



**Form ADV Part 2A**

**GEC Advisors LLC**

**ITEM 1: Cover Page**

This brochure ("Brochure") provides information about the qualifications and business practices of GEC Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 713-993-7222. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about GEC Advisors LLC also is available on the SEC's website at [www.Advisorinfo.sec.gov](http://www.Advisorinfo.sec.gov). The searchable IARD/CRD number for GEC Advisors LLC is 161472.

GEC Advisors LLC is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.

2415 W. Alabama St., Suite 220  
Houston, TX 77098  
Phone: 713-993-7222  
Fax: 713-239-2161  
[www.geclp.com](http://www.geclp.com)

Brochure prepared on March 25, 2021

## **ITEM 2: Material Changes**

This section of the Brochure addresses “material changes” that have taken place since the last annual update and will be posted on the SEC’s public disclosure website (IAPD). Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Since the last annual update on March 27, 2020, there have been no material changes to report.

Currently, a copy of this brochure may be requested by contacting Lana Dial, Chief Compliance Officer at 713-489-8201 or [lane@geclp.com](mailto:lane@geclp.com).

Additional information about the GEC Advisors LLC is also available via the SEC’s web site [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with GEC Advisors LLC who are registered, or are required to be registered, as investment Advisor representatives.

### ITEM 3: Table of Contents

ITEM 1: Cover Page .....	1
ITEM 2: Material Changes .....	2
ITEM 3: Table of Contents .....	3
ITEM 4: Advisory Business.....	4
ITEM 5: Fees and Compensation .....	5
ITEM 6: Performance Based Fees .....	7
ITEM 7: Types of Clients .....	8
ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	9
ITEM 9: Disciplinary Information.....	18
ITEM 10: Other Financial Industry Activities and Affiliations.....	19
ITEM 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	20
ITEM 12: Brokerage Practices.....	21
ITEM 13: Review of Accounts .....	22
ITEM 14: Client Referrals and Other Compensation .....	23
ITEM 15: Custody .....	24
ITEM 16: Investment Discretion .....	25
ITEM 17: Voting Client Securities .....	26
ITEM 18: Financial Information.....	27

#### **ITEM 4: Advisory Business**

- A. GEC Advisors LLC (together with its predecessor entities, “GEC” or the “Advisor”) is a Delaware limited liability company formed on June 6, 2008 with office headquarters in Houston, Texas. GEC is an investment management company focused on investing growth capital in private energy services companies. GEC invests in disruptive innovation across the industrial services and products sector, with a focus on the global energy industry. The sole principal owner of the Advisor is Jonathan B. Fairbanks.
- B. Currently, GEC advises only private pooled investment vehicles (each, a “Fund” or collectively the “Funds”). GEC has full discretionary authority with respect to investing Fund assets. In providing investment advice, the Advisor follows each Fund’s investment objectives and guidelines set forth in each Funds’ governing document.
- C. When providing investment advice to GEC’s Funds, GEC follows the investment objectives and guidelines set forth in each Fund’s governing documents. Additionally, Funds may not impose specific investing restrictions on GEC, although GEC takes into consideration the specific needs of each Fund. GEC does not tailor its investment advisory services to individual limited partners in any of the Funds.
- D. GEC does not participate in wrap fee programs.
- E. GEC’s assets under management as of December 31, 2020 are approximately \$385,660,465 on a discretionary basis.

## ITEM 5: Fees and Compensation

- A. Each Fund pays the Advisor a management fee equal to 2.0% per year of the aggregate capital commitments (and, after termination of its investment period, of invested capital, net of permanent write-downs), payable semi-annually, partially in arrears and partially in advance. The management fee is subject to reduction due to transaction, directors', and monitoring fees.

In terms of performance-based fees, 20% of the Funds' net investment proceeds are allocated to the capital account of an affiliate of the Advisor as "carried interest."

The Advisor has discretion to reduce or waive management and/or performance-based fees with respect to one or more investors. For a more complete description of the terms and conditions of the Advisor's management of Fund accounts, please refer to the Funds' offering documents.

- B. The management fee for a Fund is paid in advance generally by way of a drawdown of capital from investors in the applicable Fund, but may be paid from any other asset owned by the applicable Fund (including amounts received by the applicable Fund in respect of a portfolio investment and/or reserved by the applicable Fund).
- C. The Advisor may collect transaction fees, directors' fees, and portfolio company management fees relating to a portfolio company or any potential portfolio company. However, such fees are first allocated among the Funds on a pro rata basis according to their respective aggregate capital commitments, and (1) in respect of certain of the Funds, 50% of such allocated fees, and (2) in respect of the other Funds, 75% of such allocated fees, are credited against the management fee of the respective Funds. In cases when any fees required to be credited against the management fee for any period exceeds the management fee payable to the Advisor, then such excess amount is carried forward and credited against future management fees.

Each of the Funds will pay the costs and expenses related to its respective operations, including, without limitation: (i) expenses incurred in connection with the evaluation, acquisition, and disposition of investments (including transactions not consummated); (ii) expenses incurred in connection with the carrying or management of investments, including custodial, trustee, record keeping, and other administrative fees; (iii) expenses incurred in connection with the preparation and audit of the Fund's financial statements, tax returns, and Schedule K-1s; (iv) attorneys', administrators', accountants' and consultants' fees and disbursements; (v) taxes and other governmental charges levied against the Fund; (vi) insurance (including insurance covering the Fund's general partner, the members of the investment committee, the Fund's general partner's affiliates and related entities, the Advisor and any other person acting on behalf of the Fund or Fund-related entities with respect to the activities of the Fund), regulatory or litigation expenses (and damages), including regulatory expenses of the Fund's general partner and the Advisor relating to the activities of the Fund; (vii) expenses incurred in connection with the winding up or liquidation of the Fund or Fund-related entities; (viii) expenses not otherwise reimbursed relating to defaults by Partners in the payment of any capital contributions; (ix) expenses incurred in connection with any restructuring or amendments to the

constituent documents of the Fund and related entities, including the Fund's general partner and the Advisor if requested by investors; (x) expenses incurred in connection with distributions to the partners; (xi) expenses incurred in connection with any reports to and meetings of the advisory committee and the partners, including counsel and other advisors to the advisory committee; (xii) expenses relating to the Fund's indemnification obligations; and (xiii) management fees (as described above).

- D. The Advisor charges management fees quarterly, partially in arrears and partially in advance. The Advisor will refund any pre-paid management fee by a Fund if the advisory contract with such Fund is terminated before the end of the billing period. Management fee refunds are calculated on a pro-rata basis for partial periods. Performance fees, if any, will be charged only upon the end of the fiscal year.
- E. Neither the Advisor nor its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charged or service fees from the sale of mutual funds.

## **ITEM 6: Performance Based Fees**

Affiliates of the Advisor may receive distributions of carried interest from each Fund. These payments are subject to Section 205(a) (1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees or compensation, in general, may create an incentive for an advisor or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee-paying funds over other funds in the allocation of investment opportunities. To the extent that any such conflict was to arise, in order to address such conflict(s), the Advisor has implemented policies and procedures to ensure that all of the Funds receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

## **ITEM 7: Types of Clients**

The Advisor's clients are private funds whose investors are high net worth individuals, partnerships, pension and profit-sharing plans, and other institutions. The minimum investment in each Fund is \$5,000,000. In each case, however, the Advisor has discretion to accept lesser amounts.



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

### **A. *Investment Strategy***

GEC seeks investments in innovative, patented technologies enabling the portfolio company to become a market leader in its segment. The Advisor's investment focus is industrial products and services in support of the global energy industry, including alternative energy production. GEC has extensive experience investing in both domestic and international businesses.

Innovation is the key investment criteria for GEC. The Advisor invests in companies which own and develop evolutionary technologies that are applied broadly in the global industrial market. GEC's portfolio companies and services are all underpinned by the common theme of disruptive innovation. There are over 300 patents across GEC's active and realized investments, which have allowed many of GEC's companies to generate attractive profits and leading end-market shares. Identifying and securing investments in dynamic companies with revenue streams protected by intellectual property moats has been a driving force behind GEC's past success and will remain a critical element of the investment strategy

Through all phases of investment, the Advisor applies classic lower middle market investing principles – directly source opportunities, invest capital at attractive valuations with minimal use of leverage, rapidly grow portfolio companies and generate cash exits to industry buyers or larger private equity firms

GEC provides growth capital as equity and/or senior debt. The typical transaction size is in the range of \$10-\$60 million, and each investment typically undergoes a rigorous due diligence process. GEC aims to hold investments for 4 to 7 years. GEC typically controls its investments, or maintains significant control rights as a minority investor.

### ***Investment Process Described***

Leveraging 20+ years of industrial services investment experience in the energy complex, as well as an extensive relationship network, GEC has the expertise to invest in its targeted sector. The Advisor has developed the ideas, relationships and execution skills to initiate, lead and exit investments, and has a history of generating attractive returns as a direct result of a sound investment strategy.

Industrial services companies have specialized business models, nomenclature and unique valuation techniques that may differ from segment to segment. GEC applies its investment methodology through three main initiatives: origination, stewardship and exit. Origination consists of utilizing experience to develop an investment strategy conviction, directly sourcing

and evaluating high-graded participants and securing differentiated opportunities supported by an investment thesis. Stewardship consists of making disciplined investment decisions consisting of deliberate pre-investment business due diligence / financial analyses to ensure that GEC has a full understanding of unit economics and capital returns; executing and fine-tuning our investment thesis; and achieving market-leading success. GEC's exit strategy consists of monetizing value creation through an active, broad marketing exit sales process; recording and distilling key learnings; and re-investing the knowledge gained from exited transactions to continue improving the investment methodology.

GEC's in-depth knowledge, industry network and good standing with past partners continually generate unique investment opportunities. All investments since inception were or are managed by teams with whom the Advisor had either extensive prior experience and / or an extended period to build a relationship.

- B. Investments in the Funds and the investment strategies employed by the Advisor involve a substantial degree of risk. The Funds may lose all or a substantial portion of their investments, and investors in the Funds must be prepared to bear the risk of loss of their investments therein. A summary of material risks include the following:

***General economic and financial conditions.*** General economic and financial conditions may impact the Funds' activities and performance. Interest rates, general levels of economic activity, the price of securities and participation by other investors and lenders in the financial markets may affect the value and number of investments available to or made by the Funds.

***Importance of certain personnel.*** The success of the Funds depends in substantial part on the skill and expertise of the principals and other employees of the Advisor or its service providers in making and disposing of investments and otherwise managing the affairs of the Funds. There can be no assurance that the principals or other employees of the Advisor will continue to be available to the Advisor or its service providers throughout the life of the Funds. The loss of key personnel could have a material adverse effect on the Funds.

***Long-term investments and lack of liquidity.*** An investment in the Funds requires a long-term commitment, with no certainty of return. There most likely will be little or no near-term cash flow available to the investors. The activity of identifying, completing, and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that the Advisor will be able to locate, consummate, and exit investments that satisfy the Funds' IRR objectives or realize upon their values, or that the Funds will be able to invest fully their committed capital. Many, if not all, of the Funds' investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize their investments in a timely manner. The Funds' contemplated exit strategies for its investments can be adversely affected by numerous factors, many of which may be

unforeseen or unexpected at the time the investments are made. Consequently, dispositions of the Funds' investments may require a lengthy time period or may result in distributions in-kind to the investors. Additionally, the Funds typically will acquire securities that cannot be sold except pursuant to a registration statement filed under the U.S. Securities Act or in a private placement or other transaction exempt from registration under the U.S. Securities Act and that complies with any applicable non-U.S. securities laws.

***Competition for investment opportunities.*** Identifying, completing, and realizing attractive private equity investments on a global basis are highly competitive activities and involve a high degree of uncertainty, particularly with respect to energy investments. The availability of investment opportunities generally will be subject to market conditions as well as the prevailing regulatory or political climate. Moreover, the Advisor expects competition among private equity firms and other participants in the energy and natural resources industries to potentially increase. The Funds will be competing for investments with other private equity investors, as well as companies, governments, public equity market participants, individuals, financial institutions, and other investors. There can be no assurance that the Advisor will be able to locate and complete portfolio investments that satisfy the return objectives of the Funds.

***Limited number and concentration of investments.*** The Funds may be materially adversely affected by the unfavorable performance of even a single investment. The Funds' investments will be concentrated in the energy industry and will be subject to numerous risks that affect the energy industry in whole or specific sectors within that industry. Because of the concentration of the Funds' investments in this industry, an investment in the Funds may be subject to greater risk than an investment in a portfolio of securities representing a broader range of industries.

***Business and market risks.*** The Funds' investment portfolios will include securities issued by privately-held companies, and operating results in a specified period will be difficult to predict. In addition, it is expected that the Funds' investment portfolios will include companies in an early stage of development, which may not have a proven operating history, may face competition from companies with greater resources, and may require substantial additional capital to support their operations or to finance expansion. The Funds' investment portfolio may also include securities issued by public companies, including formerly privately-held portfolio companies that have consummated IPOs during the Funds' holding period. Public companies may be subject to public reporting requirements that could have a significant impact on the valuation of their shares on any given trading day. The foregoing investments involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war, revolutions, and the effects of

terrorist attacks.

***Leverage and subordination risk.*** Certain Fund investments may be in businesses with high levels of debt or financial leverage. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. Leveraged investments would involve a particularly high degree of risk, given that adverse business developments, fluctuations in cash flows, changes in industry or general economic conditions or other factors could impair the ability of a Fund's portfolio company to meet its debt obligations. To the extent that any investment is made in a company with a leveraged capital structure, such investment may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a downturn in the economy or deterioration in the condition of such company or its industry.

***Bankruptcy of portfolio companies.*** The Funds may make investments in portfolio companies that may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state and non-U.S. laws in connection with bankruptcy proceedings could operate to the detriment of the Funds. There is also a risk that a court may subordinate the Funds' investment to other creditors or require the Funds 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 Funds have management rights in a portfolio company.

***Operating improvements/Investments in restructuring.*** In some cases, the success of the Advisor's investment strategy will depend, in part, on the ability of the Advisor or the management of a portfolio company to restructure and implement improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements. Furthermore, investments in restructurings may involve portfolio companies or projects experiencing, or that are expected to experience, financial difficulties. Such financial difficulties may never be overcome.

***Lack of unilateral control.*** Even where a Fund is the majority investor in a portfolio company, in certain circumstances, the Fund may not have unilateral control of such portfolio company. In addition, the Funds may make minority equity investments in portfolio companies where there is the possibility that the portfolio companies may be controlled by persons who have economic or business interests or goals or tax or other considerations that differ from or are inconsistent with those of the Funds. When taking non-control positions, the Advisor will generally seek to obtain negative controls and veto rights on major decisions, but there can be no assurance that the Advisor will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

***Risks associated with non-U.S. investments.*** The Funds seek to invest in businesses operating or organized both inside and outside of the United States. Non-U.S. investments will involve risks not typically associated with investments in the securities of U.S. companies including, but not limited to: (i) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements and the potential of less government supervision and regulation; (ii) currency exchange matters; (iii) possible significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and regulations; (iv) differences in financing and structuring alternatives and exit strategies from those commonly used in the United States; (v) differences in legal systems, including the possibility that a Fund may experience difficulty in asserting legal claims or obtaining legal remedies in non-U.S. jurisdictions; and (vi) the possible imposition of non-U.S. taxes on income and gains recognized with respect to these securities. The foregoing factors may increase transaction costs and other investment costs and could adversely impact the value of a Fund's investments in non-U.S. portfolio companies.

***Reliance on management of portfolio companies.*** While it is the intent of the Advisor to recommend investments in companies with proven management teams in place, and while the Advisor will monitor the performance of each portfolio company's management team after an investment is made by a Fund, there can be no assurance that these management teams, or any successor team, will continue to successfully operate the portfolio companies in accordance with a Fund's expectations.

***Risk of bridge financing.*** The Funds are permitted to make bridge investments, subject to certain limitations. If a Fund makes an investment in a single transaction with the intent of refinancing the portion of that investment consisting of bridge investments, there is a risk that the Fund will be unable to successfully complete the refinancing. This could lead to such Fund having a long-term investment in a debt security.

***Risk of legal, tax, and regulatory changes.*** Legal, tax, and regulatory changes could occur during the term of a Fund that may adversely affect the Fund, its portfolio companies, or investors. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to these transactions.

***Investments in convertible or other debt.*** A Fund may invest in convertible or other debt securities to the extent that the Advisor believes these investments offer potential for capital

appreciation. There is no minimum credit standard that is a prerequisite to a Fund's investment in any security, and most debt securities and preferred stock that offer potential for capital appreciation are likely to be non-investment grade.

***Investments in small companies.*** Investments in small companies such as those that the Funds may invest in, while often presenting greater opportunities for growth, may also entail greater risks than are customarily associated with investments in large companies. Small companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, these companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required.

***Due Diligence and Accuracy of third party information.*** Before making investments, the Advisor will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Furthermore, the Advisor may select investments for the Funds, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Advisor by third parties. Although the Advisor will evaluate all such information and data and will ordinarily seek independent corroboration when it considers such collaboration is appropriate and reasonably available, the Advisor may not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information may not be available.

Furthermore, the Advisor may use financial projections to help analyze a potential investment by the Funds or future capital raises, financing or other transactions for the Funds' portfolio companies. Projected operating results will often be based on judgments of the applicable portfolio company's management team and/or the Advisor. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

***Nature of industry risk.*** Investments in the energy sector may be subject to a variety of risks, not all of which can be foreseen or quantified. These risks may include but are not limited to: (i) the risk that the technology employed in an energy project will not be effective or efficient; (ii) risks of equipment failures, loss of sale and supply contracts, decreases or escalations in contract prices, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, and other catastrophic events; (iii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (iv) environmental liability risks related to energy

properties and operations; (v) uncertainty about the extent, quality, and availability of oil and natural gas; (vi) the risk that interest rates may increase, making it difficult or impossible to obtain project financing, or impairing the cash flow of leveraged projects; and (vii) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy fuels (prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics, political instability, armed conflicts, energy conservation, the success of exploration projects, the tax and other regulatory policies of various governments and the economic growth of countries that are large consumers of energy, as well as other factors). Significant oil and gas deposits are located in emerging markets countries where corruption and security may raise significant risks, in addition to the other risks of investing in emerging markets. Additionally, investments in the energy and energy services sectors are subject to force majeure and other catastrophic events, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. The occurrence of events related to the foregoing may have a material adverse effect on the Fund and its investments, including partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects.

***Fluctuation in commodity prices.*** The financial position of Portfolio Companies' customers are likely to be significantly affected by the future prices of and the demand for oil and natural gas, which are inherently uncertain. This could result in significant shortfalls in projected Portfolio Company cash flow, if prices decline from levels projected at the time the investment is made. Various factors beyond the control of the Fund will affect energy prices, including worldwide supplies, political instability or armed conflicts in oil and natural gas producing regions, the price of foreign imports, the level of consumer demand, the price and availability of alternative fuels, capacity constraints and changes in existing government regulation, taxation and price controls. Energy prices have fluctuated greatly during the past, and energy markets may continue to be volatile.

The risks and hazards inherent in the industrial services sector have the potential of causing widespread and catastrophic environmental disasters. Such disasters could materially and adversely harm the Fund and any Portfolio Company of the Fund that is directly or indirectly responsible for causing or exacerbating such disasters. In addition to the economic costs resulting from such disasters that the Fund and/or a Portfolio Company of the Fund may have to bear through liability for third-party losses or the cessation or suspension of operations (which amounts could be greater than aggregate commitments, with respect to the Fund), such disasters could cause severe reputational damage to such Portfolio Company, the Fund, and, potentially, the Limited Partners.

***Disruptive technology risk.*** Historically, technological changes in the energy sector have resulted in gradual incremental improvements with no disruptive technology impacts.

However, there are currently a number of scientific research institutions (supported by governments, universities, and major venture capital firms and corporations) seeking to develop disruptive technologies designed to reduce dependence upon large scale fossil fuel generation. In the event that a disruptive technology in the power generation sector is successfully developed and implemented, the Fund's investments might be adversely affected.

***Regulation of the energy industry.*** Energy investments generally, as well as other related industries, are extensively regulated; legislative and regulatory requirements may include those related to energy, mining, zoning, environmental, safety and labor. 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. Permits and approvals may be costly and/or time-consuming to obtain.

Moreover, the adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations or changes in the persons charged with political oversight of such laws or regulations, could have a material adverse effect upon a Portfolio Company of the Fund 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. For example, there is a belief in the United States and globally that emissions of greenhouse gases ("GHGs") are linked to global climate change and this belief may lead to more stringent regulation of GHGs in the future. Increased public concern and mounting political pressure may result in more international, U.S. national or U.S. regional requirements to reduce or mitigate the effects of GHGs. Under the Regional Greenhouse Gas Initiative, states in the Northeast United States, for example, are in the process of implementing rules to stabilize and reduce emissions of GHGs while giving states flexibility in distribution of carbon dioxide allocations.

In addition, the U.S. Supreme Court in *Massachusetts v. Environmental Protection Agency*, ruled that the United States Clean Air Act authorizes regulation of GHGs. Further, in September 2013 the U.S. Environmental Protection Agency proposed regulations to limit GHG emissions from new power plants. Changes in the regulation of GHGs could impact a Portfolio Company or make future investments undesirable. In addition, the adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations or changes in the persons charged with political oversight of such laws or regulations in different countries or at the regional or intergovernmental level.

***Hydraulic fracturing regulation.*** Hydraulic fracturing is a practice that is used to stimulate production of hydrocarbons, particularly natural gas, from tight formations. Hydraulic fracturing involves the injection of water, sand and chemical additives under pressure into rock



formations to stimulate gas production. The process is typically regulated by state oil and gas commissions. However, the U.S. Environmental Protection Agency (“EPA”) recently asserted federal regulatory authority over hydraulic fracturing involving diesel additives under the Safe Drinking Water Act’s Underground Injection Control Program. While the EPA has yet to take any action to enforce or implement this newly asserted regulatory authority, industry groups have filed suit challenging the EPA’s recent decision. At the same time, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, and a committee of the U.S. House of Representatives is also conducting an investigation of hydraulic fracturing practices. Legislation has been introduced before Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. Any such legislation or incremental regulation could impact the financial position of Portfolio Companies’ customers, which could have a material adverse effect upon Portfolio Companies of the Fund.

C. Please refer to item 8.B. above.

**ITEM 9: Disciplinary Information**

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

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

- A. The Advisor is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Advisor are registered representatives of a broker-dealer.
- B. Neither the Advisor nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. In connection with sponsoring a Fund, a General Partner receives compensation as described in Item 6.
- D. The Advisor does not recommend or select other investment advisors for the Funds.

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

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

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

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

- B. The Advisor and its related persons do not recommend to Funds, or buy or sell for Fund accounts, securities in which they hold a material financial interest.
- C. Neither the Advisor nor any of its related persons invest in the same or related securities that either the Advisor or its related persons recommend to Funds.
- D. The Advisor and its related persons do not buy or sell securities from their own accounts at the same time such securities are bought for Fund accounts.

**ITEM 12: Brokerage Practices**

- A. As an investment adviser to private equity funds, the Adviser does not interact with broker-dealers to effect client transactions.
- B. Not Applicable.

### **ITEM 13: Review of Accounts**

- A. The Advisor maintains comprehensive review procedures for the ongoing monitoring of the portfolio investments of the Funds. In connection therewith, the Advisor conducts periodic reviews of all portfolio company investments held by each Fund on a weekly basis to ensure the investments are in conformity with the investment strategy and objectives of each Fund. This reporting includes customary financial analysis relating to the business and operations of each Fund and is conducted by the investment committee, composed of Jonathan B. Fairbanks.

All of the Advisor's investment and operational staff participate in the ongoing monitoring of Fund portfolios, although responsibilities vary by individual. Funds are audited on a yearly basis by an independent registered public accounting firm.

- B. Certain events may require other than periodic review. Such events include a transfer or withdrawal of an investor of the Fund or a material change in the business of a portfolio investment.
- C. After the end of each fiscal year, there is an independent audit of the Funds' financial statements for such year and a copy of such audited financial statements, which are prepared in accordance with United States generally accepted accounting principles and are delivered to each investor on an annual basis.

For each tax year, the appropriate United States state and federal income tax returns and other appropriate tax returns and information of the Partnership, is furnished to each investor. These reports are provided on an annual basis.

The Advisor provides written periodic financial reports to the investors in each Fund.

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

- A. The Advisor does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.
- B. While not a client solicitation arrangement, with respect to the Funds, the Adviser has entered into an agreement with a third-party placement agent in the past. This agreement provided for compensation to be paid to the placement agent for referring limited partners to the Funds. Under this agreement, the placement agent received a percentage of the capital commitments attributable to each prospective limited partner referred depending upon specific circumstances and restrictions. Any such agreement with a placement agent is disclosed to prospective limited partners in the Funds.

## **ITEM 15: Custody**

While it is the Advisor's practice not to accept or maintain physical possession of any Fund assets, the Advisor is deemed to have custody of the Funds' assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because the Advisor has the authority to deduct fees from Funds' accounts and because the Advisor's affiliates act as the general partner of each of the Funds.

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



**ITEM 16: Investment Discretion**

The Advisor contractually assumes discretionary authority over each Fund's account under an investment management agreement with each Fund. The Advisor's authority to manage Fund accounts is in all cases subject to the specific objectives, guidelines, and limitations set forth in the applicable investment management agreement.

**ITEM 17: Voting Client Securities**

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

**ITEM 18: Financial Information**

- A. The Advisor does not require or solicit prepayment of any fees greater than \$1,200 six months or more in advance.
- B. The Advisor does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds.
- C. The Advisor has not been the subject of a bankruptcy petition at any time during the past ten years.