

**Item 1: Cover Page**

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Form ADV, Part 2A (the “Brochure”) provides information about the qualifications and business practices of Andros Capital Partners LLC and its affiliates (“Adviser”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting [www.sec.gov/rules/final/2010/ia3060.pdf](http://www.sec.gov/rules/final/2010/ia3060.pdf). If you have any questions about the contents of this Brochure, please contact Phillip A. Gayle, Jr. (713.568.0701 /[phillip.gayle@androscapital.com](mailto:phillip.gayle@androscapital.com)).

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

**Item 2: Material Changes**

The Adviser filed its initial application to register as an investment adviser with the Securities and Exchange Commission on November 17, 2020. This is an amended Brochure compiled by the Adviser to provide clients with clearly written and meaningful disclosures of its business practices, conflicts of interest, and the background of its advisory personnel. All recipients of this Brochure are encouraged to read it carefully in its entirety.

In this Item, the Adviser will periodically identify and discuss material updates to the Brochure. This is intended to inform current and prospective clients of important developments that may take place in the Adviser's business practices.

- 1) There have been no material changes since the last Brochure dated March 2021.

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#### **Item 4: Advisory Business**

Andros Capital Partners LLC (the “Adviser” or “Andros Capital”) is an investment advisory firm organized as a Delaware limited liability company. The Adviser was founded in July 2020 by Phillip Gayle, who is the principal owner of the Adviser.

Andros Capital provides discretionary investment management services to affiliated investment funds (each a “Fund” or “Funds” and collectively, the “Clients”)<sup>1</sup>. Andros Capital’s services to the Funds consist of (i) investigating, identifying and evaluating investment opportunities; (ii) structuring, negotiating and making investments on behalf of the Funds; (iii) managing and monitoring the performance of such investments; and (iv) exiting such investments on behalf of the Funds. Andros Capital’s services to each Fund are subject to the specific investment objectives and restrictions applicable to such Fund, as set forth in such Fund’s limited partnership agreement and other governing documents (collectively, the “Governing Documents”).

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

Andros Capital primarily invests in any commercial, investment or other business opportunity relating to the energy industry, including (a) investments in (i) upstream oil and gas assets, including leasehold and working interests, mineral and royalty interests, and overriding royalty interests, and (ii) midstream and other infrastructure projects, (b) investments in equity interests in, or debt instruments issued by companies operating in the energy industry and (c) other investments in, or related to, the energy industry.

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

As of March 2022, Andros Capital has approximately \$250 million in assets under management.

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<sup>1</sup> “Fund” or “Client” means a private investment fund to which Andros Capital provides investment advice and/or invest on a discretionary or nondiscretionary basis. The individuals and other persons that invest in the Andros Capital private investment funds are generally referred to herein as “investors.” Unless otherwise expressly stated herein, the terms “Fund” and “Client” do not include “investors.”

## **Item 5: Fees and Compensation**

In consideration of Andros Capital's investment advisory and other services, Andros Capital typically receives a management fee from each of the Funds, which is generally equal to a percentage of the total invested capital out of such Fund. The fee percentage and/or the base upon which the fee is calculated may vary with the size of the Fund and may also vary over the life of the Fund, as negotiated and determined at the time the Fund is established and as set forth in its Governing Documents. The percentage of the management fee generally starts at 1-1.5%.

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

Management Fees and carried interest distributions generally are not negotiable. However, Andros Capital (or an affiliate) has discretion to reduce or waive Management Fees and/or carried interest distributions. Andros Capital's affiliates generally are subject to the Management Fee and carried interest distributions. However, Andros Capital anticipates using its discretion to waive the Management Fee and carried interest distributions for Andros Capital's affiliates in certain instances in the future.

Management Fees are typically funded with capital contributions drawn for such purpose, but may also be funded with or withheld from proceeds from investments. Carried interest distributions generally will be distributed to Andros Capital's affiliate from time to time upon the disposition of investments by a Fund and are distributed to such affiliate in accordance with the terms of the applicable Governing Document.

Andros Capital may, from time to time, enter into financial advisory agreements, monitoring agreements and similar agreements with any of portfolio companies and any other company in which Andros Capital or its affiliates are actively considering an investment by the Funds, and any other fees and breakup fees earned by Andros Capital and its affiliates may be paid directly to Andros Capital or its affiliates. Unless it is specifically provided otherwise in the applicable Governing Documents, the Management Fee is reduced by one hundred percent (100%) of any net transaction, break-up, consulting or directors' fees received by Andros Capital or its members from any portfolio company of the Fund.

Andros Capital and its affiliates generally pay all of their own operating and overhead costs and expenses, including salaries, benefits and rent. In addition to any Management Fees payable to Andros Capital, a Fund will incur certain charges imposed by third parties and other expenses. Such expenses may include (but are not limited to): 1) all reasonable out-of-pocket costs and expenses (to the extent not reimbursed by a portfolio company) incurred in sourcing, pursuing, investigating, diligencing, analyzing, developing, negotiating, structuring, making, acquiring, holding, monitoring and disposing of portfolio investments, including in connection with any default, bankruptcy, restructuring (including enforcing rights or amending terms) or refinancing of such portfolio investments (e.g., structuring and commitment fees and expense reimbursement to financing sources or potential financing sources), legal, accounting, management and consulting fees and expenses, regulatory filing fees and expenses and other investment costs incurred by or on behalf of the partnership, and

termination fees in connection therewith, including the foregoing expenses related to prospective portfolio investments or potential dispositions that are not consummated, including, but not limited to, any rating agency expenses, due diligence costs, commissions, brokerage fees, financing, legal, accounting, advisory, research (including expenses of software used for the monitoring of portfolio investments), appraisal, valuation and consulting fees and expenses incurred in connection therewith (for the avoidance of doubt, the foregoing to include, without limitation, travel, legal, tax, accounting, appraisal, and any rating agency costs to the extent not paid directly by the Partnership); 2) all reasonable out-of-pocket costs and expenses (to the extent not reimbursed by a portfolio company) incurred in connection with administering, monitoring and management of portfolio investments, including financing, legal, accounting, management and consulting fees and expenses, and recordkeeping and other related administrative fees and expenses; 3) all reasonable and customary administrative fees and expenses of the Fund incurred in the ordinary course, including the cost of the preparation of the annual audit, quarterly and annual reports, financial and tax returns and tax reports required for limited partners or the Fund, financing expenses, cash management expenses, advisory and consulting fees and expenses, and routine legal and accounting fees and expenses, and including costs and expenses relating to filings with the Securities and Exchange Commission (including, without limitation Form PF and Form D) or other regulatory bodies (including in foreign or local jurisdictions and regulatory expenses of the General Partner, but not including any regulatory expenses of the Adviser relating to the activities of the Fund (such as any regulatory expenses relating to its preparation and filing of any Form ADV or other expenses relating to its registration under the Investment Advisers Act of 1940, as amended, or its securing an exemption therefrom)); 4) reasonable brokerage commissions, registration fees and expenses, custodial expenses and other investment costs (to the extent not reimbursed by a portfolio company) incurred in connection with portfolio investments; 5) principal, interest on, and costs, fees and expenses arising out of or incurred in connection with all borrowings made by the Fund (including any subscription credit facility), including, but not limited to, the costs and expenses incurred in connection with the arranging thereof; 6) reasonable out-of-pocket fees, costs and expenses of or arising from any litigation (including the amount of any judgment or settlement in connection therewith), including all amounts required to be paid in connection with the Fund's indemnification obligations or extraordinary expenses or liability relating to the affairs of the Fund; 7) reasonable expenses in connection with the dissolution, winding-up or termination of the Fund; 8) any taxes, fees or other governmental charges levied against the Fund and all costs and expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund; 9) reasonable expenses incurred in connection with the Fund's financial statements and reports, tax returns and K-1s or similar schedules; 10) reasonable fees and disbursements of attorneys, accountants, advisors, fund administrators, service providers, third-party appraisers, valuation experts and any other professionals incurred on behalf of the Fund; 11) any insurance premiums or expenses incurred by the Fund in connection with the activities of the Fund, including errors and omissions, fidelity, general partner liability, fiduciary, directors' and officers' liability and similar coverage for the General Partner, the General Partner's affiliates and related entities, the Adviser and any other person acting on behalf of the Fund or entities related to the Fund with respect to the activities of the Fund; reasonable expenses related to or arising from defaults by limited partners in the payment of capital contributions; 12) reasonable expenses incurred in connection with distributions to Partners; 13) reasonable costs and expenses incurred in relation to obtaining waivers, consents or approvals and all reasonable costs and expenses of, and/or incidental to, the preparation of amendments, modifications, revisions or restatements to the documents of the Fund or related entities; 14) post-closing obligations under agreements relating to the disposition of portfolio investments including indemnification obligations and purchase price adjustment obligations.

The types of other fees and expenses incurred will vary from Fund to Fund. Please refer to the Governing Documents of each applicable Fund for more complete information.

#### **Item 6: Performance-Based Fees and Side-By-Side Management**

As noted under Item 5 above, one or more of Andros Capital's affiliates may be entitled to receive carried interest distributions with respect to the Funds. The carried interest or incentive distribution is effectively equivalent to a percentage of a Fund's net profits, subject to certain terms and conditions set forth in the Governing Documents of the Fund. Any share of Fund net profits paid to Andros Capital's affiliates are separate and distinct from any annual Management Fees and other fees paid or borne by the Funds.

As a fiduciary, Andros Capital recognizes that it must treat all its clients fairly and must refrain from favoring one Client's interests (or Andros Capital's own interests) ahead of another Client(s). Carried interest distributions could motivate Andros Capital to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. For example, a carried interest distribution generally entitles Andros Capital's affiliates to a percentage of the net profits of a Fund; however, such affiliates are not required to bear the same proportion of the net losses, if any, suffered by the Fund as a whole. Andros Capital generally attempts to mitigate conflicts of interest associated with carried interest distributions through (i) the requirement that invested capital be returned to investors before Andros Capital's affiliates are entitled to receive any carried interest distributions; (ii) the requirement that Andros Capital and/or its affiliates have a capital commitment to the applicable Fund; and (iii) the periodic clawback obligations of Andros Capital's affiliates.

In general, Andros Capital attempts to address any material conflicts through full and fair disclosure in the applicable Governing Documents and this brochure.

#### **Item 7: Types of Clients**

Currently, Andros Capital provides investment advisory services to a single affiliated private pooled investment vehicle. In the future, Andros Capital may sponsor additional pooled investment and co-investment vehicles.

The minimum initial capital commitment generally required for an investor in a Fund is \$1,000,000 (subject to Andros Capital's discretion to accept a lesser amount).

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

The Adviser believes that the domestic onshore upstream industry is capital constrained and the lower middle market appears less competitive since many have vacated this segment, creating an abundance of unconventional and neglected conventional E&P investment targets. Andros Capital was established to address this niche by partnering with high quality owner/operators to provide development capital on a specific identified asset (as well as potentially finance add-on acquisitions) and exit the investment with the sale of a 100% operating control ownership position.

The Adviser believes significant investment opportunity exists due to the refinement which led to increased capital intensity of horizontal drilling completion technologies. These new completion technologies are enabling the development of previously uneconomic reserves. This increased capital intensity and the relative lack of sources of capital in the lower middle market to develop such reserves is the driver for Andros Capital' capital to be deployed to increase production and cashflow and to develop derisk the asset prior to a future monetization. As a result, abundant unconventional and neglected conventional E&P investment opportunities exist in the lower middle market.

The Adviser will target investments to invest in the U.S. onshore upstream energy sector, focusing on lower middle market transactions. These transactions will typically be privately negotiated unconventional and in certain instances conventional oil and natural gas investments in the form of development and acquisition capital. The Adviser seeks to partner with owner/operators on specific assets with conservative capital structures that provide significant downside protection, enhanced visibility of investment performance and multiple exit options.

The Adviser will endeavor to identify potential targets with: (i) undervalued assets; (ii) the need for growth capital for development; or (iii) substantial capital constraints. The characteristics of the targeted assets are expected to include: (i) significant redevelopment opportunities and/or drilling commitments; (ii) the need for a partner to augment technical, operational and/or financial capabilities; (iii) capital and/or operating constraints with current providers; (iv) inability to access capital markets; and (v) normal cyclicity.

The Adviser's investment process is focused on efficiency and effectiveness in each phase of execution. They believe that their broad financial, operating and technical experience and diverse network will create advantages throughout the investment process. The Principals have demonstrated their ability to directly source, analyze, structure, execute and generate value through proactive involvement with portfolio companies.

The Adviser seeks to maintain the discipline through its process that has driven the Principals' success in the past across multiple energy cycles. This includes: (i) conducting rigorous fundamental analysis to identify undervalued and/or under-exploited assets; (ii) focusing on low cost operations; (iii) assessing underlying technical risk; (iv) partnering with strong management teams while ensuring an alignment of financial interests with Andros Capital; (v) emphasizing the growth of portfolio companies through the effective reinvestment of cash flow and prudent management of leverage; and (vi) managing toward a successful exit.

THE INFORMATION INCLUDED IN THIS BROCHURE DOES NOT INCLUDE EVERY POTENTIAL RISK ASSOCIATED WITH EACH INVESTMENT STRATEGY OR SECURITY. INVESTORS AND PROSPECTIVE INVESTORS IN THE FUNDS ARE URGED TO ASK QUESTIONS REGARDING RISK FACTORS APPLICABLE TO A PARTICULAR



INVESTMENT STRATEGY OR SECURITY, READ ALL PRODUCT-SPECIFIC RISK DISCLOSURES (FOR EXAMPLE, EACH FUND'S OFFERING DOCUMENTS) AND DETERMINE WHETHER A PARTICULAR STRATEGY OR TYPE OF SECURITY IS SUITABLE FOR HIS/HER/ITS OWN ACCOUNT IN LIGHT OF HIS/HER/ITS CIRCUMSTANCES, INVESTMENT OBJECTIVES AND FINANCIAL SITUATION. INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT INVESTORS SHOULD BE PREPARED TO BEAR.

The Adviser's investment strategy focuses on complex, undervalued onshore upstream transactions in the U.S. lower middle market which involve high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. The risks factors below are not intended to be exhaustive. Prospective limited partners in a Fund should carefully review the risks described in the applicable Fund's Governing Documents.

***Industry Concentration and Diversification.*** Since the Funds' investments will be concentrated within the energy industry, an investment in the Funds may be subject to greater market fluctuations than an investment in a portfolio of securities representing a broader range of industries. This concentration risk may be compounded to the extent the Funds concentrate investments in a particular geographic region, industry sector or type of security. In addition, the Funds may generally invest up to certain percentage of total capital commitments in a single portfolio investment (excluding bridge investments) at any time. As a consequence, the aggregate return on a limited partner's investment in the Funds may be substantially adversely affected by the unfavorable performance of even a single portfolio investment.

***Illiquidity of Investments.*** The oil and gas investments to be made by the Funds are likely to be illiquid. Dispositions of such investments also may be subject to limitations on transfer or other restrictions that would interfere with the subsequent sale of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In addition, the Funds may invest in securities of privately held companies for which there is no public market. The Funds will generally not be able to sell these securities unless such securities are registered under applicable securities laws or unless an exemption from such registration requirements is available. In some cases, the Funds may be prohibited by contract from selling securities for a period of time. There is also the risk that the Funds will be unable to dispose of such securities at attractive prices or otherwise execute a successful exit strategy.

***Availability of Investments.*** The Adviser may be unable to identify a sufficient number of attractive investment opportunities for the Funds to meet its investment objectives. In addition, the Adviser will be competing for investments against other groups, possibly including direct investment firms, merchant banks, and industrial groups. Other investors may make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with the board of directors or owners of an acquisition target, consummating the transaction is subject to a number of uncertainties, many of which will not be foreseeable or within the control of the Adviser or the general partner. No assurance can be given that the Funds will be successful in obtaining suitable investments, or that if such investments are made, the objectives of the Funds will be achieved.

***Liabilities Upon Disposition.*** In connection with the disposition of an investment, the Funds may be required to make representations about the business and financial affairs of an investment typical of those made in connection with the sale of any business or be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify the purchaser of

such investment to the extent that any such representations or disclosure documents are determined to be inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the partners to the extent that the partners have received prior distributions from the Funds.

***Public Securities.*** The Funds are not generally anticipated to acquire investments in publicly listed companies, but may invest a portion of its aggregate committed capital through purchases of securities in the public market in circumstances where the general partner believes that such an acquisition will support the Funds' overall investment strategy. This activity is subject to the risks present in investing in public securities. In addition, in some cases it can be expected that the Funds will be limited in its ability to make investments, and to sell existing investments, in public securities because the Funds may have material, nonpublic information regarding the issuers of those securities or as a result of other Fund policies. Accordingly, there can be no assurance that the Funds will make investments in public securities or, if it does, as to the amount it will invest. The inability to sell securities in these circumstances could materially adversely affect the investment results of the Funds.

***Expedited Transactions.*** Investment analyses and decisions by the general partner may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the general partner at the time an investment decision is made may be limited, and the general partner may not have access to detailed information regarding the investment property. Therefore, no assurance can be given that the general partner will have knowledge of all circumstances that may adversely affect an investment.

***Follow-On Investments.*** The Funds may be called upon to provide follow-on funding for its portfolio companies or have the opportunity to increase its investment in such portfolio companies. There can be no assurance that the Funds will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by the Funds not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish the Funds' abilities to influence the portfolio company's future development.

In a multi-step acquisition, there can be no assurance that all of such required steps can be successfully consummated. This could possibly result in the Funds owning a significant oil and gas investment without having working control over the assets or access to its cash flow to service debt incurred in connection with the acquisition and without being able to dispose of such position at prices equal to or greater than its purchase price.

***Third-Party Involvement.*** The Funds may co-invest through partnerships, joint operating agreements, joint ventures or other entities with third parties that may have economic or business interests or objectives that are different than or conflict with those of the Funds.

***Leverage of Investments.*** The Funds may leverage their investments. In general, indebtedness may be incurred at the portfolio investment or portfolio company level.

***Middle Market Companies.*** Investments in middle market companies such as those that the Funds intend to invest in, while often presenting greater opportunities for growth, may also entail larger risks than are customarily associated with investments in large companies. Small and medium-sized companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such 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. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in small- and medium-sized companies, could make it difficult for the Funds to react quickly to negative economic or political developments.

***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 such bankruptcy proceedings could operate to the detriment of the Funds. There is also a risk that a court may subordinate the Funds' investments 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 such portfolio company.

***Investments in Convertible or Other Debt and Preferred Stock.*** To permit effective and flexible structuring of the Funds' investments, the Funds may invest in convertible or other debt securities to the extent that the general partner believes such investments offer potential for capital appreciation and are otherwise consistent with the Funds' investment strategy of acquiring strong equity control positions in portfolio companies. There is no minimum credit standard that is a prerequisite to the Funds' investments in any security, and most debt securities and preferred stock that offer potential for capital appreciation are likely to be non-investment grade.

***Risks Inherent in Joint Ventures and Partnerships.*** It is expected that some of the Funds' investments will be owned by joint ventures or partnerships between the Funds or a subsidiary or affiliate of the Funds and other third parties. The investment by the Funds in a joint venture may under certain circumstances involve risks not otherwise present. For example, there is a possibility that the Funds' co-venturer in an investment might become bankrupt, have economic or business interests or goals that are inconsistent with the business interests of the Funds, or be in a position to take action contrary to the instructions or requests of the Funds or contrary to its policies or objectives. In addition, the Funds may be liable for actions of its joint venture partners. While the general partner will review the qualifications and previous experience of joint venture partners, it does not expect to obtain financial information from, or to undertake private investigations with respect to, prospective joint venture partners. In addition, the Funds' ability to successfully enhance an investment, whether through operational improvements or the application of derivative investments, could be limited with respect to projects not controlled by the Funds.

***Risk of Minority Positions.*** If, as part of its overall investment strategy, the Funds elect at any time to hold a minority position in one or more portfolio companies, it may not be able to exercise control over such companies. The directors or other control persons of these companies may not owe fiduciary duties to the Funds. Further, the directors or other control persons may have waived business opportunities that would otherwise be available to the companies.

***Risks Associated with Non-U.S. Investments.*** The Funds may invest in businesses operating and/or organized outside of the United States. Such investments will involve risks not typically associated with investments in the securities of U.S. companies including, without limitation, risks relating to: (i) currency exchange matters and costs associated with conversion of investment principal and income from one currency into another, which may expose the Funds to potential losses arising from changes in foreign currency exchange rates; (ii) 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 and the absence of uniform accounting and financial reporting standards and disclosure

requirements; (iii) certain economic and political risks, including potential restrictions on foreign investment and repatriation of capital and the risks of political, economic, or social instability; (iv) possible significant government approvals under corporate, securities, exchange control, non-U.S. investment, and other similar laws and regulations; (v) differences in financing and structuring alternatives and exit strategies from those commonly used in the United States; and (vi) the possible imposition of foreign taxes on income, gains, gross sales or disposition proceeds recognized with respect to such securities. The foregoing factors may increase transaction costs and adversely impact the value of the Funds' investments in non-U.S. portfolio companies.

***Reliance on Management of Portfolio Companies.*** While it is the intent of the general partner to invest in companies with proven operating management in place, there can be no assurance that such management will be in place or, if in place, will continue to operate successfully. Although the Adviser will monitor the performance of each investment, the Funds will rely upon management to operate the portfolio companies on a day-to-day basis.

***Regulatory Approvals.*** The Funds expect to invest in portfolio companies that require federal, state, local or non-U.S. approvals to acquire and operate their facilities. In addition, the Funds may require the consent or approval of applicable regulatory authorities in order to acquire or hold particular portfolio companies. A portfolio company could be materially adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Moreover, additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in a portfolio company's customers or for other reasons. A portfolio company may not be able (i) to obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) to obtain any necessary modifications to existing regulatory approvals; or (iii) to maintain required approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operations of the facility or sales to third parties or could result in additional costs to a portfolio company.

***Risk of Bridge Financing.*** The Funds are permitted to make bridge investments, subject to certain limitations. If the Funds make an investment in a single transaction with the intent of refinancing, redeeming, selling or otherwise discharging the portion of that investment consisting of bridge investments, there is a risk that the Funds will be unable to successfully complete such a refinancing, redemption, sale or other form of discharge. This could lead to the Funds having a long-term investment in a debt security or having more concentrated portfolios than anticipated.

***General Economic Conditions.*** General economic conditions may affect the Funds' activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the oil and gas markets may affect the value and number of investments made by the Funds or considered for prospective investment. Specifically, during the recent past, the global markets have been shaken with significant uncertainty. The longer-term impact is uncertain but could have a material effect on general economic conditions, consumer confidence and market liquidity. The Funds' investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer confidence would likely increase market volatility and reduce liquidity, either of which could have a material adverse effect on the performance of the Funds' investments. No assurances can be given as to the effect of these events on the Fund's investment objectives.

***Nature of Energy 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) uncertainty about the availability or efficacy of energy sales agreements or fuel supply agreements that may be entered into in connection with a project; (iii) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contract or fuel 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; (iv) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (v) environmental liability risks related to energy properties and operations; (vi) uncertainty about the extent, quality, and availability of oil and natural gas; (vii) 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 (viii) 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, 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). The occurrence of events related to the foregoing may have a material adverse effect on the Partnership and its investments.

***Fluctuation in Oil, Natural Gas Liquids and Natural Gas Prices.*** The revenues and profitability of certain of the portfolio companies in which the Funds invest are likely to be significantly affected by the future prices of and the demand for oil, natural gas liquids and natural gas, which are inherently uncertain. Investments in energy companies may have significant shortfalls in projected cash flow if prices decline from levels projected at the time the investment is made. Various factors beyond the control of the Funds will affect energy prices, including worldwide supplies, political instability or armed conflicts in oil, natural gas liquids 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 continue to be volatile.

***Oil and Natural Gas Exploration and Development Risks.*** The Funds may invest in businesses that engage in oil and natural gas exploration and development, a speculative business involving a high degree of risk. Oil and natural gas drilling may involve unprofitable efforts, not only from dry holes, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include encountering unexpected formations or pressures, premature declines of reservoirs, blow outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks. In addition, in making these investments, the Funds must rely on estimates of oil and gas reserves. The process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, these estimates are inherently imprecise.

***Regulation of the Energy Industry.*** The energy industry is affected from time to time in varying degrees by political developments and a wide range of statutes, rules, orders and regulations. For example, energy exploration, production, operations and economics are or have been affected by price controls, taxes and other laws relating to the energy industry, by changes in these laws and by changes in administrative regulations. In addition, various laws and regulations relating to the

protection of the environment may affect the operations and costs of the companies engaged in the energy industry. These laws and regulations may: (i) restrict the types, quantities and concentration of various substances that can be released into the environment; (ii) require reporting of the storage, use or release of certain chemicals and hazardous substances; (iii) require removal or cleanup of contamination under certain circumstances, which may require the expenditure of material amounts over a significant period of time; and (iv) impose substantial civil liabilities or criminal penalties. Moreover, there has been a trend in recent years toward stricter standards in environmental, health and safety legislation and regulation, which could impact the success of companies in which the Funds invest.

***Risks Related to Commodity Prices and Derivatives.*** The portfolio companies in which the Funds invest may use derivatives to reduce commodity price risk associated with their operations. The prices of commodities and related derivative instruments may be subject to periods of extreme volatility. Price movements in commodities and derivatives are influenced by many factors, including, without limitation, supply and demand relationships, fiscal, monetary and trade policies and political events. As a result, a portfolio company's use of derivative transactions may be affected by this volatility as well as by any market disruption and unanticipated changes in interest rates, securities prices or currency exchange rates, all of which may expose the portfolio company to the risk of material financial loss. In addition, the portfolio company will be at risk for the performance of the counterparty on the derivative transaction. In the event that the counterparty defaults, the cost of replacing the transaction or the counterparty could be significant. Derivative instruments may trade principally on markets organized outside the U.S. The markets for these instruments may be illiquid, highly volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable costs. For all the foregoing reasons, the use of derivatives and related techniques can expose the Funds' portfolio companies to significant risk of loss.

***General Environmental Matters.*** Environmental laws, regulations and regulatory initiatives play a significant role in the energy industry and can have a substantial impact on investments in the industry. Required expenditures for environmental compliance have adversely impacted investment returns in many segments of the energy industry. Compliance with current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with requirements could have a material adverse effect on a portfolio company, and there can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership, such as the Funds, subject to environmental liability. However, a limited partner may reduce its risk of personal liability by avoiding activities with respect to the Funds' investments other than as specifically contemplated by the partnership agreement.

***Regulation of Hydraulic Fracturing.*** Hydraulic fracturing is an essential and common practice in the oil and gas industry used to stimulate production of natural gas and/or oil from dense subsurface rock formations. Hydraulic fracturing involves using water, sand, and certain chemicals to fracture the hydrocarbon-bearing rock formation to allow flow of hydrocarbons into the wellbore. The process is typically regulated by state oil and natural gas commissions; however, the EPA has asserted federal regulatory authority over certain hydraulic-fracturing activities involving diesel under the Safe Drinking Water Act and has begun the process of drafting guidance documents related to this newly asserted regulatory authority. In addition, legislation has been introduced before

Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic-fracturing process. Certain states, including Texas, have adopted, and other states are considering adopting, regulations that could impose more stringent permitting, public disclosure, and well construction requirements on hydraulic-fracturing operations or otherwise seek to ban fracturing activities altogether. In addition to state laws, local land use restrictions, such as city ordinances, may restrict or prohibit the performance of well drilling in general and/or hydraulic fracturing in particular. Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition, including litigation, to oil and gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs in the production of oil and natural gas, including from the developing shale plays, or could make it more difficult to perform hydraulic fracturing. The adoption of any federal, state or local laws or the implementation of regulations regarding hydraulic fracturing could potentially cause a decrease in the completion of new oil and gas wells, increased compliance costs and time.

***Taxation of Energy Companies.*** Investments in companies operating in the energy sector can be subject to numerous taxes and fees by the jurisdictions in which portfolio companies are organized or operate. Companies engaged in oil and natural gas operations or having substantial property holdings, in particular, can be subject to specific tax regimes, such as petroleum revenue taxes, excise taxes, fees for drilling rights and exploration licenses, oil production fees, real estate taxes and stamp duties. For example, the Crude Oil Windfall Profit Tax Act (repealed in 1988) imposed a substantial excise tax on crude oil sale proceeds derived from sales of oil at prices above a certain base level. Recently, proposals have been made to introduce similar new taxes aimed at producers of oil and gas. Such tax proposals, if enacted, could adversely affect the investments of the Partnership.

**THE FOREGOING RISKS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL THE RISKS INVOLVED IN INVESTING IN THE FUNDS. POTENTIAL INVESTORS ARE URGED TO READ THIS ENTIRE DOCUMENT AND THE APPLICABLE GOVERNING DOCUMENTS BEFORE MAKING A DETERMINATION WHETHER TO INVEST IN THE FUNDS.**

### **Item 9: Disciplinary Information**

Neither Andros Capital, nor any of its managers, officers or principals have been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither Andros Capital, nor any of its managers, officers or principals have been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither Andros Capital, nor any of its managers, officers or principals have been involved in any self-regulatory organization proceedings.

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

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

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

As discussed in Item 6, the Adviser is entitled to receive performance-based fees from the Funds. This may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such arrangement was not in effect. However, as noted in Item 11, the Adviser has adopted a written Code of Ethics that contains policies and procedures to address conflicts of interest. Under such policies and procedures, the Adviser is required to make investment decisions for the Funds in a manner that is consistent with its fiduciary duties to its clients.

The Adviser has no other relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its client.

The Adviser does not recommend or select other investment advisers for the Funds.

Certain of Andros Capital's employees, officers, members and/or affiliates serve (and may in the future serve) as directors, officers or committee members of the various portfolio companies of the Funds. Such persons could face conflicts of interest between discharging their duties as directors, officers or committee members, as the case may be, of such companies and acting in the best interest of the applicable Funds. Moreover, certain of Andros Capital's affiliates also may serve as directors of public companies and their activities on behalf of those other companies may present actual and/or potential conflicts of interest (including conflicting fiduciary duties). Andros Capital's affiliates may receive compensation from companies in their capacities as directors, officers or committee members and this compensation generally will not be shared with the Funds; provided that such amounts may reduce or offset the management fees that would otherwise be payable with respect to a Fund, as set forth in the applicable partnership agreement. See Item 5 for further details.



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

Pursuant to SEC Rule 204A-1, Andros Capital has adopted and implemented a Code of Ethics and Securities Trading Policy (the “Code”), which sets forth standards of conduct that are expected of Andros Capital supervised persons. A copy of the Code will be provided to any Client or prospective client upon request.

The Code requires Andros Capital personnel to (among other things):

- Report their personal securities transactions and holdings;
- Pre-clear any proposed purchase of any initial public offering or limited offering; and
- Comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

Andros Capital and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, Andros Capital and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Andros Capital. Accordingly, should Andros Capital or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, Andros Capital would be prohibited from communicating such information to clients, and Andros Capital will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Andros Capital personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Andros Capital maintains a restricted list that includes issuers and securities with respect to which supervised persons generally are not permitted to trade without the prior approval of the Chief Compliance Officer. The restricted list may include, for example, an issuer about which Andros Capital or one or more of its personnel may have acquired, or may otherwise be in possession of, material, non-public information.

Andros Capital has also adopted policies and procedures relating to gifts and entertainment, political contributions and other potential material conflicts of interest.

Andros Capital generally will allocate investment opportunities among its various clients on a fair and equitable basis, consistent with its fiduciary obligations and the governing documents for the relevant fund.

In addition to the foregoing, Andros Capital or an affiliate thereof generally may, to the extent deemed appropriate, offer to any person the opportunity to invest in any transaction in which a Fund has made or will make an investment if Andros Capital or its affiliate believes that the participation of such person or persons in such investment would be beneficial to the consummation or success of the investment; provided, however, that (i) no such investment may be offered to Andros Capital, the general partner or any of their respective affiliates except as specifically authorized in the governing document of a Fund and (ii) such investment will be in the same securities and on substantially the same terms and conditions as the Fund’s investment. Subject to the foregoing,

Andros Capital or its affiliate may allocate any such opportunity to invest among a Fund or Funds and such persons as Andros Capital or its affiliate may, in its discretion, determine; provided that Andros Capital will not be entitled to receive any compensation in respect of any person that is not an investor in the applicable Fund or an affiliate of any such investor or any co-investment entity formed by Andros Capital or an affiliate with respect to such investment.

Andros Capital and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles that may differ from advice given to, or securities recommended or bought for, the Funds or other clients, even though their investment objectives may be the same or similar. Andros Capital and its affiliates may from time to time cause the Funds to enter into transactions and/or arrangements involving actual or potential conflicts of interest. Andros Capital and its affiliates generally review any such transactions or arrangements involving material conflicts of interest and take such actions as they deem appropriate or necessary under the circumstances in an attempt to ensure that the overall terms of such transactions or arrangements are fair and equitable under the circumstances.

## **Item 12: Brokerage Practices**

Andros Capital's advisory business generally involves privately negotiated transactions with the prospective sellers and prospective buyers. Accordingly, Andros Capital generally does not use, select or otherwise recommend broker-dealer or other counterparties in connection with the investment activities of the Funds.

When publicly traded securities are the subject of a trade and there is a broker selection opportunity, Andros Capital will endeavor to select a broker or other counterparty on the basis of best execution and in consideration of various factors deemed relevant or appropriate, including, without limitation: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the broker's risk in positioning a block of securities; and (v) the competitiveness of commission rates in comparison with other brokers satisfying other selection criteria. Andros Capital may cause a Fund to pay higher commissions to brokers believed to offer superior service under the circumstances, including brokers that provide investment research and analysis to their clients, including the Funds. Accordingly, when Andros Capital determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the overall services provided to the Fund or Funds, including internally-developed research and other services provided by such broker, Andros Capital may cause the Funds to pay commissions to such broker in an amount greater than the amount another broker might charge.

Andros Capital currently does not use soft dollars generated by client accounts to pay for research and/or related services provided by brokers.

Investment opportunities generally are allocated in accordance with the provisions set forth in the Governing Documents of each Fund. See **Item 11** above.

### **Item 13: Review of Accounts**

Andros Capital's officers and employees generally will participate on the boards of directors (or equivalent governing body) of the Funds' portfolio companies. Andros Capital generally monitors the financial and operating progress of the business of each portfolio company on a current basis against plans and budgets, with more formal reviews as necessary. Such reviews will be conducted by one or more of Andros Capital's officers. Funds are audited on a yearly basis by an independent public accountant of recognized national standing.

Certain events may require other than a periodic review. Such events include a transfer or withdrawal of an investor of the Fund or material change in the business of a portfolio investment.

Investors in the Funds generally receive quarterly and annual reports and annual audited financial statements. Each of the Funds' investors will receive annual audited financial statements (prepared in accordance with U.S. GAAP) and unaudited quarterly statements of the Funds. Investors in each Fund will receive tax information in connection with the preparation of their federal income tax returns. All reports to investors to the Funds are in writing. Andros Capital may provide additional information to certain investors that are not distributed to other investors in a Fund.

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

Neither Andros Capital nor any of its affiliates generally receive any economic benefit from a non-client for providing investment advice or other advisory services with respect to the Funds.

Andros Capital may in the future enter into agreements or arrangements with third party placement agents that solicit and refer prospective eligible investors in one or more of the Funds to Andros Capital or an affiliate thereof. In consideration of such solicitation and referral services, such placement agents receive or may receive compensation from Andros Capital or its affiliates consisting of, among other things, a percentage of the Management Fee and carried interest distributions payable or distributable with respect to investors referred by such placement agents. Andros Capital and/or its affiliates may also pay fees to third parties for locating or sourcing potential investment opportunities and sharing information relating thereto with Andros Capital. Investors will not be charged any higher or additional fees as a result of any such placement agent arrangements. In each instance, all arrangements and payments of placement agent fees will be disclosed to applicable investors.

**Item 15: Custody**

While it is Andros Capital's practice not to accept or maintain physical possession of any client assets, Andros Capital is deemed to have custody of each Fund's securities and cash for purposes of Rule 206(4)-2 of the Advisers Act.

In order to comply with Rule 206(4)-2, Andros Capital utilizes the services of a bank and other qualified custodians (as defined under Rule 206(4)-2) to hold all cash and securities of the Funds (except with respect to privately offered securities). In accordance with Rule 206(4)-2, Andros Capital also (1) has engaged an independent public auditor to conduct annual audits of the Funds, and (2) distributes audited financial statements of the Funds that are prepared in accordance with United States generally accepted accounting principles to all investors in the Funds within at least 120 days after the end of the fiscal year. Qualified custodians are not expected to provide account statements directly to investors in the Funds.

**Item 16: Investment Discretion**

In accordance with the terms and conditions of the applicable Governing Documents, Andros Capital generally has discretionary authority to manage each Fund's investments. Accordingly, Andros Capital has the authority to determine, without obtaining specific client consent but subject to the terms and conditions of the applicable Governing Documents, which portfolio companies to buy or sell and the duration of the holding period prior to exiting such investments. Despite this broad authority, Andros Capital is committed to adhering to the applicable investment strategy and program set forth in each Fund's offering documents.

### **Item 17: Voting Client Securities**

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



**Item 18: Financial Information**

Andros Capital does not require prepayment of Management Fees more than six months in advance.

Currently, Andros Capital and its affiliates are not aware of any financial condition that is likely to impair Andros Capital's ability to meet its contractual obligations and commitments to clients.

Andros Capital was not subject of a bankruptcy petition at any time during the past ten years.