with remote working capabilities and audio and video conferencing technology, and Riverstone's servers are capable of handling its workforce working remotely. If employees test positive for COVID-19, such employees will be quarantined. Riverstone has prohibited all non-essential travel and is practicing social distancing, while the investment team remains in ongoing contact with each other and with portfolio companies. However, the implementation of the business continuity plan could affect the ability of Riverstone to operate effectively, including the ability of personnel to function, communicate and carry out Riverstone's investment strategies and objectives. For example, Riverstone's ability to conduct due diligence on potential portfolio company investments and monitor its current investments will be limited until its operations and the operation of portfolio companies and potential portfolio companies are no longer disrupted by the COVID-19 pandemic.

Riverstone's portfolio companies with business continuity plans have enacted these plans, and Riverstone is working with its portfolio companies that do not have such plans to put them in place. Additionally, Riverstone has worked with its portfolio companies to communicate with their customers regarding their ability to meet the customers' needs during the pandemic and potential supply chain and other disruptions. Given the nature of Riverstone's portfolio companies, working remotely is not possible for some of their workforces. For these portfolio companies, critical operation plans have been implemented to reduce the number of employees working on-site while meeting their business and operational needs. In addition, portfolio companies are

practicing heightened sanitary practices and limiting contact between employees as much as practical. Riverstone's and the portfolio companies' response to COVID-19 will continue to develop as the pandemic and situation evolves and the operational changes could adversely affect Riverstone, the funds and their portfolio companies.

- *Cyber Security Breaches and Identity Theft.* Riverstone, each fund, certain of the fund's portfolio companies and service providers to Riverstone, the funds and the portfolio companies generally rely on information technology systems for current and planned operations. Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. Information and technology systems of Riverstone, each fund's portfolio companies and any service provider may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, security breaches, usage errors by their respective professionals. There can be no guarantee that Riverstone or the funds will be able to prevent or mitigate such incidents. The failure of these systems for any reason could cause significant interruptions in the operations of Riverstone, the funds and portfolio companies and could 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). A cybersecurity incident could have numerous material adverse effects, including on the operations, liquidity and financial condition of the funds. Cyber threats and/or incidents could cause financial costs from the theft of fund assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: litigation costs, preventative and protective costs, remediation costs and costs associated with reputational damage, any of which could be materially adverse to the funds.

The funds, their affiliates, 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 a fund and its investors, despite the efforts of such 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 a fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of a 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 systems to disclose sensitive information in order to gain access to data or that of a fund's investors. A successful penetration or circumvention of the security of systems could result in the loss, theft or corruption of an investor's data, a loss of fund data, a loss of funds, the inability to access electronic systems, overall disruption in operations systems, loss, theft or corruption of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. These threats may also indirectly affect

a fund through cyber incidents with third party service providers or counterparties. Data taken in such breaches may be used by criminals in identity theft, obtaining loans or payments under false identities, and other crimes that could affect a fund's investors directly as well as affect the value of assets in which a fund invests. These risks can disrupt the ability to engage in transactional business, cause direct financial loss and reputational damage, lead to violations of applicable laws related to data and privacy protection and consumer protection or incur regulatory penalties, all or part of which may not be covered by insurance. Cybersecurity risks also result in ongoing prevention and compliance costs. In addition, funds may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information and adverse reputational reaction or litigation.

Similar types of operational and technology risks are also present for the portfolio companies in which funds invest, which could have material adverse consequences for such companies, and may cause the funds' investments to lose value.

- *Non-Controlling Investments.* We, on behalf of a client, may make a non-controlling investment in certain portfolio companies. Therefore, we may have a limited ability to protect our client's position in these portfolio companies. However, we will seek appropriate shareholder rights to protect our clients' interests.

We, on behalf of our clients, may co-invest with third parties through joint ventures or other entities. These investments may involve risks in connection with third-party involvement, including the possibility that a third-party co-venturer may have financial, legal or regulatory difficulties resulting in a negative impact on an investment, may have economic or business interests or goals that are inconsistent with those of our clients or may be in a position to take (or block) action in a manner contrary to our clients' investment objectives. In addition, our clients may in certain circumstances be liable for the actions of its third party co-venturers. In those circumstances where such third parties involve a management group, these third parties may receive compensation arrangements relating to these investments, including incentive compensation arrangements

Although we do not primarily recommend any single type of security, we focus on equity and debt securities of energy and power companies. Accordingly, we encourage our clients as well as their investors to consider all of the risk factors we have described above. Please refer to Item 8 regarding risk factors related to our investment strategies. Any investment can be risky, and our clients and investors in our clients must be prepared to assume any potential loss.

Item 9 Disciplinary Information

Neither our firm nor any management person has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither our firm nor any management person has been subject to an administrative proceeding before the SEC, any other federal regulatory agency, any foreign financial regulatory authority or any self-regulatory organization.

In 2008, the Office of the Attorney General of the State of New York commenced an investigation into the use of placement agents by a number of private equity and hedge funds in connection with investments by New York State Common Retirement Fund (“NYSCRF”). Our firm and its principals cooperated voluntarily with the Attorney General’s investigation. On June 11, 2009, our firm resolved the Attorney General’s investigation. According to the agreement between our firm and the Attorney General, we agreed to make a payment of \$30 million to New York State as restitution for the benefit of NYSCRF, and we agreed to adopt the Attorney General’s Public Pension Fund Reform Code of Conduct. On December 9, 2009, David M. Leuschen, a Founder of our firm, reached a resolution with the Attorney General. According to the supplemental agreement between Mr. Leuschen and the Attorney General, Mr. Leuschen and our firm agreed to make a \$20 million payment as restitution for the benefit of NYSCRF.

The SEC also conducted an investigation into the use of placement agents in connection with investments by NYSCRF. The SEC filed a civil complaint against certain individuals and entities, in which the SEC alleged violations of federal securities laws in connection with investments by NYSCRF. Neither Riverstone nor any of its employees has been named as a defendant in any action by the SEC. The SEC requested that our firm and Mr. Leuschen voluntarily provide certain information. Our firm and Mr. Leuschen cooperated with the SEC. In August 2011, the staff of the SEC’s New York Regional Office informed Riverstone and Mr. Leuschen in writing that no action would be taken with respect to Riverstone or Mr. Leuschen in connection with matters covered by the SEC’s investigation.

Item 10 Other Financial Industry Activities and Affiliates

Certain affiliates of Riverstone Investment Group serve as general partners or management companies of the various Riverstone sponsored funds. All Riverstone investment advisory affiliated entities are registered investment advisers in accordance with SEC guidance under the Advisers Act, pursuant to Riverstone Investment Group’s registration with the SEC. These affiliated entities operate as a single advisory business together with Riverstone Investment Group and share common owners, officers, members and employees. All of these affiliated entities are under common control and subject to Riverstone Investment Group’s code of ethics and Advisers Act compliance program pursuant to the requirements of the Advisers Act.

Relationships with Pooled Investment Vehicles

Our firm or our affiliates, along with our joint venture partners, sponsor, manage and serve as general partners of the following funds, as well as certain investment vehicles formed to invest alongside these funds:

- Carlyle/Riverstone Global Energy and Power Fund III, L.P.,
- Riverstone/Carlyle Global Energy and Power Fund IV, L.P.,
- Riverstone Global Energy and Power Fund V, L.P.,
- Riverstone Global Energy and Power Fund VI, L.P.,
- Riverstone Non-ECI Partners, L.P.,
- Riverstone Energy and Power CKD Trust,
- Riverstone Renew CKD Trust,
- Riverstone Credit Partners, L.P.,
- Riverstone Credit Partners II, L.P.,
- Riverstone Credit Partners III, L.P.,
- Riverstone/Carlyle Renewable Energy and Alternative Energy Fund II, L.P.,
- Riverstone Energy Limited,
- Riverstone Echo Continuation Fund, L.P.,
- Riverstone Echo Rollover Fund, L.P., and
- Riverstone Credit Opportunities Income Plc.

Please see Items 4, 8 and 11 for a description of the conflicts of interest that may arise in these relationships and how we manage them.

Relationships with Investment Advisers

We are affiliated with the following investment advisers, which are relying advisers:

- Riverstone Europe LLP (registered with the Financial Conduct Authority in the United Kingdom)
- RIGL Holdings, LP (an exempted limited partnership incorporated in the Cayman Islands)
- Riverstone CKD Management Company, S. de R.L. de C.V. (a Mexican trustor and investment manager)
- Riverstone CKD II Management Company, S. de R.L. de C.V. (a Mexican trustor and investment manager)

Our firm and our joint venture partner, The Carlyle Group, form partnerships or limited liability companies that serve as the general partners to certain of our funds. Our firm and our joint venture partner also provide investment management services to those jointly-sponsored funds pursuant to investment management agreements. Our firm forms partnerships or limited liability companies that serve as the general partners to our other funds that are not jointly-sponsored with The Carlyle Group and provides investment management services to those other funds pursuant to investment management agreements.

These relationships and related management or other fees are further disclosed in the private offering materials of each fund client. See Items 4, 5, 8 and 11 for a discussion of the conflicts of interests that arise as a result of these relationships (including, the performance-based compensation that our firm or our affiliates may receive and certain trade allocation issues).

In addition, the firm is affiliated with Riverstone Capital Services LLC, a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). Riverstone Capital Services LLC acts as a placement agent to certain Riverstone sponsored private funds.

Furthermore, certain investment funds hold passive minority interests (the “Minority Investors”) indirectly in Riverstone Holdings LLC and certain of its affiliates that entitle the Minority Investors to portions of the management fees, carried interest and other compensation earned by the firm. The Minority Investors are sponsored by a financial services firm that, from time to time, provides, directly and indirectly through various affiliates, investment banking, brokerage, financing, advisory and other services on an arm’s length basis to the firm, its funds and the portfolio companies. None of the Minority Investors, the financial services firm or their affiliates has authority over or is involved in the firm’s day-to-day business operations or investment decisions, although the Minority Investors have certain minority protection consent rights. Accordingly, the firm does not expect any material conflicts of interest to arise as a result of any business arrangements between the firm, its funds and/or the portfolio companies, on the one hand, and the financial services firm and its affiliates, on the other hand.

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

Our firm has established a code of ethics (“Code of Ethics”) that sets forth standards of ethical conduct for our professionals. This code addresses standards of treating clients ethically, potential conflicts of interest and personal trading by our firm and our affiliates and professionals. In addition, we have established policies and procedures that address, among other things, potential conflicts of interest that might arise in the management of the funds that we sponsor.

Our policies prohibit our employees from purchasing or selling, directly or indirectly, any security while in possession of material, non-public information regarding the security, whether or not this information was obtained in the course of employment. Our employees

also may not discuss material, non-public information with anyone outside of our firm and our affiliates. Our firm generally prohibits our employees from trading in equity or debt securities in companies in the energy, power or other sectors related to investments of the Riverstone funds, except that (1) employees may trade in energy- or power-related mutual funds and (2) employees may trade in energy exchange-traded funds (“ETFs”), commodity interests, royalty trusts and publicly-traded securities also owned by Riverstone, only after receiving pre-clearance from our chief compliance officer or his/her designee. In addition, prior to investing in shares of initial public offerings or private placements, an employee must first pre-clear the trade with our chief compliance officer or his/her designee.

Our employees are not permitted to take for their own advantage an opportunity that rightfully belongs to our firm, our affiliates or our funds, are prohibited from using corporate property, information or position for personal gain, and may not compete directly or indirectly with our firm, our affiliates or our funds.

Our employees and control persons must certify annually that they have read and agree to comply in all respects with our Code of Ethics and that they have disclosed or reported all personal securities transactions, holdings and accounts required to be disclosed or reported by our Code of Ethics.

Additionally, our Code of Ethics provides for a range of sanctions, as deemed appropriate by our senior management, should anyone violate the Code of Ethics. These sanctions include, but are not limited to, a warning, fines, disgorgement, suspension, or termination of employment.

The paragraphs above only represent a summary of key provisions in our Code of Ethics. We will provide a copy of our entire Code of Ethics to any prospective client, any client or any investor in our funds upon request.

Under certain circumstances, we may recommend to clients, or buy or sell for client accounts, securities in which we or our affiliates have a material financial interest. Because our affiliates or our joint-venture partners are the general partners of our funds, we have a material interest that could create conflicts that must be managed.

Since our funds may be subject to different management fee and performance allocation structures and we may receive a carried interest from one fund sooner than from another fund, there may be a conflict of interest on how we allocate portfolio investments between various funds. We have instituted a number of allocation policies in order to mitigate those conflicts. Generally, when a core private investment fund which we advise has invested or committed 75% of its committed capital, we may establish a new core private investment fund with a similar investment strategy. In general, the new core private investment fund may co-invest with the existing fund going forward until the existing fund has invested or committed 90% of its committed capital (for investments, management fees and expenses), after which point the new fund may make investments without being required to share them with the existing fund. To the extent that an investment opportunity is appropriate for both the existing fund and the new fund, we expect that both funds should invest on the same terms and conditions, with allocations made between the funds on a basis that the

investment committee of each of the funds determines in good faith to be fair and reasonable. In certain cases, the organizational and charter documents of a fund may require the investor advisory committee to approve fund allocations between various funds. In the absence of this requirement, we will seek to allocate investments and investment opportunities on a fair and reasonable basis and may, in our sole discretion, further seek the approval of a fund's investor advisory committee.

Additionally, for other investment vehicles sponsored by us to invest alongside our funds in specific portfolio companies, the allocation of the investment opportunity to such vehicles is sometimes dictated by the investment limitations of the corresponding fund. In circumstances where an entire investment could be made by the applicable fund, we have in certain cases still allocated, and may in the future still allocate, a portion of such investment to one or more other investment vehicles if we believe in our good faith judgment that the full investment would unreasonably limit or otherwise affect the diversification of the applicable fund or that a particular strategic co-investor would add value to the investment in terms of consummating, operating or exiting the investment. In some cases, a fund invests alongside one or more other funds or entities not controlled by Riverstone, as members of a consortium.

In addition, the firm has structured, and may in the future structure, an investment to permit another fund focused on credit investments to participate in one or more debt tranches of the capital structure of a portfolio company of an equity fund (either together with, or separate from, participation alongside the portfolio investment made by the equity fund). The firm faces potential conflicts of interests arising from the different interests held by different firm clients in the underlying portfolio company (e.g., with respect to the terms of high yield securities or other debt or other instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). It is possible that in a bankruptcy proceeding one fund's interests may be adversely affected by virtue of the involvement and actions of another fund relating to its investment.

From time to time, certain principals of Riverstone serve as board members of or organize special purpose acquisition vehicles (each, a "SPAC"), and collectively control the sponsor of the SPAC. A SPAC is a company formed for the purposes of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination with one or more businesses. Although these principals will continue to devote their time and attention to the investment activities of the funds, they will have other obligations with respect to the SPACs as board members. In addition, the principals may regularly obtain confidential information regarding various target companies and other investment opportunities which would be imputed to all of Riverstone. Therefore, if a principal receives confidential information with respect to a company, the Riverstone funds may face certain restrictions on their ability to pursue a transaction with that company or dispose of an investment.

In the unlikely event that we cause one fund to purchase an investment from another fund (known as a cross trade), there may be a conflict of interest in how we allocate that trade and the terms of that trade. If we intend to engage in any cross trade, the investment committees of both relevant funds will review their respective fund's charter and

organizational documents to determine if there are any prohibitions or restrictions on cross trades, and the nature of those restrictions. In addition, the investor advisory committee of each fund must approve the cross trade prior to its execution. Our firm or our affiliates will document the reason for the decision to effect a cross trade, including the price and any potential transaction-cost savings. In any case, neither our firm nor any affiliate may charge any commissions to either fund.

In addition, our funds may buy from or sell to our firm or affiliates. This could potentially create a conflict of interest between our firm and a fund because we have an incentive to negotiate more favorable terms for us or our affiliates at the expense of our client. As a result, we are subject to client notice and consent obligations in connection with the operation of the private investment funds for which we act as investment manager if those transactions are deemed to be “principal transactions.” We have established policies and procedures that address these principal transactions and the funds’ investment guidelines, limited partnership agreements and charter documents typically establish the terms of any principal transactions or restrict principal transactions. To the extent that a fund may engage in principal transactions with our firm or our affiliate, our client receives disclosure of the potential for principal transactions and the process for approving them.

Most importantly, we establish an investor advisory committee for each fund to review and resolve conflicts of interest, including with respect to principal transactions, that we bring to it in our discretion or as required by the fund’s applicable governing documents. If we intend for a client to engage in a principal transaction, we will notify the client’s investor advisory committee of the transaction and must obtain written approval from the investor advisory committee or the requisite percentage of limited partners before we proceed with the principal transaction. We also review the client’s organizational documents to determine the procedures to be followed to approve principal transactions. In the absence of required consent, we will not proceed with the transaction.

Our firm, together with our affiliates, has the obligation to invest certain amounts in or alongside our funds on generally the same terms and conditions as the funds or their investors (except with respect to fees and carried interest payable to our firm), as part of our negotiated sponsor commitment. In certain of our funds, our firm and our affiliates have an option to invest up to an additional 10% in the aggregate of any investment made by such funds, which additional amount has been negotiated with investors in these funds.

Our principals, employees or senior advisors invest in other private equity investment vehicles (including single investor-co-investments) managed by other advisers. In some cases, our firm, its affiliates or the funds may purchase portfolio companies that are owned by such other investment vehicles, which may indirectly benefit any principals, employees or senior advisors.

Certain advisors and other service providers, or their affiliates (including any accountants, administrators, lenders, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) to a fund, the firm or their portfolio companies have in certain cases also provided, and may in the future provide, goods or services to or have business, personal, political, financial or other relationships with the firm (including

sponsoring the Minority Investors). Such advisors and service providers may be investors in a fund, affiliates of a general partner and/or sources of investment opportunities and co-investors or counterparties therewith. These relationships may influence a general partner in deciding whether to select or recommend such a service provider to perform services for a fund or a portfolio company (the cost of which will generally be borne directly or indirectly by a fund or such portfolio company, as applicable). Notwithstanding the foregoing, investment transactions for a fund that require the use of a service provider will generally be allocated to service providers on the basis of best execution, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that the general partner believes to be of benefit to a fund. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to the firm and its affiliates as compared to services provided to a fund and its portfolio companies, which will result in more favorable rates or arrangements than those payable by a fund or such portfolio companies.

The funds' portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other investment funds managed by the firm or its affiliates that, although the firm determines to be consistent with the requirements of such funds' governing agreements, may not have otherwise been entered into but for the affiliation with the firm, and which may involve fees and/or servicing payments to the firm's affiliated entities which are not subject to the management fee offset provisions described in the applicable fund governing documents.

In addition, as a result of the funds' controlling interests in portfolio companies, the firm typically has the right to appoint board members to such portfolio companies, or to influence their appointment. Serving on a portfolio company board may give rise to conflicts to the extent that a firm employee's (or consultant's) fiduciary duties to a portfolio company as a director may conflict with the interests of the firm clients that are invested in such portfolio companies.

Item 12 Brokerage Practices

Because we render advice to private equity funds, and investments are made on a negotiated basis, opportunities for trade executions are rare. On those rare occasions that our firm executes trades on behalf of its clients, our professionals must demonstrate compliance with broker selection, recordkeeping and other requirements related to trading, including "best execution."

Our firm seeks the most advantageous terms for fund trades. While trade price is often a significant quantitative factor in determining best execution, it is not the sole determinative factor. When placing orders with brokers for execution, we also evaluate qualitative execution factors, such as:

- available prices and rates of commissions or other compensation to brokers,

- efficiency of execution, bearing in mind the size of the order and characteristics of the security (for example, liquid vs. illiquid),
- financial responsibility of the broker-dealer, and
- the ability of the broker-dealer to execute block trades.

When selecting brokers for underwriting transactions, we consider a different set of factors, such as:

- expertise in a particular industry,
- potential network for selling securities,
- past success with public offerings, and
- potential underwriting discount.

Research and Other Soft Dollar Benefits. We may receive unsolicited research from brokers, dealers, and banks through which we execute portfolio trades. In circumstances in which we use such research, the quality and ability to receive research may factor into the selection of brokers, dealers and banks executing portfolio trades. We do not have any agreements in place that would require that we give any specified amount of brokerage to any broker-dealer.

Referrals in Selecting or Recommending Broker-Dealers. We do not receive referrals for clients from any broker-dealers. In limited circumstances, we may use a broker where a division or affiliate of the broker may have referred or may refer investors to our clients. We may be deemed to have a potential conflict of interest in receiving referrals in that we may have an incentive to select those brokers. In order to mitigate such a conflict, we focus on the criteria set forth above when selecting brokers.

Directed Brokerage. As our clients are all private investment funds or accounts managed by us, we select all broker-dealers and do not permit our clients to direct brokerage.

Aggregation of Trades – Policies and Procedures. Because we render advice to private equity funds, and investments are made on a negotiated basis, opportunities for trade aggregation are rare with respect to different funds.

However, in addition to the limited partnerships that serve as the core private investment funds advised by our firm, we have and in the future may create parallel and alternative investment vehicles, as well as feeder funds that invest directly or indirectly in the core fund or parallel and alternative vehicles, to the extent these structures are consistent with applicable law and the core fund's organizational documents. Generally, a parallel investment vehicle will invest and divest proportionally in the same investments, and on virtually the same terms and conditions and at the same time, as the core private investment fund, subject to any limitations in the parallel investment vehicle's organizational

documents. We have and in the future may establish alternative investment vehicles for tax reasons to permit certain investors to make investments outside of the core private investment fund, which investments generally will function as if made by the core fund on a substantially equivalent economic basis.

Results of Aggregating Trades

Ultimately, clients can benefit when we aggregate trades because we get volume discounts on execution costs. On the other hand, situations may occur where one client could be disadvantaged because:

- the average price received for an aggregate order may be worse than what a client would have received had it traded a smaller quantity of shares on its own, or
- the investment activities we conduct for other clients may result in, among other things, multiple clients needing to dispose of commonly held securities or other common investment positions at the same time.

When we do not aggregate trades, our clients pay higher execution costs than they would have had we aggregated the trades.

Item 13 Review of Accounts

Our firm's professionals serve on the investment committees for the private investment funds for which we act as adviser, and they routinely monitor their portfolio investments. Their reviews focus on operations, financial performance and strategic direction of each portfolio company owned by the funds. The investment committee as a whole performs comprehensive reviews quarterly, and a subset of the investment committee monitors each portfolio investment more frequently to ensure compliance with its stated objective.

In addition, the investment committee reviews the valuations of funds' investments that are non-marketable securities.

Investors in our funds receive written financial reports, including information relevant to each investor's fund investment and a description of the fund's investments, on a quarterly basis. Investors in our clients also receive audited financial statements of the funds in which they are invested, valuations of all the fund's investments and tax information necessary for the completion of U.S. tax returns on an annual basis.

In addition to the information provided to all of our funds' investors, we have and in the future may arrange to provide certain investors of our clients with additional information or more frequent reports that other investors will not receive.

Item 14 Client Referrals and Other Compensation

Our firm may, at times, receive an economic benefit from non-clients for providing advisory services to our funds. For instance, when we conduct certain private equity-related transactions on behalf of our clients, we might receive fees from portfolio companies in which our clients are invested. From these relationships, we have received, and may in the future receive:

- transaction fees (e.g., advisory fees we charge to any portfolio company and organizational or success fees we receive in connection with any fund investment),
- monitoring fees,
- investment banking, underwriting, and/or syndication fees,
- break-up fees, and/or
- directors' fees (including in-kind compensation).

We apply a portion of those fees we receive in these cases to reduce the management fees payable by the applicable client and its investors. The operating agreements of each of our funds set out the terms of these arrangements, which may vary from fund to fund. There will not be any offset applied to the co-investment vehicles, whether or not they pay any management fees.

Our affiliated broker-dealer, Riverstone Capital Services LLC, acts as placement agent to certain of our private funds. We also engage third party placement agents or “finders” to solicit investors for certain of our funds. Certain of our affiliates have also entered into placement or “finders” arrangements for soliciting investors, including with certain affiliates of The Carlyle Group, our joint venture partner, with respect to our jointly-sponsored funds. Our funds disclose in their offering documents that they may enter into these arrangements. In addition, certain of our clients may require investors to acknowledge any fee payments relating to solicitation arrangements.

Item 15 Custody

Due to our access to funds and authority to deduct fees and other expenses from a client's account and services by our affiliates as general partners of our funds, we are deemed under Rule 206(4)-2 of the Advisers Act to have custody of our clients' funds.

We utilize the services of a bank or other qualified custodian (as defined under Rule 206(4)-2) to hold all funds and securities of any of our clients, to the extent required by the Advisers Act and SEC guidance. We also ensure that the qualified custodian maintains these funds in accounts that contain only clients' funds and securities, under our name as agent or trustee for the clients.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, we are not subject to this requirement because all private equity funds managed by us are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In these cases, we distribute audited financial statements to all limited partners of our funds within 120 days of the end of the fiscal year of the fund.

Item 16 Investment Discretion

Our firm accepts discretionary authority to manage our clients' securities accounts. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our fund's private offering materials and/or investment management agreement. These documents cover matters such as the types and amounts of securities of which a client's portfolio will consist, portfolio allocation limitations and the degree of risk assumed by a client's portfolio. Before accepting the discretionary authority inherent in managing our funds, we carefully review the investment strategies and investment programs set out in our funds' offering documents. Investment advice is provided directly to each fund and not individually to the limited partners of any fund.

Item 17 Voting Client Securities

Proxy Voting Policies and Procedures

We have implemented proxy voting policies and procedures in accordance with securities laws and our fiduciary obligations to our clients. We strive to vote client proxies in a manner consistent with each client's best interests.

Our firm votes proxies in accordance with guidelines in effect from time to time. We generally expect to vote proxies in accordance with the recommendations of company management. Generally, we will cast proxy votes in favor of proposals that:

- maintain or strengthen the shared interests of shareholders and management,
- increase shareholder value,
- maintain or increase shareholder influence over the issuer's board of directors and management,
- maintain or enhance the independence of the board of directors, and
- maintain or increase the rights of shareholders.

We will generally cast proxy votes against proposals having the opposite effect of those items listed above, particularly where we believe that a proposal will have a dilutive effect on the value of the underlying security. In addition, we will vote against a proposal or

recommendation of management if we determine that such a vote is in the best interests of our client.

Prior to voting, we will determine whether an actual or potential conflict of interest with our firm or any other interested person exists in connection with the proposal(s). If an actual or potential conflict is found to exist, we will engage a reputable non-interested party to independently review our vote recommendation and to confirm that our vote recommendation is in the best interest of the client under the circumstances. If the independent non-interested party determines that our vote recommendation is not in the best interest of a client under the circumstances, then we will vote in the manner suggested by the independent non-interested party.

It is always possible that, after appropriate analysis, we may decide that declining to cast a vote at all is in the best interest of our client.

In limited situations, we may not have the authority to vote on certain clients' securities. In these cases, clients may contact us, at any time, with questions about a particular proxy solicitation. The guidelines included in the proxy voting policy and procedures are subject to change as Riverstone periodically reassesses those policies and procedures to reflect developments in proxy voting and the best interests of its clients. Riverstone's proxy voting policies and procedures set forth guidelines for voting proxies with respect to private companies, public companies and also for certain types of proposals.

A copy of the proxy voting policy and procedures is provided to each fund and delivered to each investor upon investment in a fund. A copy is also available upon request. We provide information regarding any proxies actually voted by us to any client and any investor of a fund upon the request of the client or the investor.

Item 18 Financial Information

We do not believe any financial condition exists that is reasonably likely to impair our ability to meet contractual commitments to our clients.

Our firm has never been the subject of a bankruptcy petition.