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**March 30, 2021**

**This brochure provides information about the qualifications and business practices of EIG Management Company, LLC (“Adviser”). If you have any questions about the content of this brochure, please contact us at (202) 600-3300 or at [adv@eigpartners.com](mailto:adv@eigpartners.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Adviser refers to itself as a “registered investment adviser” in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, Adviser is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser is not an indication that Adviser or its directors, officers, employees or representatives have attained a particular level of skill or ability.**

## **ITEM 2 – MATERIAL CHANGES**

Adviser’s last update to Part 2A was filed on March 29, 2020. Adviser is now providing its annual update, which reflects the following material changes:

- **ITEM 4:** Updated discussion of Advisory Business to include description of Adviser’s ESG practices.
- **ITEM 8:** Updated information and disclosures regarding investment strategy and portfolio company risks.
- **ITEM 10:** Updated information and disclosures regarding potential conflicts of interest.

You may request the most recent version of Adviser’s Part 2B brochure by contacting Renee Davidovits at (202) 600-3313.

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## **ITEM 4 – ADVISORY BUSINESS**

### **A. Advisory Firm**

Adviser is a Delaware limited liability company that commenced operation on November 18, 2010 and is owned and controlled by EIG Asset Management, LLC (“**EIG Asset Management**”), which is ultimately controlled by R. Blair Thomas and Randall S. Wade. Prior to January 1, 2011, Adviser was known as the Energy and Infrastructure Group of Trust Company of the West, and has since continued its now 39-year history of energy investing.

For a variety of operational, legal and regulatory reasons, Adviser conducts its advisory business through a group of related advisers, including EIG Credit Management Company, LLC, which are also registered as relying investment advisers under Adviser’s registration (“**Relying Advisers**”)¹. Unless otherwise indicated, any references to “Adviser” hereinafter refer collectively to EIG Management Company, LLC, its Relying Advisers registered with the SEC, and its affiliated general partners or investment managers of the Private Funds and/or Managed Accounts (as each term is defined below). Adviser and its Relying Advisers, although organized as separate legal entities, conduct a single advisory business (typically under the name “**EIG**”). Each of the Adviser and its Relying Advisers is subject to the same compliance policies and procedures and Code of Ethics, including the Investment Allocation Policy described in Item 6.

EIG Asset Management and FS Investments (“**FS**”) formed FS/EIG Advisor, LLC (“**JV Adviser**”), which is a registered investment adviser with the SEC. JV Adviser is a joint venture between EIG Asset Management and FS currently dedicated to managing the FS Energy & Power Fund (“**FSEP**”), a non-diversified, closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). JV Adviser may provide investment advisory services to other clients in the future. Additional information relating to JV Adviser is available in its Form ADV Part 1. Certain of EIG’s and FS’s advisory personnel will spend a portion of their business time working or performing services on behalf of JV Adviser to provide investment advisory services to FSEP.

### **B. Specialization**

Adviser has a long history and extensive experience investing in the energy and energy-related infrastructure sector. Adviser specializes in investing across the capital structure of energy and energy-related infrastructure projects and companies throughout the energy value chain on a global basis. Throughout its history, Adviser has established investment vehicles, including, among others, private investment funds, single investor funds, co-investment vehicles, joint ventures, collateralized loan obligations (“**CLOs**”), and other structured investment vehicles to focus on the different segments of the capital structure, which make hybrid debt and structured equity investments in energy and energy-related infrastructure companies and projects on a global basis, typically with “equity kickers” (the “**Core Funds**”), and the Global Project Fund Series (“**GPF Series**”), which targets senior secured loans in energy and other infrastructure projects. Adviser is currently organized across four investment strategies, all focused on the global energy and energy-related infrastructure industry: (i) the Core Funds and related funds and accounts, which are focused primarily on the middle segment of the capital structure; (ii) the Direct Lending/Credit Platform (“**EIG Credit Platform**”), consisting of the continued management of the GPF Series and related funds and accounts, to address the most senior segment of the capital structure

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¹ Relying Advisers include: EIG Credit Management Company, LLC, EIG Asset Management, LLC, EIG Funds Management, LLC, EIG Global Energy (Asia) Limited, EIG Global Energy (Australia) Pty Ltd., EIG Global Energy (Europe) Limited, EIG Global Energy (Brasil) Representações Ltda, EIG Global Energy Korea, Limited, and EIG Harbour Energy Advisor, L.P.

(including direct loan origination and syndicated and actively traded loans or securities); (iii) the Energy Transition Platform (“**Energy Transition Platform**”), which specifically targets sustainable energy investment opportunities, including companies or projects whose primary business activity is, or enables or facilitates, renewable power generation, or complementary technologies or systems, including natural gas-fired power generation, natural gas related infrastructure, energy storage, or the decarbonization of the energy system; and (iv) Harbour Energy, LP, a pooled investment vehicle that primarily invests its assets in Harbour Direct Holdings, Ltd. (“**Harbour**”), an upstream energy company formed by EIG in partnership with an unaffiliated third party that pursues control or near-control equity stakes in energy companies and assets, primarily outside of the United States. In certain circumstances, Harbour may operate, directly or indirectly, assets under its ownership or control, independently or in conjunction with third parties.

## **C. Advisory Services**

### *Private Funds*

Adviser generally provides investment advisory services with respect to private pooled investment vehicles and related parallel investment vehicles (each, a “**Private Fund**”). The Private Funds are typically U.S. and non-U.S. limited partnerships and other investment vehicles that are not registered or required to be registered under the Investment Company Act and whose securities have not been registered under the Securities Act of 1933, as amended (the “**Securities Act**”).

Adviser, from time to time as permitted by the relevant Governing Agreement(s) (as defined below), and to the extent it deems advisable in its sole discretion, expects to provide co-investment opportunities to certain investors or other persons, including, but not limited to, limited partners or prospective limited partners, Managed Account clients (as defined below), FSEP, strategic investors, other sponsors, market participants, finders, consultants and other service providers, Adviser’s officers, employees, or other persons or entities associated with Adviser or its affiliates (“**Potential Co-Investors**”). In connection therewith, Adviser may sponsor and manage investment vehicles on a transaction-by-transaction basis to allow certain investors or other persons to invest alongside one or more Private Funds in specific portfolio companies and other assets of the Private Funds (each such vehicle, a “**Co-Investment Fund**”). Co-Investment Funds are typically limited to investing in securities relating to the transaction or transactions with respect to which they were organized. As a general matter, any co-investment by a Co-Investment Fund in a portfolio company or other asset will be on terms and conditions not more favorable than the terms and conditions of the investment by the applicable Private Fund, and with limited exception, will not pay any Management Fees or Carried Interest, as defined below. Adviser is not obligated to offer Private Fund investors any opportunity to invest in any Co-Investment Fund and Adviser may select investors for Co-Investment Funds in its sole discretion. See Item 6 for a discussion of factors that Adviser considers when determining to offer co-investment opportunities.

An affiliate of Adviser and registered broker-dealer, EIG Global Energy Partners Capital Markets, LLC (“**EIG Capital Markets**”), expects to serve as placement agent for compensation in connection with capital-raising transactions relating to Adviser’s advisory business and/or in connection with or on behalf of unaffiliated third parties.

Adviser may also sponsor and manage certain other entities which are “feeder” vehicles organized to invest exclusively in a Private Fund and/or special purpose vehicles (“**SPVs**”) that have been formed to facilitate portfolio investments by the Private Funds or their investors for tax, regulatory and/or economic purposes.

An unaffiliated third-party alternative investment fund manager licensed with the Luxembourg Commission de Surveillance du Secteur Financier (the “**CSSF**”) has delegated portfolio management services with respect to the management of a Private Fund to Adviser.

As investment manager to each Private Fund, Adviser identifies investment opportunities and participates in the acquisition, management, monitoring and disposition of investments for each Private Fund. Adviser will manage and provide investment advisory services to each Private Fund pursuant to, and based on the investment objectives and investment restrictions set forth in, the investment management agreement (“**Management Agreement**”), limited partnership agreement and/or confidential offering memorandum of a Private Fund (collectively, the “**Governing Agreements**”) and in any other written materials furnished from time to time by a Private Fund to Adviser. Such restrictions can be waived in certain cases with the consent of the applicable Private Fund’s advisory committee, if any, in accordance with such Private Fund’s Governing Agreements. A Private Fund’s advisory committee consists of representatives from investors in such Private Fund who are not affiliated with Adviser. Investment advice is provided directly by Adviser to the Private Funds, and not individually to the investors of the Private Funds. Investors in the Private Funds participate in a Private Fund’s overall investment program, subject to Adviser’s ability to excuse an investor from participating in an investment due to tax, legal, investment policy, or as contractually agreed.

Adviser will, at its discretion, enter into side letters or other similar agreements with certain investors. Such side letters have the effect of establishing rights (including economic or other commercial terms) under or altering or supplementing the Private Fund’s Governing Agreements.

All descriptions of the Private Funds in this brochure, including, but not limited to, their investments, the strategies used in managing the Private Funds, the fees and other costs associated with an investment in the Private Funds, and conflicts of interest faced by Adviser in connection with management of the Private Funds are qualified in their entirety by reference to the relevant Private Fund’s respective Governing Agreements.

Persons reviewing this brochure should not construe this brochure as an offering of any of the Private Funds described herein, which will only be made pursuant to the delivery of a confidential offering memorandum to prospective investors.

### *Managed Accounts*

Adviser also manages separately managed accounts, which in some cases are organized as single-investor limited partnerships for institutional investors (collectively, “**Managed Accounts**”), based on a determination of each investor’s financial situation, needs and investment objectives and pursuant to a Management Agreement with each investor or the Managed Account, which includes certain investment restrictions that are agreed between the Adviser and the investor.

Adviser generally offers advice regarding investments in private companies which are not publicly traded. For Adviser’s private investments, such investments will generally be illiquid and may not be easily liquidated and are generally “fair valued,” which can vary substantially from any values actually realized upon the disposition of the securities. Adviser also provides advice regarding publicly traded securities. Adviser generally also offers advice regarding investments in physical assets related to the energy and energy-related infrastructure sector, some of which constitute real estate or fixtures under applicable law, such as pipelines, transmission lines, mineral and mining projects, oil rigs, ports, oil and gas gathering and processing systems, and active and passive energy generating facilities.

The Private Funds, Co-Investment Funds, SPVs, and Managed Account clients, as may be applicable, are collectively referred to herein as “**Clients**.” The Private Funds’ and Co-Investment Funds’ Governing Agreements and the Managed Accounts’ Management Agreements referenced herein may be referred to collectively as “**Organizational Documents**.”

### *Environmental, Social, and Governance (“ESG”) Considerations*

The Adviser has adopted an ESG Policy to seek to promote and encourage practices and performance related to ESG factors for both its own operations and the operations of the entities in which it invests on behalf of certain Clients. In furtherance of the objectives of the ESG Policy, the Adviser has established an ESG Committee which serves as a forum for firm-wide broad ESG considerations.

The ESG Committee has primary responsibility for the assessment of the ESG factors of investments made for applicable Clients including, but not limited to, consideration of ethical and business conduct, social integrity and respect for employees, contractors and communities, and environmental protection. In addition, the ESG Committee provides oversight of the implementation of the Adviser’s ESG Due Diligence Policy. The ESG Due Diligence Policy is designed to provide the framework for the Adviser to critically evaluate ESG-related risks and opportunities germane to a specific investment and to seek to ensure potentially material risks that are identified during due diligence are reviewed by the ESG Committee.

The Adviser is a signatory to the UN Principles for Responsible Investment (“**UN PRI**”) and has undertaken to incorporate the consideration of ESG factors, as identified by UN PRI, into the Adviser’s investment analysis and decision-making process, where applicable. The Adviser has also committed to the Partnership for Carbon Accounting Financials (“**PCAF**”). Pursuant to this commitment, Adviser will take reasonable actions to measure and disclose the greenhouse gas (“**GHG**”) emissions associated with investments using PCAF-developed carbon GHG accounting methodologies, in order to seek ensure alignment with the Paris Climate Agreement.

#### **D. Wrap Fee Programs**

Not applicable.

#### **E. Assets Under Management (as of December 31, 2020)**

Discretionary: \$20,429,767,476

Non-Discretionary: \$1,465,576,274

### **ITEM 5 – FEES AND COMPENSATION**

#### **A. Types of Fees**

Adviser generally is compensated for its advisory services to its Clients based on a percentage of assets under management and performance-based amounts in accordance with each such Client’s Organizational Documents. Private Fund investors and Managed Account clients should refer to the relevant Organizational Documents for a complete description of the applicable fees, compensation, and expenses.

#### *Management Fees*

In general, until the commitment period for a Private Fund has terminated, a Private Fund pays to Adviser annual advisory fees (“**Management Fee**”) equal to: (i) a certain percentage of the total capital commitments (regardless of whether such capital has been invested) of the investors in the applicable Private Fund, (ii) a certain percentage of the total invested capital commitments, (iii) a combination of a certain percentage of the total capital commitments (regardless of whether such capital has been invested) and a certain percentage of the total invested capital commitments, or (iv) in some cases, a certain



percentage of the total equity in an operating platform held by a Client together with a fixed dollar amount for expense reimbursement to Adviser (e.g., Harbour). Following the end of the commitment period of a Private Fund, the Management Fee of such Private Fund is generally equal to a certain percentage of the total invested capital commitments of the investors in the applicable Private Fund. The Management Fee for a Private Fund varies depending on the investment strategy of the particular Private Fund and is specified in the applicable Governing Agreement. Adviser's Management Fee for Private Funds generally ranges from approximately 0.50% to 2.00% per annum.

Management Fees paid to Adviser by Managed Account clients agreed upon between the Adviser and Managed Account client and vary. The applicable Management Fee will be set forth in Adviser's Management Agreement with each Managed Account investor and will be determined based on, among other things, the size of the Managed Account, the investor's risk and liquidity requirements, the nature and complexity of the investor's investment objectives, the nature and complexity of agreed portfolio restrictions, and investment procedures. Adviser's Management Fees for Managed Accounts generally range from approximately 0.45% to 2.00% per annum.

Adviser, in its sole discretion, can waive, reduce or alter the Management Fee as to all or any of the investors in a Private Fund or agree with an investor to waive, reduce or alter the Management Fee as to that investor. Some Clients, such as certain Co-Investment Funds, do not typically pay Management Fees. EIG Capital Markets also provides broker-dealer services for compensation, including, placement agent, mergers and acquisitions advisory, transaction origination or sourcing, best efforts underwriting and any other services permitted under its FINRA Membership Agreement, in connection with capital-raising transactions relating to Adviser's advisory business, portfolio company transactions and/or in connection with or on behalf of unaffiliated third parties. See below for more information.

#### *Performance-Based Compensation*

In addition to Management Fees, Adviser receives performance-based compensation, generally in the form of an allocation of a profits interest from a Private Fund or a participation right in the profits of an SPV or other investment vehicle (commonly referred to as "**Carried Interest**") based on the net cash proceeds attributable to Private Fund investments, subject to a preferred return payable to that Private Fund's investors. Adviser, in its sole discretion, can waive, alter or reduce the Carried Interest or other performance-based compensation as to all or any of the investors in a Private Fund or agree with an investor to waive or alter the Carried Interest or other performance-based compensation as to that investor. In certain instances, Adviser receives performance-based compensation in the form of a percentage of the adjusted net income of an operating platform (e.g., Harbour) in which a Private Fund or other Client is invested, which may be payable in cash and/or the stock of the underlying operating company.

Carried Interest for the Private Funds varies depending on the investment strategy of the particular Private Fund, ranging from approximately 10% to 20% of the profits earned by such Private Fund. Investors should refer to each Private Fund's Governing Agreements for additional or supplementary information regarding the Carried Interest paid by that Private Fund.

Adviser's performance-based compensation for each Managed Account will be set forth in the applicable Management Agreement and will be determined based on, among other things, the size of the Managed Account, the client's risk and liquidity requirements, the nature and complexity of the investor's investment objectives, agreed portfolio restrictions, and investment procedures.

Adviser's performance-based compensation for each Managed Account typically ranges from approximately 10% to 20% of the profits earned by such Managed Account. Management Fees, Carried Interest and other performance-based fees are subject to waiver, modification or reduction by Adviser in

accordance with the terms of the applicable Organizational Documents. Certain of the Private Funds, including Co-Investment Funds, typically are not required to pay Management Fees, Carried Interest or other performance-based fees. In addition, Adviser, its affiliates, employees, and equity holders may invest in or alongside certain Private Funds, and in connection with such investments, Management Fees, Carried Interest or other performance-based fees can be modified, substantially reduced or waived.

### *Supplemental Fees*

In addition to the Management Fees and Carried Interest or other performance-based fees, Adviser may receive additional compensation in connection with management and other services performed for portfolio companies. The Management Fee payable by certain of the Private Funds and Managed Accounts to Adviser will generally be reduced by all or a portion of such compensation received by Adviser, including any origination, upfront, transaction, monitoring, break-up or other similar fees (“**Supplemental Fees**”) received by Adviser as described in the relevant Governing Agreements, and/or side letters, if applicable. To the extent a Private Fund does not pay a Management Fee, the Private Fund will not receive the benefit of the reduction and such Supplemental Fees will accrue to the benefit of Adviser. Adviser may also elect, in its sole discretion, to share or allocate all or a portion of Supplemental Fees with or to third party co-investors, Co-Investment Funds, or Managed Accounts, and any such portion of a Supplemental Fee shared with or allocated to such parties will not reduce the Management Fee payable by a Private Fund invested in the relevant investment. As a result, a Private Fund will, in most cases, only benefit with respect to its allocable portion of any such Supplemental Fee and not the portion of any Supplemental Fee that relates to such parties.

In addition, EIG Capital Markets provides certain broker-dealer services for compensation, including, placement agent, mergers and acquisitions advisory, transaction origination or sourcing and any other services permitted under its FINRA Membership Agreement, in connection with capital-raising transactions relating to portfolio company transactions related to Adviser’s advisory business and/or in connection with or on behalf of unaffiliated third parties. For example, from time to time, EIG Capital Markets assists in the private placement of securities that are appropriate for both Clients and unaffiliated third parties. In such cases, EIG Capital Markets generally will receive compensation from unaffiliated third parties or the issuer of such securities participating in the transaction. Any compensation received by EIG Capital Markets in connection with such activities will be for the benefit solely of EIG Capital Markets and will not be shared with any other Private Fund, or reduce any other Private Fund’s fees or Supplemental Fees, or other fees payable to Adviser.

## **B. Payment Method**

### *Private Funds*

Generally, the Management Fee, net of any Supplemental Fees, as applicable, will be paid quarterly in arrears or in advance from investment proceeds or other cash held by each Private Fund as set forth in the applicable Governing Agreements.

Carried Interest for each Private Fund generally is paid out as a distribution of the net cash proceeds attributable to dispositions of portfolio investments of the Private Fund. Generally, no payouts are made until Private Fund investors have first received their invested capital together with a preferred return in accordance with each Private Fund’s Governing Agreements. In certain instances, Adviser receives performance-based compensation in the form of a percentage of the adjusted net income of an operating platform (e.g., Harbour) in which a Private Fund or other Client is invested, and/or the stock of the underlying operating company.



### *Managed Accounts*

The Management Fee, net of any Supplemental Fees, as applicable, will be paid quarterly in arrears or in advance by deduction from the assets held in a Managed Account or as invoiced to a Managed Account's investor, as set forth in a Managed Account's Management Agreement.

Carried Interest or other performance-based fees generally are payable from the assets held in a Managed Account each year in which such Carried Interest or other performance-based fees are earned. If an investor terminates its Management Agreement, Carried Interest or other performance-based fees are based on negotiated terms depending on the reason for termination, but are generally based on the performance of assets since inception of the investment until the effective date of such termination.

### **C. Costs and Expenses**

Adviser pays all its normal operating expenses incidental to the provision of administrative services to its Clients, including related overhead. Subject to any expense limitation set forth in the applicable Organizational Documents, each Client generally bears all expenses of its organization and operation. Such organization and operational expenses that Clients bear varies among Clients, but are described in each Client's respective Organizational Documents, and generally include but are not limited to: (a) fees and expenses (including legal, accounting, auditing, travel (which includes non-commercial air transportation at a cost not to exceed a first-class airline ticket for a comparable commercial flight), lodging, meals or entertainment, financing, tax preparation, investment banking, lending, third party diligence software and service providers, and consulting and similar professional services) relating to consummated and unconsummated Client investments (including fees associated with terminating any proposed investment in which the Client does not actually invest), including the evaluation, negotiation, consummation, acquisition, origination, structuring, management, owning, operating, holding, hedging, monitoring, valuing, winding up, liquidating, dissolving, restructuring, trading, sale, or other disposition thereof, to the extent that such fees and expenses are not reimbursed by a portfolio company or other third party, and expenses related to organizing and operating entities in connection with the operation and activities of a Client or through or in which investments may be made, including fees of officers and directors of such entities, and including, for the avoidance of doubt, fees and expenses related to any unconsummated transactions that may have been offered to Co-Investors if such investment transaction were consummated; (b) indebtedness (including establishing, utilizing, modifying and retiring any credit facility or other borrowing and any interest thereon); (c) premiums and deductibles for insurance protecting a Client and any covered persons from liabilities in connection with such Client's investment and other activities (including directors and officers liability, fidelity bond, cyber security, errors and omissions liability, crime coverage and general partnership liability premiums); (d) reasonable legal, custodial, administration (including depository services), auditing, accounting, anti-bribery and anti-corruption due diligence advisors, technology providers, consultants, regulatory and compliance expenses and other outside professional advisors, including expenses associated with (i) the preparation of a Client's financial statements, tax returns and Schedule K-1s and the representation of the Client or any investor by Adviser, (ii) U.S. Treasury form and FATCA/CRS compliance as it relates to the Client and its portfolio investments, and (iii) compliance-related matters and regulatory filings related to the Client's activities (including, without limitation, filings with the U.S. Commodities Futures Trading Commission, the CSSF, and any administrative, regulatory, registration, reporting, filing, or other compliance requirements contemplated by the Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers that are directly attributable to the organization and operation of the Client); (e) reasonable banking, financial operations (including making distributions to Client investors) and consulting expenses; (f) appraisal and valuation expenses (including third party valuation, appraisal or pricing services); (g) expenses related to organizing, operating or dissolving entities through or in which portfolio investments may be made; (h) expenses of a Client's limited partner advisory committee, including, for the avoidance

of doubt, reasonable travel expenses of members of the limited partner advisory committee to attend in-person meetings of the limited partner advisory committee; (i) taxes and other governmental charges, fees and duties payable by the Client, including any applicable VAT charged to a Client in connection with any other fee, cost, or expense, and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Client; (j) damages, fines and penalties; (k) costs of reporting to Client investors and to governmental authorities with respect to the Client investors, the Client and/or the Client's activities and investments; (l) costs of a Client's annual meeting (including any meals) or any other periodic meetings of the Client investors and any other conference or meeting with any Client investor(s), in each case to the extent incurred by the Client, the Adviser or its affiliates; (m) costs of winding up and liquidating a Client; (n) all annual registration fees and registered agent or office fees and expenses, (o) developing, licensing, implementing maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Client or the Client's investors; (p) costs due to actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution processes, including any judgment, other award or settlement entered into in connection therewith; (q) any fee, cost, expense, liability or obligation relating to any SPV or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such SPV), which includes personnel and related overhead expenses in Luxembourg devoted to a Client's or SPV's portfolio investment; (r) communications, marketing and publicity, in each case to the extent incurred in connection with any investment or portfolio company; (s) all costs and expenses associated with negotiating, structuring, and implementing any credit facility or other borrowing by the Client and any capital payments, interest and other expenses related to any borrowed money, (t) all costs, including reasonable legal costs of amendments, waivers, consents or approvals pursuant to the Organizational Documents of a Client, including the preparation, distribution and implementation thereof, and the preparation delivery and implementation of applicable side letter elections pursuant to any "most favored nation" process; (u) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a Client investor of its interest in the Client; and (v) any other fees, costs, expenses, liabilities or obligations approved by a Client's advisory committee.

Under certain circumstances specified in the Organizational Documents, Clients are generally obligated to indemnify Adviser and its affiliates and other identified persons and entities as described in the relevant Organizational Documents.

To the extent Adviser uses broker-dealers for Client transactions, including, for any hedging or swap transactions, each Client will bear brokerage and transaction costs to the extent incurred. For additional information regarding brokerage and transaction costs, see Item 12 below.

#### *Allocation of Expenses*

From time to time, Adviser incurs fees, costs, and expenses on behalf of more than one Client or multiple Clients. Adviser endeavors to allocate such fees, costs, and expenses on a fair and equitable basis. Any such fees and certain overhead and operational expenses generally will be allocated between the relevant Private Fund and any Co-Investment Fund or Managed Account in proportion to the size of its investment in the activity or entity to which the expense relates (subject to the terms of each Client's applicable Organizational Documents), and in accordance with Adviser's written policies.

As described above, from time to time, Adviser expects to permit Potential Co-Investors to co-invest in investments alongside one or more Clients, subject to Adviser's related policies and the relevant Organizational Documents and/or side letters. Where a Co-Investment Fund is formed, such Co-Investment Fund will typically bear expenses related to its formation and operation, many of which are similar in nature to those borne by a Private Fund or Managed Account. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order

to consummate such transaction but ultimately is not consummated, out-of-pocket expenses relating to such unconsummated transaction will be borne by the relevant Client, and not by any Potential Co-Investor that was to have participated in such transaction unless otherwise agreed with such Potential Co-Investor or as specified in the relevant Governing Agreements or side letter. However, to the extent that a Potential Co-Investor has already committed to or invested in a Co-Investment Fund in connection with such transaction, as the case may be, such Co-Investment Fund will typically bear its share of such expenses.

Any expenses incurred in analyzing potential investment opportunities that are determined to be unsuitable investments for any Client will be paid by Adviser, or in certain circumstances, by third parties based on contractual agreements between such parties and Adviser as an inducement for Adviser to consider the potential investment opportunity. However, see Item 8.B for a discussion of broken deal expenses incurred for investments determined to be suitable for a Client.

#### **D. Refunds**

From time to time, Management Fees with respect to a Private Fund are paid in advance. If Adviser's management services to the Private Fund are terminated prior to the end of the period in respect of which the fees have been paid (including, for example, situations in which the final distribution by a Private Fund occurs prior to the end of a period for which Management Fees have already been paid), the fees are generally returned to investors in such Private Fund. In general, the amount of such Management Fees to be returned is calculated based on the number of days remaining in the applicable period.

If a Managed Account terminates its Management Agreement on a date other than the end of a calendar quarter, the Management Fee will be prorated for assets held in the Managed Account for less than a full quarter.

#### **E. Sales Compensation**

Adviser and its employees do not receive (directly or indirectly) any compensation or sales commission from the purchase or sale of securities or interests in the Private Funds or Managed Accounts.

### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As discussed in Item 5(A) above, pursuant to the applicable Organizational Documents, Adviser generally will be entitled to receive performance-based compensation from certain Clients in connection with advisory services provided to such Clients. Performance-based compensation will only be charged in accordance with the requirements of the Advisers Act.

Performance-based compensation has the potential to create conflicts of interest. Performance-based compensation can incentivize Adviser to make investments that are riskier than it would otherwise make due to the higher return potential associated with higher risk investments. In addition, the terms of the performance-based compensation could give Adviser an incentive to make decisions regarding the timing, structure or realization of transactions that are not in the best interest of a Client's investors. However, Adviser seeks to mitigate such conflicts and align interests through equity commitments by Adviser and its affiliates in the Clients themselves or alongside the Clients.

Differential fee arrangements have the potential to create an incentive for Adviser to treat those Clients that are charged higher fees preferentially as compared to Clients that are charged lower fees (*e.g.*, spend more time and/or resources on such higher-fee paying Clients or allocate specific assets anticipated to be more profitable). Adviser seeks to mitigate such conflicts of interest through the adoption and implementation of its Investment Allocation Policy (as defined below).

### *Investment Allocation*

To address the potential conflicts of interest identified above, Adviser has adopted a policy to allocate portfolio transactions and investment opportunities across multiple Clients on what Adviser believes to be a fair and equitable basis (“**Investment Allocation Policy**”). Adviser has established and maintains a single Allocation Committee for purposes of determining the appropriate allocation to or amongst Adviser’s Clients of investment opportunities under consideration by Adviser. In making investment allocation determinations, the Allocation Committee utilizes the allocation guidelines set forth in the Adviser’s Investment Allocation Policy and any specific allocation guidelines contained in any Organizational Document of any Client, while also taking into account the various investment considerations of any relevant investment recommendation in order to achieve what Adviser believes to be a fair and equitable result. The Investment Allocation Policy provides that investment opportunities will be allocated by the Allocation Committee without consideration of different management or performance fees otherwise payable to Adviser.

The Investment Allocation Policy is meant to be consistent with, and to complement, the investment allocation guidelines set forth in the Client’s applicable Organizational Documents. In any case, where the Investment Allocation Policy and any such guidelines differ, such other guidelines shall govern unless it is otherwise determined by the Allocation Committee to be inappropriate under the circumstances. The Investment Allocation Policy may be amended by Adviser at any time without the consent of any Clients.

In general, and except as may be otherwise set forth in a Client’s Organizational Documents, Adviser seeks to mitigate any potential conflicts by including provisions in certain Private Fund documents that restrict Adviser from admitting investors to any new pooled multiple-investment vehicle managed by Adviser (other than Co-Investment Funds and SPVs) having substantially similar investment objectives until the earlier of (i) a certain percentage, which is generally 75%, of a Private Fund’s commitments have been called, reserved or allocated for funding of portfolio investments or payment of Private Fund expenses or (ii) the last day of a Private Fund’s investment period.

### *Allocation of Co-Investment Opportunities*

As described above, Adviser will offer co-investment opportunities in Private Fund investments to one or more Potential Co-Investors to the extent it deems advisable in its sole discretion, including persons that are not Private Fund investors, regardless of whether Adviser offers such co-investment opportunities to a particular Private Fund’s investors. In certain instances, conflicts of interest exist in connection with such allocations. Co-investment opportunities are at times also offered to Adviser’s affiliates, officers, employees, consultants, or other persons or entities. Adviser typically will determine the extent to which the investment opportunity will also be offered to Potential Co-Investors, and in what amounts, taking into account the relevant investment considerations and the following principles, among other factors: (i) the Potential Co-Investor’s interest in making co-investments (including as expressed in side letters); (ii) any agreed upon priority of notification as spelled out in related Organizational Documents; (iii) the commitment amount of the Potential Co-Investor to the Client making the investment; (iv) the Potential Co-Investor’s capacity to evaluate, commit to and fund the co-investment opportunity (and any follow-on investments) in the time period required; (v) the Potential Co-Investor’s reliability and history with the Adviser of making similar co-investments; (vi) any specialized knowledge, skills or access that Adviser believes the Potential Co-Investor may possess that may enhance the value of a proposed investment, and/or the ability of a Client to consummate that investment; and (vii) any other matter that causes Adviser to believe that an investment by a particular Potential Co-Investor would be in the best interests of that Client. Investments made with third parties may involve carried interest and/or fees payable to such third parties. In those circumstances where a co-investment opportunity with third parties involves a management group

or “club deal,” such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

Adviser is not obligated to offer Clients the opportunity to invest in any Co-Investment Fund and Adviser may select investors for Co-Investment Funds in its sole discretion.

Certain Clients managed by Adviser and/or its affiliates, including JV Adviser, obtained exemptive relief from the SEC to engage in certain co-investment transactions with certain Clients subject to the conditions set forth in the exemptive relief.

#### *Asset Valuation*

Asset valuation is another area in which performance fee arrangements can create a potential conflict of interest for Adviser. The fair value of assets owned by or managed for Clients for which there is no, or only a limited, liquid market are typically not readily determinable. There is no assurance that the value assigned to an investment at a certain time will accurately reflect the value that will be realized upon the eventual disposition of the investment, and a Client’s performance could be adversely affected if such valuation determinations are materially higher than the value ultimately realized upon the disposition of the investment. There may be situations in which Adviser is potentially incentivized to influence or adjust the valuation of Client assets. For example, Adviser could be incentivized to: (i) employ valuation methodologies that improve a Client’s track record; or (ii) employ valuation methodologies that give rise to a higher valuation of a Client’s assets in order to increase fees, if a Management Fee is calculated as a percentage of the value of such Client’s invested capital. Adviser has adopted a valuation policy reasonably designed to seek to manage the potential conflicts that arise (“**Valuation Policy**”). Pursuant to the Valuation Policy, investments are fair valued at least quarterly in accordance with U.S. generally accepted accounting principles. Marketable securities listed on a national exchange generally are valued at the closing sales price on the securities exchange on the date of determination. Where reliable market prices are not available, Adviser has in good faith developed guidelines to determine the fair value of all investments. The Valuation Policy may be amended by Adviser at any time without the consent of any Clients.

In an effort to address the types of conflicts presented in this section, Adviser regularly monitors its investment management activity no less than annually and generally on a quarterly basis.

#### **ITEM 7 – TYPES OF CLIENTS**

Adviser organizes and serves as investment manager to private investment funds, single investor funds, co-investment vehicles, Managed Accounts, joint ventures, and other structured investment vehicles. JV Adviser manages a non-diversified, closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act. Investment advice is provided to the Private Funds and not individually to Private Fund investors.

Adviser generally requires that each Private Fund investor or Managed Account client be (i) an accredited investor as defined in Regulation D under the Securities Act and a qualified purchaser as defined by the Investment Company Act, or (ii) an eligible employee. Adviser generally requires Private Fund investors to make a minimum capital commitment of at least \$10,000,000, although the amount of the minimum capital commitment varies from Private Fund to Private Fund and capital commitment thresholds may be waived or modified by Adviser in its sole discretion.

#### **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**



## **A. Methods of Analysis and Investment Strategies**

The following is a summary of the investment strategies and methods of analysis employed by Adviser on behalf of Clients. This summary should not be interpreted to limit in any way Adviser's investment activities. Adviser can offer any advisory services, provide advice with respect to any investment strategies and make any investments, including those that are not described in this brochure, that Adviser considers appropriate, subject to each Client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each Client's Organizational Documents. In the case of Managed Accounts, investment strategies and methods of analysis employed on behalf of each Managed Account are set forth in the Management Agreement between the Managed Account and Adviser.

There can be no assurance that the investment objectives of any Client will be achieved, that any Client will otherwise be able to successfully carry out its investment program, or that an investor will receive a return on its capital contributed to any Client.

### *Investment Analysis*

Investments for each Client are identified and selected by Adviser. Adviser evaluates investments based on an intensive due diligence process and critical analysis of each potential portfolio company's fundamentals (e.g., financial statements, profitability, cash flow) and using the following methods of analysis, as applicable: country risk analysis; analysis of political risks; analysis of geological, reserve engineering and consultant reports; analysis of proprietary data and analytical systems developed and maintained in-house; credit analysis based upon debt payment history, term of debt, price, equity kickers, interest rate, market interest rates, general market conditions, industry conditions and other similar factors; analysis of compliance statements; analysis of discounted cash flows; and discussions with third parties such as engineers, environmental and other consultants, attorneys and facility operators. Adviser generally strives to conduct a comprehensive technical review of the assets underlying the investment opportunity.

To help develop its investment recommendations, Adviser conducts primary research, as applicable, with respect to private corporate documents, including business plans, financial records and projections, engineering or other technical data, legal documents and customer agreements, reviews, industry information and interviews with company management, key officers and employees, customers, suppliers and competitors. In certain instances, Adviser also retains outside consultants and advisers having special expertise in relevant fields. Adviser compiles the foregoing information and employs a variety of financial analysis tools and methodologies in valuing and evaluating potential investments.

Following an investment by Adviser for and on behalf of a Client, Adviser will continue to monitor the progress and suitability of portfolio investments as well as market and economic outlook.

### *Investment Strategies*

Adviser typically invests in a diversified portfolio of asset-based debt and/or structured equity investments in energy, resources and energy-related infrastructure projects and companies on a global basis to support the strategies identified in Item 4, above. The investments will generally include senior and subordinated loans, structured or preferred equity, common equity, production payments, net profits interests, royalty interests, bonds, notes and other forms of debt instruments and control and non-control equity securities issued by companies globally, with an emphasis on operations in the United States, Canada, Western Europe, South America, and Australia. Adviser may make investments in various currencies, including, but not limited to, U.S. Dollars, Euros, Pounds Sterling, Canadian Dollars, and Australian Dollars.

Adviser generally targets negotiated private placements with energy companies and projects throughout the



energy value chain, including (i) upstream oil and gas; (ii) midstream oil and gas; (iii) power generation, transmissions and distribution; (iv) renewable energy; (v) other oil and gas; (vi) other energy-related infrastructure; and (vii) mining and similar natural resource extraction projects.

Certain Clients may focus on certain types of energy and energy-related infrastructure companies and projects. For example, certain Clients may focus on small and mid-cap energy companies and/or projects secured by hard assets, such as proven oil and gas reserves, pipelines, gathering systems, processing or storage facilities, liquefied natural gas terminals, power plants and similar energy and energy-related infrastructure opportunities. Other Clients may focus on investments primarily in renewable energy projects or companies. Those Clients that focus on renewable energy projects or companies will generally target investments in projects and related companies that use the following renewable energy technologies, among others: wind, solar, hydro-electric, biomass, cogeneration, fuel switching, geothermal, combined cycle, waste-to-energy, district heating, electricity waste fuel, combined heat and power, energy storage, efficiency retrofit and related projects and companies. Additionally, Adviser may establish an operating platform in which a Client, together with one or more strategic partners, invests and that is organized to acquire control or near-control stakes in one or more energy related companies, properties and/or assets. The investments made by such an operating platform may be concentrated and may be actively managed by Adviser's personnel staffing the operating platform.

The investment strategy for each Client is more particularly described in its respective Organizational Documents. Prospective investors should carefully read the applicable Organizational Documents. In addition, prospective investors should consult with their own counsel and advisers as to all matters concerning an investment in any Private Fund or Managed Account.

## **B. Investment Strategy Risks**

Acquiring interests in any Private Fund and/or opening a Managed Account with Adviser is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income or liquidity from their investment with Adviser, and can accept a potential loss of their entire investment. There can be no assurance that the investment objective of any Client will be achieved, that any Client will otherwise be able to successfully carry out its investment program, or that an investor will receive a return on its capital contributed to any Client.

Investment risks specific to the investment strategy of each Private Fund are described in the Organizational Documents of that Private Fund and risks specific to any investment strategy employed by Adviser in managing a Managed Account will be explained to the investor prior to the opening of the Managed Account. Such risks may include (but are not limited to):

- *No Assurance of Investment Return.* There can be no assurance that any Client will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of investments in which such Client participates. Accordingly, an investment in a Client should only be considered by persons who can afford a loss of their entire investment. There can be no assurance that projected or targeted returns for any Client will be achieved.
- *Portfolio Concentration.* As a global energy investor, inherent to the portfolio are the risks associated with a limited diversification of a portfolio. Such concentration of risk may increase the gains or losses in the portfolio. In addition, it is possible that Adviser may select investments that are concentrated in a limited number of types of financial instruments, which could result in disproportionate gains or losses if there are greater price movements in those financial instruments. In addition, a portfolio may hold a relatively small number of securities. Losses incurred in such securities could have a disproportionate effect on the portfolio's overall financial condition.

- *Limited Liquidity and Restrictions on Transfer.* There is currently no active trading market for any of the Private Funds advised by Adviser and generally an investor's interests in the Private Funds are subject to restrictions on transfer.
- *Reliance on Adviser of the Client.* Adviser is responsible for a Client's investment activities, and, other than as may be set forth in such Client's Organizational Documents, investors typically lack discretion to make investment or any other decisions concerning the management of a Client.
- *Competition for Portfolio Investments.* Identifying, completing and realizing attractive private debt and/or equity investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that Adviser will be able to locate, consummate and exit investments that satisfy a portfolio's investment objectives or realize upon their values or be able to invest fully a Client's committed capital.
- *Illiquid Investments.* Return of capital and the realization of gains, if any, from the investments of a portfolio generally will occur only upon the partial or complete disposition of an investment which may not occur for a number of years after the investment is made. In some cases, a Client may be prohibited by law, policy, contract or otherwise, from selling certain investments for a period of time or otherwise be restricted from disposing of them. It is also possible that there will not be a public market for the securities held by a portfolio at the time of their liquidation.
- *Dependence on Key Personnel.* The performance of a portfolio depends on the skill of Adviser to identify and consummate suitable investments, to structure and make prudent credit and investment decisions, and to dispose of investments of the portfolio at a profit. There can be no assurance that the senior executives of Adviser will continue to be involved in the affairs of a portfolio throughout the life of the portfolio and a loss of the services of key personnel, unless and until replaced with other qualified personnel, could impair Adviser's ability to provide services to a Client.
- *Leverage.* A portfolio may invest in portfolio companies whose capital structures have significant leverage. The use of leverage is a speculative technique that involves special risk considerations. To the extent a portfolio company in which a portfolio invests is leveraged, its leveraged capital structure will increase the exposure of the company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the company or its industry sector.
- *Non-Controlling Interests.* Although Adviser will seek appropriate shareholder or lender rights to protect each Client's interests, a portfolio can hold a non-controlling interest in certain portfolio companies and, therefore, has the potential to have a limited ability to protect its position in such companies.
- *Co-Investments and Third-Party Co-Investors.* A portfolio can co-invest with third parties, through partnerships, joint ventures, SPVs or other entities, which could have larger ownership interests in the portfolio's investments. Such investments involve additional risks in connection with such third-party involvement, including the possibility that a third party has financial difficulties resulting in a negative impact on such investment, has economic or business interests or goals that are inconsistent with those of the portfolio or is in a position to take (or block) action in a manner contrary to the portfolio's investment objectives.
- *Risks Associated with Non-U.S. Investments; Non-U.S. Currency and Exchange Risks.* Risks associated with non-U.S. investments include the following: the unpredictability of international trade patterns;

the possibility of governmental actions adverse to business generally or to non-U.S. investors in particular; changes in taxation, fiscal and monetary policies or imposition or modification of controls on non-U.S. currency exchange, repatriation of proceeds, or non-U.S. investment; the imposition or increase of withholding taxes on income and gains; price volatility; absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation which may result in lower quality information being available and less developed corporate laws regarding fiduciary duties and the protection of investors; governmental influence on the national and local economies; and fluctuations in currency exchange rates. In addition, collateral that is located outside of the United States is subject to various laws enacted for the protection of creditors, depending on the country and the issuer, which laws may differ substantially from those applicable in the United States. In addition, non-U.S. investments may be denominated in currencies other than the U.S. Dollar, and hence the value of such investments will depend in part on the relative strength of the U.S. Dollar. A portfolio can be affected favorably or unfavorably by currency control regulations or changes in the exchange rate between non-U.S. currencies and the U.S. Dollar. In addition, a portfolio will incur costs in connection with conversions between various currencies. A portfolio may, but is not obligated to, engage in currency hedging operations. There can be no assurance as to the success of any hedging operations that a portfolio may implement. See “Hedging” below.

- *Hedging.* Some portfolios, to a limited extent, utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of their portfolio positions as a result of changes in currency exchange rates and market interest rates. To the extent permitted by a Client’s Organizational Documents, Adviser will generally only sell securities or other assets short and enter into similar transactions for the purpose of hedging currency exposure or managing the duration of its portfolio positions. Such hedging transactions also limit the opportunity for gain. The success of hedging transactions will be subject to the ability of Adviser to correctly predict movements in and the direction of currencies and interest rates. Unanticipated changes in currency exchange rates or interest rates can negatively impact the overall performance of a portfolio. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to hedge, the desired protection will not be obtained and a portfolio has the potential to be exposed to additional risk of loss. It is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Subject to the requirements of any Organizational Documents, Adviser will determine in its sole discretion whether to hedge against certain risks, and certain risks exist that cannot be hedged. There can be no guarantee that instruments suitable for hedging market shifts will be available at the time when a portfolio wishes to use them. A portfolio’s hedging arrangements that are typically undertaken through brokers, banks or other organizations will subject the portfolio to the risk of default or insolvency of such organizations. In such event, there can be no assurance that any money advanced to such organizations would be repaid or that the portfolio would have any recourse in the event of non-payment.
- *Climate Change Considerations.* Ongoing changes to the climatic conditions in which the Clients operate and invest may have an adverse impact on Clients and their investments. While the precise future effects of climate change are unknown, it is possible that changes in weather patterns or extreme weather (such as floods, hurricanes and other storms) would, among other adverse impacts, damage Client investments or their assets. These changes, in addition to changes affecting precipitation levels, hydrology, annual sunshine, and/or wind levels, could influence power generation levels. Reductions in precipitation levels, wind or sunlight could cause material and adverse impacts on Clients, for example, by affecting the revenues and cash flows of Client investments. If such reductions are significant, certain investments could be rendered inoperable. Significant increases in precipitation levels or wind could cause damage to Client investments or also create periods in which Client

investments are inoperable. Further, rising sea levels could, in the future, affect the value of Client investments in low-lying coastal real assets or result in the imposition of new property taxes or increase property-related insurance rates. Climate change may also give rise to changes in regulations and consumer sentiment that could have a negative impact on the operations of the Clients by increasing operating costs of certain investments or restricting or decreasing demand for the activities of certain investments, among other effects. The adverse effects of climate change and related regulation at provincial or state, federal and international levels could have a material adverse effect on the business, financial position, results of operations or cash flows of Clients.

- *FCPA Considerations.* Adviser is committed to complying with the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, Clients can be adversely affected because of Adviser’s unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations make it difficult in certain circumstances for Clients to act successfully on investment opportunities and for portfolio companies to obtain or retain business. In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom and other countries have significantly expanded the reach of their respective anti-bribery laws. Adviser has developed and implemented policies and procedures reasonably designed to seek to ensure compliance with the FCPA and similar anti-corruption laws, anti-bribery laws and regulations. While Adviser believes it has developed and implemented, in conjunction with its external legal, financial, anti-corruption and other advisers, reasonable and adequate due diligence procedures intended to identify violations of the FCPA and similar anti-corruption laws, anti-bribery laws and regulations in relation to potential investment opportunities, there can be no assurance that such procedures will be adequate to identify such violations before or after any given investment. In some circumstances the laws of certain jurisdictions, such as the United Kingdom, require Adviser to notify United Kingdom regulatory authorities of potential violations of applicable anti-corruption laws, anti-bribery laws and regulations without publicly revealing that such notifications, or attendant rulings, have been made or obtained. In addition, in spite of Adviser’s policies and procedures, affiliates of portfolio companies, particularly in cases where a Client does not control such portfolio company, may engage in activities that could result in FCPA or other violations of applicable law. Any determination that Adviser has violated the FCPA or other applicable anticorruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect Adviser’s business prospects and/or financial position, as well as a Client’s ability to achieve its investment objective and/or conduct its operations.
- *Investments in Emerging Markets.* Many of the risks with respect to foreign investments are more pronounced for investments in developing or emerging market countries, which include several countries in Asia, Latin America, South America, Eastern Europe, Africa, and the Middle East. Many of these countries have government exchange controls, currencies with no recognizable market value relative to the established currencies of developed market economies, little or no experience in trading in securities, no financial reporting standards, a lack of banking or securities infrastructure, and a legal tradition which does not recognize rights in private property. In addition, the laws of some emerging markets governing business organizations, bankruptcy and insolvency may make legal action difficult and produce little, if any, legal protection for investors.
- *Fixed Income Securities.* The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions of an issuer’s creditworthiness. Generally, fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, with lower rated securities more volatile than higher rated securities. The duration of these securities

affects risk as well, with longer term securities generally more volatile than shorter term securities. Debt securities are also subject to creditor risks, including (i) the possible invalidation of investment transactions or payment in connection with such transactions as fraudulent conveyances or preferential payments under relevant creditors' rights laws or the subordination of claims under so-called "equitable subordination" common law principles, (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 in circumstances where the creditor has taken title to such collateral during the exercise of remedies.

Certain investments have an interest only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In such cases, a portfolio company's ability to repay the principal of an investment may be dependent upon the ability to refinance or a liquidity event or the long-term success of the company, the occurrence of which is uncertain. Certain debt investments allow a borrower to avoid paying interest in immediately available funds in whole or in part and instead to capitalize such interest by adding it to outstanding principal amounts; such arrangements are commonly referred to as payment-in-kind ("**PIK**") interest. A debt obligation that is structured as PIK interest will generally have a higher risk of non-payment of interest because there will be no or reduced cash payments of interest from the borrower prior to maturity, refinancing, or a later date in time than would otherwise be the case if no PIK interest option was available to the borrower.

- *High Yield Bonds.* Many of the debt instruments invested in the portfolios are unrated and have limited public information. Fixed income securities that are below investment grade or unrated involve greater risks of default and are more volatile than investment grade securities. High yield bonds involve a greater risk of price declines than investment grade securities due to actual or perceived changes in an issuer's creditworthiness. High yield bonds are subject to a greater risk that the issuer may not be able to pay interest or dividends and ultimately to repay principal upon maturity.
- *Credit Risk.* A fundamental risk associated with debt investments in loans or debt and debt related securities is credit risk. Credit risk is the risk that an issuer will be unable to make principal and interest payments on its outstanding debt obligations when due. Adverse changes in the financial condition of an issuer (including those associated with the effects of changes in commodity prices) or in general economic conditions (or both) can impair the ability of such issuer to make payments and result in defaults on, and declines in, the value of investments. There can be no assurance that a portfolio company will generate sufficient cash to service its debt obligations, and, in such case, a portfolio may suffer a partial or total loss of invested capital.
- *Derivatives.* Derivatives involve the risks separate from the risks of the underlying instrument, including improper valuation and ambiguous documentation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying instrument. Derivatives are also subject to other risks, such as the risk of an illiquid secondary market which may result in significant, rapid, and unpredictable changes in the prices for such derivatives, risks relating to the financial soundness and credit worthiness of the counterparty, and the risk of the failure of any of the exchanges on which a portfolio's positions trade or of their clearinghouses. The use of a derivative is speculative if Adviser is primarily seeking to enhance returns, rather than offset the risk of other positions. When Adviser invests client assets in derivatives for speculative purposes, the portfolio will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the cost of the derivative.
- *Subordinated Debt Investments.* A portfolio may make investments in hybrid debt investments at different levels of an issuer's capital structure, including subordinated debt instruments, which involve a high degree of risk with no certainty of any return of capital. Although subordinated debt obligations



are senior to common stock and other equity securities in the capital structure, they may be subordinated to large amounts of senior debt and are often unsecured. The ability of the subordinated debt holders to influence a company's affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. For example, under the terms of subordination agreements, senior creditors are typically able to block the acceleration of the subordinated debt or other exercises by the subordinated creditors of their rights. Accordingly, a portfolio may not be able to take steps necessary to protect its investments in a timely manner or at all.

- *Secured Loans.* While an issuer's secured debt generally has priority over its unsecured debt, this is not always the case. For example, some secured loans may involve liens only on specified assets of an issuer. Furthermore, in the event of a filing by an issuer under chapter 11 of the U.S. Bankruptcy Code, the Bankruptcy Code authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a priority lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer provides "adequate protection" (as determined by the presiding bankruptcy judge) that may consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of priority liens on a portfolio's collateral would adversely affect the priority of the liens and claims held by the portfolio and could adversely affect the portfolio's recovery on its secured debt investments.
- *Second-Lien Debt.* A portfolio's investments in second-lien loans will entail risks, including (i) the subordination of the liens securing the portfolio's claims to a senior lien in terms of the coverage and recovery of the collateral and (ii) the prohibition of, or limitation on, the right to foreclose on a second lien or exercise other rights as a second-lien holder (including unsecured creditors' rights). In certain cases, therefore, no recovery may be available to the portfolio from a defaulted second-lien loan. The level of risk associated with investments in second-lien loans increases to the extent such investments are loans of distressed or below investment grade companies.
- *Borrowings.* A portfolio may incur leverage in connection with its operations, which can be collateralized by its assets and/or capital commitments of a Private Fund's investors. To the extent a portfolio becomes unable to borrow, or loses a line of credit, such inability to borrow could adversely impact the portfolio's operations to the extent the portfolio needs to access borrowed funds. The use of leverage by the portfolio may have important consequences to its investors, including, but not limited to, the following: (i) greater fluctuations in the net asset value of the portfolio; (ii) use of cash flow (including capital contributions or distributable cash) for debt service and related costs and expenses, rather than for additional investments, distributions or other purposes; (iii) increased interest expense if interest rate levels were to increase significantly; and (iv) limitation on the flexibility of the portfolio to make distributions to the investors or sell assets that are pledged to secure the indebtedness. There can be no assurance that the portfolio will have sufficient cash flow to meet its debt service obligations. As a result, the portfolio's exposure to losses may be increased due to the illiquidity of its investments generally.
- *Potential Additional Government or Market Regulation.* Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental scrutiny and regulation of the "private equity" industry as private equity firms become more significant participants in the global economy. The SEC, Congress, state legislatures, state securities administrators and governing bodies of non-U.S. jurisdictions could seek to impose greater regulation on the "private equity" industry. Such regulation may require additional disclosure of or impose limitations on an Adviser's ability to invest in strategies or portfolios that are deemed to have a negative environmental, social, or governance (ESG) impact. It is impossible to predict what, if any, additional changes in regulation applicable to a Private Fund or Adviser, the markets in which they invest or the counterparties with which they do business may be instituted in the future. Any such regulation directly



or indirectly could have a material adverse effect on the profit potential of a portfolio, as well as require increased transparency as to the identity of its investors.

- *Reliance on Corporate Management and Financial Reporting.* Adviser relies on the financial information made available by the issuers in which Clients invest. Adviser typically does not independently verify the financial information disseminated by the numerous issuers in which Clients may invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud, and accounting irregularities relating to the issuers of investments held by Clients may result in material losses.
- *Broken Deal Expenses.* A Client's investments typically require extensive due diligence activities prior to acquisition, and the related expenses may be quite substantial. Due diligence costs typically include, among other expenses: feasibility and technical studies; preliminary engineering costs and marketing studies; environmental reviews; legal costs; tax advisory costs; and bid preparation and submission costs. Subject to the terms of the applicable Organizational Documents and to the extent such expenses are not reduced due to contractual expense reimbursement requirements negotiated with the transaction counterparty, such broken deal expenses will be borne by a Client even if the applicable prospective investment is not completed.
- *Exposure to Material Nonpublic Information/Trading Restrictions.* From time to time, Adviser will receive material nonpublic information with respect to an issuer of publicly traded securities. In such circumstances, a Client will be prohibited by law, policy, contract or otherwise (including the Adviser's internal policies designed to comply with these and similar requirements), for a period of time, from (i) disposing of a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. Such restrictions on purchases and disposition may adversely affect a Client's investment or portfolio of investments.
- *Contractual Limitations.* From time to time, Adviser and/or its affiliates enter into contractual arrangements that restrict or otherwise limit a Client from entering into agreements with, or related to, companies in which a Client has invested or may consider making an investment. In such circumstances a Client may be prohibited by law, policy, contract or otherwise, for a period of time from (i) disposing of a position in such company, (ii) establishing an initial position or taking any greater position in such company, and (iii) pursuing other investment opportunities related to such company.
- *Alternative Investment Fund Managers Directive.* The Alternative Investment Fund Managers Directive ("AIFMD") provides a framework for the European Union ("EU") to regulate managers of alternative investment funds that are marketed or managed in the EU. The AIFMD is also likely to be implemented in the countries which form part of the European Economic Area (the "EEA"). The AIFMD imposes significant regulatory requirements on investment managers operating within the EEA, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing. Alternative investment funds organized outside of the EEA in which interests are marketed within the EEA are now subject to significant conditions on their operations. In the immediate future, such funds may be marketed only in certain EEA jurisdictions and in compliance with requirements to register the fund for marketing in each relevant jurisdiction and to undertake periodic investor and regulatory reporting. In some countries, additional obligations are imposed. For example, in Germany and Denmark, marketing of a non-EEA fund also requires the appointment of one or more depositaries (with cost implications for the Private Fund). Depending on the activities of the Private Funds, additional restrictions on investment activities may also apply if they are to be marketed to EEA investors. Accessing EEA investors may be more difficult and Client costs may increase to reflect the additional burdens.

- *Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. Substantial losses may also be sustained if a cyber-attack results in the destruction or malicious operation of a portfolio company's physical assets. Electronic ransom risk (or ransomware) is a growing threat as well, resulting in the inability to properly operate a given asset until substantial sums are paid to release hostile software. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Client, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Adviser or one of its service providers holding its financial or investor data, Adviser, its affiliates or the Clients may also be at risk of loss, despite efforts to prevent and mitigate such risks under Adviser's policies.
- *Global Pandemics.* Investors should be aware that public health emergencies or pandemics, including, but not limited to COVID-19, could have a significant impact on Adviser, its Clients, and its investments and portfolio companies and could adversely affect a Client's ability to fulfill its investment objectives. The effects of COVID-19 may temporarily or permanently materially and adversely impact the value and performance of a Client's investments, Adviser's ability to source, manage and divest investments, and a Client's ability to achieve its investment objectives, all of which are impossible to predict and could result in significant losses to a Client. These material and adverse potential impacts may be felt more acutely by investments and portfolio companies with operations, personnel or business interests in or connected to impacted geographies or impacted sectors of the economy. In addition, the operations of Adviser may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel and other factors related to pandemics such as COVID-19, including its potential adverse impact on the health of Adviser's personnel.

### **C. Portfolio Investment Risks**

The Clients managed by Adviser invest primarily in companies providing products and services in the energy and energy-related infrastructure sector. Risks specific to this type of investment may include, but are not limited to:

- *Investments in Oil and Gas.* Certain of the portfolio companies are subject to the risks inherent in acquiring or developing recoverable oil and natural gas reserves, including capital expenditures for the identification and acquisitions of projects, the drilling and completing of wells and the conduct of development and production operations. The presence of unanticipated pressures or irregularities in formations, miscalculations or accidents can cause such activity to be unsuccessful, which may result in losses. Furthermore, successful investment in oil and natural gas properties and other related facilities and properties requires an assessment of (i) recoverable reserves; (ii) production rates; (iii) future oil and natural gas prices; (iv) operating and capital costs; (v) potential environmental and other liabilities; and (vi) other factors; such assessments are necessarily inexact and their accuracy inherently uncertain. Also, the revenues generated by certain of the companies in which a portfolio invests is dependent on the future prices of and the demand for oil and natural gas, or alternative fuel sources which can be used for energy generation in lieu of oil and natural gas.

Various factors beyond the control of a portfolio will affect the price of oil, natural gas and natural gas

liquids, including the worldwide supply of oil and regional supply of natural gas, as well as political instability or armed conflict in oil and natural gas-producing regions, the price of non-U.S. imports, the value of the U.S. dollar, the level of consumer demand, the price and availability of alternative fuels, the availability of pipeline, terminal or refinery capacity and changes in existing government regulation, taxation and price controls. While natural gas prices are vulnerable to worldwide dynamics, because natural gas is typically consumed locally due to the high cost of transporting it over long distances, prices are more immediately affected by regional dynamics. Prices for oil, natural gas and natural gas liquids have fluctuated greatly in the past, and markets for oil, natural gas and natural gas liquids continue to be volatile.

Further, to the extent a portfolio invests in or receives royalty interests, the portfolio will generally receive revenues from those royalty interests only upon sales of oil, gas and other hydrocarbon production or upon sale of the royalty interests themselves. There can be no assurance that reserves sufficient to provide the expected royalty income will be discovered or produced.

- *Investments in the Power Industry.* For much of its history, the power sector, and particularly the utility industry within this broader sector, was characterized by institutional stability and predictability of financial performance. The advent of deregulation, privatization, technological change and market volatility has created a much less stable sector with substantially greater variability of company performance in developed markets as well as emerging markets, where these changes are much more recent. There can be no assurance that the pace or direction of the change will be in accord with the expectations of Adviser, nor that the industry changes will benefit investments made by the portfolio. Investing in power facilities and related assets is subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, and financial risks. These risks may be magnified in emerging markets. See “Investments in Emerging Markets”.

Investing in power facilities and related assets is subject to a variety of risks, including operating, economic, environmental, commercial, regulatory, political and financial risks. Risks include higher than anticipated operating and maintenance costs, loss of sale and supply contracts or fuel contracts, bankruptcy of key customers or suppliers, the breakdown or failure of pipelines, transmission lines, power generation equipment or other equipment or processes and performance below expected levels of output or efficiency. Although each project typically contains certain redundancies and back-up mechanisms and insurance is maintained to protect against the effects of certain operating risks, such redundancies and back-up mechanisms may not cover every operating contingency, and the proceeds of such insurance may not be adequate to cover lost revenues or increased expenses. Actual cash flow generating ability of the portfolio companies will be influenced by (among other things) (i) the technology employed in the power generation plants or other assets; (ii) demand/pricing considerations; (iii) changes in regulations and subsidy regimes affecting the power industry; (iv) competition from other power generation plants that may have lower production costs and operating and maintenance costs; and (v) fluctuations in fuel prices. There is no assurance that a portfolio's investments will be profitable or generate cash flow sufficient to service debt owed to the portfolio or provide a return on or recovery of amounts invested by the portfolio therein.

- *Possible Lack of Diversification.* Subject to the terms of the applicable Organizational Documents, each Client can concentrate its portfolio investments by investing all of its assets in only a few issuers, industries or countries. By investing in a limited number of portfolio investments, the aggregate returns realized by a Client are substantially affected by the favorable or unfavorable performance of a small number of such portfolio investments.
- *Construction Risks and Adequacy of Insurance.* The construction of any project involves many risks, including delays or shortages of construction equipment, material and labor, work stoppages, labor

disputes, weather interferences, unforeseen engineering, environmental and geological problems, difficulties in obtaining requisite licenses or permits and unanticipated cost increases, any of which could give rise to delays or costs overruns. Adviser typically takes measures to seek to minimize construction-related risks through fixed price or “turnkey” construction contracts with experienced and creditworthy construction contractors. The construction contracts will typically require the contractor to carry substantial insurance or have adequate resources and to pay liquidated damages in the event of failure of performance by the contractor. There can be no assurance, however, that liquidated damages or insurance payments would be sufficient to pay for any increased costs or to replace reduced revenues resulting from a completed facility that does not meet, or is late in meeting, its performance specifications.

- *Environmental Matters.* Energy and resource companies are subject to numerous environmental laws and regulations in each country and state in which they operate. Some of the most onerous requirements regulate air emissions of pollutants such as sulfur dioxides, nitrogen oxides and particulate matter. The uncertain and everchanging regulatory environment in which generators operate in the United States and elsewhere makes it likely both that generators will face increased operating costs in the years ahead and that the relative competitive position of various fuel types and generation technologies will change. Certain possible changes in the environmental laws and regulations applicable to generators in the United States, the United Kingdom, the European Union, and elsewhere could affect the performance of one or more of a portfolio’s investments to an extent that would have a material adverse effect on the portfolio. The environmental liability risks related to power generation and other power facilities or other tort liability in excess of insurance coverage may adversely affect the value of the portfolio companies in a portfolio and the overall performance of a portfolio.

In addition, portfolio investments can have a substantial environmental impact. As a result, community and environmental groups may protest against the development or operation of a portfolio company, and these protests may induce government action to the detriment of such portfolio companies or other nearby facilities. Ordinary operation or occurrence of an accident with respect to portfolio companies could cause major environmental damage, which may result in significant financial distress to the particular asset. In addition, the costs of remediating, to the extent possible, the resulting environmental damage and repairing relations with the affected community, could be significant.

- *Legal and Regulatory Matters.* Power generation and transmission, as well as oil, natural gas and coal extraction, storage, handling, processing and transportation, are extensively regulated. Failure to obtain or a delay in the receipt of relevant governmental permits or approvals, including regulatory approvals, could hinder operation of an investment and result in fines or additional costs. Moreover, the adoption of new laws or regulations, including those with respect to the emission of greenhouse gasses, or changes in the interpretation of existing laws or regulations or changes in the persons charged with political oversight or such laws or regulations, could have a material adverse effect upon a portfolio company and could necessitate the creation of new business models and the restructuring of investments in order to meet regulatory requirements, which may be costly and/or time-consuming.
- *Bankruptcy of Portfolio Companies.* Portfolio companies, or certain critical service providers to portfolio companies, may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of a portfolio. There is also a risk that a court may subordinate a portfolio’s investment to other creditors or require a portfolio to return amounts previously paid to it by a portfolio company that became insolvent or files for bankruptcy, a risk that could increase if the portfolio has management rights in such portfolio company.
- *Nature of Equity Investments Generally.* A Client’s capital may be invested in common or preferred

equity securities. A Client may also structure its hybrid debt investments to carry certain equity features, such as warrants, options, net profits interests, royalties, cash flow participations and similar instruments. In addition, certain hybrid debt investments may be convertible, by the terms thereof, into a class of equity securities after a triggering event. Equity investments generally will be the most junior in what typically is a portfolio company's complex capital structure, and thus is subject to the greatest risk of loss. The portfolio company may have a high level of debt, and such investments are inherently more sensitive to declines in revenues and to increases in expenses. Certain of a Client's investments may be in business with little or no operating history. In addition, in such investments a Client may designate directors to serve on the board of the applicable company. The designation of representatives and other measures contemplated could expose the assets held by a Client to claims by a portfolio company, its security holders and its creditors, including claims that the Client is a controlling person and thus is liable for securities laws violations of a portfolio company. Depending on changes in the financial condition of a portfolio company, fluctuations in the equity markets (sudden or gradual) and other factors, the Client's investments in equity securities or participations, and/or instruments convertible into equity securities, may become worthless.

- *Terrorist Attacks.* Terrorist attacks have caused instability in the world financial markets and may in the future generate additional global economic instability. The continued threat of terrorism and the impact of military or other action have led to, and will likely lead to, increased volatility in prices for oil and gas and could affect the Client's financial results. Further, the U.S. government has issued public warnings indicating that power-generation, oil and gas assets might be specific targets of terrorist organizations. As a result of such a terrorist attack or of terrorist activities in general, a portfolio or its investment may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all. Terrorist attacks have been, and are likely to continue to be, directed at assets similar to those in which the Client invests or on which portfolio assets rely for continued operation. Such attacks may cause substantial direct or indirect losses to portfolio investments. Terrorist attacks may include incidents of kidnapping or killing of key management or other personnel.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

Adviser is obligated to disclose any disciplinary event that would be material to a Client when evaluating a client/adviser relationship. Adviser has no such legal or disciplinary events required to be disclosed pursuant to this Item 9.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS**

##### **A. Registration as a Broker-Dealer or Registered Representative**

EIG Capital Markets is an affiliate of Adviser that is a broker-dealer registered with the Securities and Exchange Commission and is a member of FINRA. Under its FINRA Membership Agreement, EIG Capital Markets is authorized to provide various broker-dealer and investment banking services, including, private placement activities, mergers and acquisitions advisory services, transaction origination or sourcing services, best efforts underwriting and any other activity or service permitted under its FINRA Membership Agreement. It is expected that EIG Capital Markets will be retained from time to time to provide such services for compensation in connection with the business of the Adviser, including with respect to capital-raising transactions relating to Adviser's advisory business and/or portfolio company transactions. In addition, EIG Capital Markets also expects, from time to time, to provide the broker-dealer services described above to or on behalf of unaffiliated third parties.



## **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person**

Not applicable.

## **C. Material Relationships and Conflicts of Interest**

In addition to conflicts identified in other items, the general partners of certain of the Private Funds are generally affiliated with Adviser by common ownership. Single investor limited partnerships typically have an affiliate of Adviser serve as a general partner. A portion of the compensation received by such general partners may be shared with Adviser and other affiliates and personnel of the general partners or Adviser.

Adviser conducts its advisory business through a group of related advisers, including EIG Credit Management Company, LLC, which are also registered as relying advisers. Each of the Adviser and these Relying Advisers is subject to the same compliance policies and procedures and Code of Ethics, including the Investment Allocation Policy described in Item 6.

EIG Asset Management and FS formed JV Adviser, which is a registered investment adviser with the SEC. JV Adviser is a joint venture between EIG Asset Management and FS currently dedicated to managing FSEP, a non-diversified, closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act. JV Adviser may provide investment advisory services to other clients in the future. Additional information relating to JV Adviser is available in its Form ADV Part 1. Certain of EIG's and FS's advisory personnel also will spend a portion of their business time working or performing services on behalf of JV Adviser to provide investment advisory services to FSEP.

Certain inherent conflicts of interest arise from the fact that: (i) Adviser provides investment management services to more than one Client; and (ii) Clients may have one or more overlapping or conflicting investment objectives. Should conflicts of interest arise in the context of these overlapping or conflicting investment objectives, they will be addressed in accordance with Adviser's Investment Allocation Policy and the Organizational Documents of the Clients, as applicable.

Adviser may from time to time enter into a side letter or similar agreement with one or more investors in a Private Fund which has the effect of establishing rights (including economic or other terms) under or altering or supplementing a Private Fund's Organizational Documents. Such agreements may provide for (i) a reduced management fee and/or reduced performance-based compensation, or (ii) greater or more frequent transparency with respect to the Private Fund. Any material economic change resulting from a side letter or similar agreement is generally required to be disclosed to all investors of a Private Fund.

In certain circumstances Adviser and/or its affiliates will obtain the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination or their compensation. Certain persons nominated by Adviser (who may be officers or employees of Adviser or its affiliates) serve as a director or non-voting observer on the boards of directors (or similar oversight bodies) of portfolio companies in which Clients invest. Serving in such capacity gives rise to potential conflicts to the extent that such associated person's fiduciary duties to a portfolio company as a director may conflict with the interests of Clients. In general, such director positions are often important to Clients' investment strategies and can have the effect of enhancing the ability of Adviser to supervise or manage its investments. However, such positions can also have the effect of impairing the ability of Adviser to sell the related securities or to purchase other securities or make other investments when, and upon the terms, it may otherwise desire due to material non-public information Adviser possesses as a result of its board seat. In addition, such positions have the potential to place Adviser's investment personnel in a position where they



must make a decision that is either not in the best interests of Clients or not in the best interests of the debt or equity investors in a portfolio company. Depending on the nature of the conflict, Adviser will take certain actions, including requiring a person to resign from a board or recuse themselves from a particular decision, in order to seek to mitigate or eliminate such conflict. Should investment personnel make a decision that is not in the best interests of the equity investors of a portfolio company, such decision has the ability to subject Adviser and one or more Clients to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In addition, from time to time, portfolio company board members, including those nominated or appointed by Adviser, approve compensation and/or other amounts payable to Adviser and/or its affiliates from such portfolio company. Such amounts will be in addition to any Management Fee or Carried Interest paid by a Client to Adviser. In general, Clients are required to indemnify Adviser, such directors and other specified parties from such claims, subject to typical carve-outs as contractually agreed.

Certain Private Funds have advisory committees that consist of the representatives of certain investors in such Private Fund. Any approval or consent given by such advisory committee is typically intended to bind such Private Fund and all of its investors. Advisory committees may in some instances also be authorized to give approvals or consents required under the Advisers Act, including under Section 206(3) of the Advisers Act. To the extent that an investor is not represented by a member of a Private Fund's advisory committee, such investor will have no influence over matters submitted to the advisory committee for approval. Although Adviser has adopted policies and procedures designed to reasonably manage certain conflicts among Private Funds, members of the advisory committees may themselves have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted for consideration or review to the investment committees on which they serve. For example, in a cross-trade transaction where Adviser arranges for a Private Fund to purchase an investment from, or sell an investment to, another Private Fund, if an advisory committee member has an interest in both Private Funds involved in the cross trade, such member may favor one Private Fund over the other if such member's interests are more aligned with the Private Fund it favors. In addition, if the advisory committee member has an interest adverse to Adviser, it may not act in the best interest of the Private Fund that it represents. While Adviser may adopt policies or procedures to address such advisory committee conflicts in the future, it has not done so to date, and it may not be possible to entirely eliminate such conflicts.

In addition, Adviser and its personnel may have conflicts in allocating their time and service among Clients, and, subject to the provisions of a Client's Organizational Documents to the contrary, neither Adviser nor its related persons are obligated to allocate any specific amount of time to a particular Client. Adviser and its related persons intend to devote as much time as they deem necessary for the conduct of each Client's operation and portfolio management. Additionally, certain of the Adviser's personnel will spend a portion of their business time and attention providing services on behalf of JV Adviser, an affiliate of the Adviser that is a joint venture between EIG Asset Management and FS, as described above. JV Adviser presently manages FSEP, a non-diversified, closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act, but may in the future provide services to other clients as well. Adviser's personnel involved with JV Adviser intend to devote only so much of their business time and attention to JV Adviser as is reasonably required to provide services to FSEP. However, such personnel may have conflicts in allocating their time and services among Adviser's Clients and JV Adviser and its clients. Adviser personnel involved with JV Adviser provide services to FSEP. Any resulting conflicts are mitigated given Adviser's contractual obligations to JV Adviser and periodic oversight by the board of trustees of FSEP.

As disclosed in Item 5.A, Adviser or its affiliates may receive Supplemental Fees from companies in which a Client may invest. In addition, such companies may agree to reimburse Adviser for its expenses incurred in evaluating and/or consummating an investment. The existence of Supplemental Fees, if any, could create an incentive to acquire or dispose of assets based on compensation received versus a Client's needs and/or

provide additional services to portfolio companies. Adviser may have a conflict of interest to the extent that it has an opportunity to earn a Supplemental Fee from an acquisition or disposition or other services provided to a Client. However, in many instances the Management Fee is offset by such Supplemental Fee and Adviser believes that the Management Fee offset provisions and the equity commitment by Adviser and its affiliates in certain Private Funds substantially mitigates this conflict of interest. To the extent a Private Fund does not pay a Management Fee, or the Management Fees are not otherwise subject to offset, the Private Fund will not receive any offset to the Management Fee and the Supplemental Fees accrue to Adviser and not the Private Fund, which could result in a conflict of interest to Adviser. Any Supplemental Fee paid to Adviser by a portfolio company or a Client is required to be on an arm's-length basis and on terms that are no less favorable to the Client or portfolio company than would be obtained in a transaction with an unaffiliated party.

Adviser, its affiliates and related personnel will, from time to time, come into possession of material non-public information in relation to certain parties that may be involved with one or more transactions contemplated on behalf of Clients. Adviser maintains a Code of Ethics, as described in Item 11 below, and provides training to Adviser's and its affiliates' personnel with respect to conflicts of interest and how such conflicts are resolved under Adviser's policies and procedures. For example, Adviser maintains a list of restricted securities and all personnel are subject to trading restrictions and are prohibited from engaging in transactions with respect to the securities or instruments of any company to which the material non-public information relates.

It is possible that the internal controls relating to the management of material non-public information could fail and result in Adviser, or one of its or an affiliates' employees, buying or selling a security while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the reputation of Adviser, result in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact Adviser's ability to perform investment management services on behalf of Clients.

Adviser, its affiliates and/or personnel, including senior advisers or consultants retained by Adviser, maintain relationships with (or may invest in) financial institutions, service providers, and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services to, Adviser and/or its affiliates, and/or the Clients or other investment vehicles they advise. Adviser may have a conflict of interest with a Client in recommending the retention or continuation of a third party service provider to such Client or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Clients, will provide Adviser information about markets and industries in which Adviser operates (or is contemplating operations), or will provide other services that are beneficial to Adviser. Adviser may have a conflict of interest in making such recommendations, in that Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Client, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Client. To the extent a consultant or senior adviser is affiliated with any of Adviser's service providers, such as an approved broker-dealer, Adviser will adopt policies and procedures to ensure that transactions with the service provider are conducted at arm's length.

Adviser's relationship with EIG Capital Markets allows EIG Capital Markets to receive compensation for providing private placement, mergers and acquisition advisory, transaction origination or sourcing and/or other authorized services in connection with capital raising transactions relating to Adviser's advisory business and/or portfolio company transactions. Such compensation will typically be for the benefit of EIG Capital Markets and will not be shared with or reduce any other Client or investor fees payable to Adviser except as required under a Client's Organizational Documents. Accordingly, Adviser may have an

incentive to use EIG Capital Markets for such services and to create or seek out transactions with respect to which it may utilize EIG Capital Markets. With respect to transactions in which EIG Capital Markets participates, conflicts may be mitigated as appropriate, including through approvals by a Client's Organizational Documents, advisory committee or investor approvals, or other appropriate methods.

From time to time, EIG Capital Markets assists in the origination of transactions that are appropriate for both Clients and unaffiliated third parties. EIG Capital Markets may receive compensation from the unaffiliated third parties participating in such transactions, thus creating an incentive to allocate a portion of those transactions to unaffiliated third parties. In other cases, EIG Capital Markets may receive compensation from unaffiliated companies or issuers of securities, including portfolio companies, in which Clients have invested, in connection with the private placement of securities to third parties.

In order to provide for the management of non-operated oil and gas interests in which Clients have an interest through various portfolio companies, Adviser facilitated the establishment of Black Falcon Energy, LLC ("**BFE**"). BFE is a service company created expressly for purposes of providing management services for non-operated oil and gas assets. BFE is not owned by Adviser or any Client managed by Adviser or portfolio company and maintains offices and staff independent of Adviser. Adviser has retained BFE to provide management services for certain non-operated oil and gas assets in which Adviser's Clients have an interest through various portfolio companies and expects to utilize BFE's services for other non-operated oil and gas assets that may be acquired in the future. Although BFE works with Adviser from time to time on both a strategic and operational level, Adviser does not receive any portion of BFE's management fees.

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of Adviser, its affiliates, and their respective personnel. For example, several Private Funds that are principally held by some or all of the equity holders of Adviser also may invest alongside Adviser's Clients. In other cases, personnel of the Adviser may have a personal interest or investment in a portfolio company or related company held by Adviser's Clients. In these situations, Adviser will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the then-prevailing facts and circumstances. With respect to the Private Funds, as described in Item 11.D below, certain conflicts may also be resolved subject to the approval of the respective advisory committee of the participating Private Funds.

To the extent permitted by the Investment Company Act and SEC staff interpretations, and subject to the Investment Allocation Policy, Adviser may determine it appropriate for FSEP (a closed-end business development company registered under the Investment Company Act and managed by an affiliate of the Adviser, as described above) and one or more Clients managed by Adviser or any of its affiliates to participate in an investment opportunity. Adviser has obtained exemptive relief from the SEC to engage in certain co-investment transactions with certain Clients subject to the conditions set forth in the exemptive relief. Any of these co-investment opportunities may give rise to conflicts of interest or perceived conflicts of interest among FSEP and other participating Clients. To mitigate these conflicts, Adviser will seek to allocate such transactions among the participating Clients on a fair and equitable basis and in accordance with their respective allocation policies, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of FSEP, the Clients for which participation is appropriate and any other factors deemed to be appropriate.

Adviser has a general practice of not entering into any arrangements with law firms or service providers that provide lower rates or discounts to Adviser itself compared to those available to its Clients or portfolio companies for the same services. From time to time, Adviser and its affiliates will seek services from law firms or other service providers which will charge lower rates or provide discounts for its services depending on the volume of transactions in the aggregate or other factors.

As Adviser invests primarily in energy and energy-related infrastructure companies and projects, conflicts of interest will arise when one portfolio company's interests are related to or adverse to another portfolio company. In cases where Adviser is authorized to appoint a director to the board of a portfolio company or otherwise exercise contractual rights with respect to such portfolio company, Adviser will take action to mitigate potential conflicts, including through recusal from decisions relating to or with respect to such portfolio company that are in conflict with the interests of any Client or portfolio company in which another Client holds an interest. Despite recusal or any other actions Adviser may take to seek to mitigate such potential conflicts, Adviser will, in certain circumstances, be required to take action when its Clients have conflicting interests, which could, in certain circumstances adversely impact a Private Fund or Managed Account.

#### **D. Recommendation of Other Investment Advisers**

From time to time, certain Clients of Adviser may invest in other investment vehicles managed by Adviser's affiliates.

### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **A. Code of Ethics**

In order to address conflicts of interest, Adviser has adopted a code of ethics (the “**Code**”) pursuant to Rule 204A-1 under the Advisers Act which is applicable to all of Adviser's officers, managers, members, and employees (collectively, “**Employees**”). Adviser's Code generally sets the standard of ethical and professional business conduct that Adviser requires of its Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code sets forth Adviser's policies and procedures with respect to material non-public information and other confidential information, and the fiduciary obligations that Adviser and each of its Employees owe to each Client. The Code is circulated at least annually to all Employees, and each Employee at least annually must certify in writing that he or she has received and followed the Code and any amendments thereto. Adviser will provide a summary of the Code to any Client or prospective client, free of charge, upon request.

#### **B. Participation or Interest in Client Transactions**

Adviser or its related persons may engage in securities transactions with certain Clients subject to the restrictions set forth in a Client's applicable Organizational Documents, and may recommend investments in portfolio companies in which Adviser or a related person has a beneficial or financial interest. For example, Employees, including, key personnel of Adviser, generally will also be invested directly or indirectly in the Private Funds offered to third party investors, subject to applicable law. In such instances, Adviser may separately negotiate the performance-based compensation and/or Management Fees payable by such vehicle, which may result with Employee investments in a Private Fund not being charged a Management Fee or Carried Interest. Potential conflicts also arise due to the fact that Adviser and its associated persons may hold investments in some Private Funds but not in others or may have different levels of investments in the various Private Funds. Adviser seeks to mitigate these conflicts through the application of the Investment Allocation Policy, which does not provide consideration to investments by the Adviser and its associated persons when determining the allocation of investments among Clients.

As set forth in Item 6, certain co-investment opportunities in portfolio companies are offered to some but not all Clients, other persons or entities, and/or Adviser's Employees. It also is anticipated that FSEP (a

closed-end business development company registered under the Investment Company Act and managed by an affiliate of the Adviser, as described above) typically will continue to co-invest in portfolio transactions alongside one or more Clients of the Adviser. Because of the potential for conflicts of interest that could arise with respect to co-investments, any allocation by Adviser of an investment opportunity to a Potential Co-Investor or a Co-Investment Fund is subject to the Investment Allocation Policy. In addition, in connection with the JV Adviser described above, the Adviser (on behalf of certain of its Clients) sought and obtained exemptive relief from the SEC from certain provisions of the Investment Company Act (e.g., Section 17(d), Section 57(b) and related rules promulgated thereunder), which otherwise would prevent FSEP from co-investing in transactions with the Adviser's Clients. The relief granted by the SEC enables FSEP to co-invest alongside Clients of the Adviser, subject to various conditions generally intended to ensure that any such transactions are reasonable and fair for FSEP. Any co-investment transactions with FSEP must be conducted in accordance with those conditions. Although Adviser and its Clients sought the exemptive relief with a view towards permitting flexibility and fair and equitable transactions for each relevant Client and FSEP, the conditions to which such transactions are subject could result in various restrictions, limitations or potential conflicts of interest between Adviser's Clients and FSEP, which otherwise may not be present with other Potential Co-Investors.

Adviser can solicit qualified Managed Account investors to invest in a Private Fund subject to applicable law. Adviser could be considered to have recommended an investment in the Private Fund as suitable for a Managed Account investor as a result of the relationship between Adviser and the Private Fund. Adviser will inform each Managed Account investor of its relationship with a Private Fund prior to the investor's investment, but does not intend to advise Managed Account investors as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in a Private Fund (except to the extent that Adviser receives Management Fees and performance compensation from all Private Fund investors).

#### *Principal and Cross Transactions*

From time to time, and subject to the requirements of the applicable Organizational Documents, applicable Client investment guidelines and restrictions, and applicable law, Adviser may direct one Client to (i) sell securities to another Client through an internal cross transaction or (ii) purchase securities for its own account from, or sell securities for its own account to, Adviser and its related persons in a principal transaction. In addition, cross transactions may be viewed as principal transactions due to the ownership interest in the Client by Adviser, its affiliates, and its related persons.

Cross transactions and principal transactions give rise to conflicts of interest between Clients and between Adviser and Clients. For example, one Client could be advantaged to the detriment of another Client in the event that the securities being exchanged are not priced in a manner that reflects their fair value. In addition, Adviser could use its investment authority to transfer unappealing securities from one Client to another Client or between Adviser and a Client. To the extent that any such cross transaction is or has the potential to be viewed as a principal transaction due to the ownership interest in the Client by Adviser and its related persons, Adviser will comply with the requirements of Section 206(3) of the Advisers Act and its internal policies and procedures. For example, when reviewing a proposed principal transaction or cross transaction, Adviser will confirm, among other things: (i) that such transaction will be consistent with the investment objectives and policies of each Client involved in the transaction; (ii) that the transaction is effected at fair value in accordance with Adviser's Valuation Policy; and (iii) in the case of a principal transaction, that requisite consent was obtained. In certain cases, in order to seek to mitigate potential conflicts of interest relating to valuation, Adviser may seek to obtain an independent third-party valuation of the securities to be transferred from one Client to another Client or between Adviser and a Client.

Adviser discloses these potential conflicts of interest to investors in a Client's applicable Organizational



Documents. These materials are delivered to Private Fund investors and Managed Account clients prior to their investment and Private Fund and Managed Account clients are given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving Adviser, its affiliates, or the executive officers of the foregoing. Adviser has instituted reasonable procedures designed to seek to ensure that affiliated transactions are at arm's length.

### **C. Personal Trading**

Adviser recognizes that there is a risk that Employees will compete with a Client or otherwise engage in personal securities transactions at the expense of a Client's interest.

Adviser's Code requires that all Employee personal investment transactions comply with all applicable laws and regulations and do not harm the interests of any Client. In addition, Employees are required to obtain prior approval for all securities transactions (including, but not limited to, private placements) prior to engaging in any personal securities transactions. The Code establishes certain pre-clearance procedures through an online securities transaction reporting system that is designed to monitor transactions in Employees' personal accounts and seeks to prevent any conflicts that may arise between Employees' personal securities transactions and transactions for Clients of EIG. For purposes of the Code, an Employee's "personal account" generally includes any account (i) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (ii) for which the Employee, his/her spouse, his/her minor children or other dependents residing in the same household is a beneficial owner, or (iii) which the Employee controls or maintains discretion or influence, including acting as trustee or executor. A personal account does not generally include any brokerage or investment account that can only hold or transact in mutual funds.

With limited exceptions, Adviser's Code generally prohibits Employees from trading in securities of public or private energy and energy-related infrastructure companies. Employees may trade in energy-related exchange-traded funds subject to receiving pre-clearance approval from Adviser's online securities transaction reporting system. Additional restrictions on personal trading of a Client's portfolio securities may be imposed on certain Employees at the discretion of Adviser or pursuant to a Client's Organizational Documents.

### **D. Concurrent Trading Activity**

As Adviser deals with private securities purchased directly from an issuer, Adviser will generally not be able to aggregate securities transactions for Clients. However, where available and appropriate, Adviser seeks to aggregate purchases or sales of any security effected for a Client's account with purchases or sales of the same security effected on the same day for other Client accounts. When transactions are aggregated, all transaction costs incurred in effecting the aggregated transaction will typically be shared on a *pro rata* basis among all participating Clients.

Subject to applicable law and Adviser's policies, certain Clients may invest in different parts of the capital structure of the same portfolio company. For example, one Client may invest in debt securities issued by a portfolio company in which another Client has a controlling or other equity interest. The interests of the Clients may not always be aligned, which gives rise to actual or potential conflicts of interest, or the appearance of such conflicts of interest. Actions taken for a Client may be adverse to another Client. EIG recognizes that conflicts may arise under such circumstances and will endeavor to treat all Clients fairly and equitably.

Adviser may cause different Clients to invest at different times in a single portfolio company, if, for example, a Client that made an initial investment in a portfolio company does not, when an opportunity to



make a follow-on investment in the company subsequently arises, have sufficient capital for such follow-on investment. Follow-on investments present conflicts of interest, including determination of the value of the equity component and other terms of the new financing. In addition, a Client may participate in re-leveraging and recapitalization transactions involving portfolio companies in which other Clients have invested or will invest. Recapitalization transactions may present conflicts of interest, including whether existing investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. Additionally, Adviser may give advice or take action with respect to the assets of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives, and strategies. Accordingly, Clients sharing similar strategies may not hold the same securities or instruments or achieve the same performance.

Since participation in specific investment opportunities may be appropriate, at times, for more than one Client, Adviser has established an Investment Allocation Policy, as described in Item 6 above. The Investment Allocation Policy has been adopted to seek to ensure that each Client is treated in a manner that, over time, is fair and equitable and to take into account the fact that certain Clients may have broad investment mandates that overlap. Adviser expects to resolve all such conflicts in its sole discretion using its best judgment but subject, in certain cases, to approval by the respective advisory committees, if any, of the participating Private Funds, as required by such Private Fund's Organizational Documents.

## **ITEM 12 – BROKERAGE PRACTICES**

EIG Capital Markets is an affiliate of Adviser that is a broker-dealer registered with the Securities and Exchange Commission and is a member of FINRA. Under its FINRA Membership Agreement, EIG Capital Markets is authorized to provide various broker-dealer and investment banking services, including, private placement activities, mergers and acquisitions advisory services, transaction origination or sourcing services, best efforts underwriting and any other activity or service permitted under its FINRA Membership Agreement. It is expected that EIG Capital Markets will be retained from time to time to provide such services for compensation in connection with the business of the Adviser, including with respect to capital-raising transactions relating to Adviser's advisory business and/or portfolio company transactions. In addition, EIG Capital Markets also expects, from time to time, to provide the broker-dealer services described above to or on behalf of unaffiliated third parties.

### **A. Selection of Broker-Dealers**

#### *Execution Quality*

While Adviser primarily invests on behalf of Clients directly with the issuers of the securities in which the Clients are investing, there are times where it places trades through a broker, particularly if there has been a liquidity event. In such circumstances, Adviser will seek "best execution" in light of the circumstances involved in transactions. When seeking to achieve best execution and when selecting a broker for any transaction ("**Approved Broker**"), Adviser may consider a number of factors, including, for example, a broker's reputation, net price or spread, financial strength and stability, volume/capacity, market access, efficiency of execution and error resolution, and the size of the transaction. Adviser will not obligate itself to obtain the lowest commission or best net price for a Client on any particular transaction. Adviser has established a Brokerage Oversight Committee that is responsible for the oversight of its brokerage practices. The Brokerage Oversight Committee maintains an Approved Broker list and monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

*Research and Other Soft Dollar Benefits.*

Adviser generally acquires securities in direct transactions with the issuers and currently does not have any soft dollar arrangements. Any soft dollar arrangements contemplated will be made in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. That is, Adviser will generally determine, considering all appropriate factors, that commissions and fees paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer.

*Brokerage for Client Referrals.*

Not applicable.

*Directed Brokerage.*

Adviser's authority is subject to conditions imposed by a Managed Account investor, examples of which may include: (i) where the Managed Account investor restricts or prohibits transactions in a certain industry, issuer or security and/or (ii) where the Managed Account investor directs that some or all account transactions be effected through specific brokers or dealers. In the latter case, a Managed Account investor is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such brokers. Adviser will assume no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for the Managed Account investor. A Managed Account investor must recognize that it may not obtain rates as low as it might otherwise obtain if Adviser had discretion to select brokers or dealers other than those chosen by the Managed Account investor. Any Managed Account investor providing instructions to Adviser regarding direction of brokerage transactions must notify Adviser in writing if the Managed Account investor desires Adviser to cease executing transactions with or through any such broker or dealer.

**B. Aggregation of Orders**

See Item 11(D) above.

**ITEM 13 – REVIEW OF ACCOUNTS**

**A. Periodic Account Review**

The investments made by Adviser's Clients are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. Adviser, through a team of investment professionals, closely monitors portfolio investments on an ongoing basis. In addition, Adviser may hold a position on the board of directors of certain portfolio companies and/or obtain board observation rights.

Adviser has an internal structure which allocates responsibilities for oversight of the portfolio companies of the Clients to appropriate senior investment professionals. All Client portfolio companies are reviewed on a regular basis, both informally and formally, through scheduled periodic meetings of the relevant investment professionals and investment committees. Reviews focus on all portfolio companies using fundamental and technical analysis and monitor operations performance, financial performance, and strategic direction of each portfolio company owned by the Client. Particular attention is given to changes in portfolio company fundamentals, industry outlook, market situation, general economic trends, and relative/absolute valuation levels.

## **B. Non-Periodic Account Review**

Other than the periodic review of a Client's portfolio described above, a review of any one or more of a Client's portfolio companies may be triggered by any significant unexpected event, which may include market or liquidity events.

## **C. Client Reporting**

Adviser provides unaudited periodic written account statements to Private Fund investors and Managed Account investors that include summary investment information and quarterly unaudited financial statements. Investors generally have the ability to access these statements via a password-protected website. In addition, each Private Fund investor also receives via electronic transmission annual audited financial statements and, if necessary, annual tax information for completion of its individual tax returns. Hardcopies of any electronically transmitted quarterly and annual financial statements are provided upon request to investors.

Adviser, in its discretion, may provide more frequent reports and/or more detailed information to all or any of the investors in a Private Fund or Managed Account.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Compensation by Non-Clients**

As described in Item 5, from time to time, Adviser or its affiliates, members, officers or employees may receive Supplemental Fees from certain companies in which a Client may invest. In addition, such companies may agree to reimburse Adviser for its expenses incurred in evaluating and/or consummating an investment.

### **B. Compensation for Client Referrals**

Adviser notes that from time to time it will engage, or cause the Private Funds to engage, one or more persons to act as a placement agent in connection with the offer and sale of interests to certain prospective investors. Adviser requires placement agents to have all appropriate licenses and registrations to conduct their business, including when applicable, to be registered as broker-dealers with the SEC and to be members of FINRA. Adviser typically bears these placement fees, directly or indirectly, and, to the extent Adviser does not bear the cost of the placement fee directly, it will typically elect to offset the Management Fee otherwise payable by a Private Fund to Adviser.

Adviser periodically enters into solicitation arrangements pursuant to which it compensates a third-party intermediary for client referrals that result in the provision of investment advisory services by Adviser. Any cash solicitation arrangements will comply with Rule 206(4)-3 under the Advisers Act. Solicitors introducing clients to Adviser may receive compensation from Adviser, such as a retainer and/or a percentage of introduced capital. Such compensation will be paid pursuant to a written agreement with the solicitor and such agreement generally may be terminated by either party from time to time. Any such compensation generally will be borne entirely by Adviser and not by any affected Private Fund; provided, however, that certain Private Funds pay fees charged by a non-U.S. placement agent (or the foreign affiliate of a U.S. placement agent), the services of which are required by local law or regulation to market or sell private investment fund interests in such non-U.S. jurisdiction.

## **ITEM 15 – CUSTODY**

### *Private Funds*

Adviser does not maintain physical possession of the funds or securities of the Private Funds. Custody of a Private Fund's assets is maintained with a qualified custodian selected by Adviser in its sole discretion, which selection may change from time to time without the consent of investors in the Private Funds. Although Adviser does not have physical possession or custody of any Private Fund assets, pursuant to Rule 206(4)-2 under the Advisers Act (the "**Custody Rule**"), Adviser is deemed to have "constructive" custody of Private Fund assets by virtue of Adviser's relationship with the Private Funds. Subject to the terms of the Organizational Documents of a Private Fund or Managed Account, Adviser may cause management fees and, if applicable, performance-based compensation, to be paid out of the Private Fund or Managed Account by the qualified custodian.

To comply with the Custody Rule, the Private Funds undergo an annual audit performed by an independent accounting firm registered with, and subject to inspection by, the Public Company Accounting Oversight Board ("**PCAOB**"). The audited financial statements are distributed to all investors in each Private Fund within 120 days of the end of the fiscal year.

To the extent Adviser is deemed to have custody of the underlying assets of a Private Fund that does not conduct an annual audit, Adviser engages a major accounting firm registered with the PCAOB to subject such assets to a surprise audit. In these circumstances, the qualified custodian will send quarterly account statements to Private Fund investors.

### *Managed Accounts*

Adviser does not maintain physical possession or custody of the funds or securities that an investor transferred to a Managed Account. Unless otherwise instructed in writing by a Managed Account investor, the assets transferred by a Managed Account investor will typically be deposited with a qualified custodian selected in accordance with Adviser's Management Agreement with the Managed Account investor. Under the Management Agreement, Adviser may cause management fees and, if applicable, performance-based compensation to be paid out of the Managed Account by the qualified custodian.

Managed Accounts will typically receive monthly account statements from Adviser and quarterly statements from the qualified custodian. **Adviser urges Managed Account clients to carefully review and compare the statements they receive from the qualified custodian with those they receive from Adviser.**

## **ITEM 16 – INVESTMENT DISCRETION**

Adviser's discretionary authority is derived from its authority as the investment manager of each Client and its authority pursuant to the Organizational Documents entered into by Adviser and the Client.

Subject to any investment restrictions set forth in the Client's Organizational Documents, Adviser typically has discretionary authority to make the following determinations without obtaining the consent of any Client before the transactions are effected:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;

- the brokers, investment banks or placement agents through which securities are to be bought or sold; and
- the commissions, fees or other rates at which securities transactions for a Client are effected.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

Generally, Adviser invests, on behalf of its Clients, in private securities (although certain Clients hold publicly traded securities). In the event that Adviser is required to vote proxies on behalf of its Clients, except to the extent that a Client otherwise instructs Adviser in writing, Adviser will vote (by proxy or otherwise) in all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held by a Client in accordance with Adviser’s proxy voting policy and procedures (the “**Proxy Policy**”).

Regardless of how Adviser obtains voting authority in Client securities (at time of acquisition or upon certain triggering events), Adviser endeavors to vote in such a way as to satisfy the goals and objectives of the particular Client and pursuant to the applicable Organizational Documents. Consistent with the requirements of Rule 206(4)-6 under the Advisers Act, before voting Client securities, Adviser’s investment teams will consider all the relevant facts and circumstances surrounding the matter to be voted upon and any documents provided in connection with such matter, and will establish that: (i) there is a clear understanding of the vote at hand, (ii) any potential conflicts of interest are identified and communicated to the Client prior to voting, and (iii) disclosure is provided as to how the Client may obtain information on how their securities were voted.

Clients may obtain a copy of Adviser’s Proxy Policy or information regarding how Adviser voted shares on behalf of the Client, as applicable, upon request.

#### **ITEM 18 – FINANCIAL INFORMATION**

At this time, Adviser is not aware of any financial condition that could impair its ability to meet its contractual obligations to its Clients. Adviser has not been the subject of any bankruptcy petitions, including in the past ten years.

#### **ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.