

**Item 1 – Cover Page**

**Part 2A of Form ADV  
Brochure for:**

**Lotus Infrastructure Partners, LLC**

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**March 30, 2023**

**This Brochure provides information about the qualifications and business practices of Lotus Infrastructure Partners, LLC (“Lotus” or the “Firm”). If you have any questions about the contents of this Brochure, please contact the Firm at the address listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Lotus is a registered investment adviser with the SEC. Registration with the SEC does not imply any certain level of skill or training.**

**Additional information about Lotus Infrastructure Partners, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

This Item only discusses specific material changes that are made to the Brochure and provides Clients with a summary of such changes. There have been no material changes to this Brochure since the Firm's initial filing on November 7, 2022.

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## Item 4 – Advisory Business

### A. Description of the Advisory Firm

Lotus Infrastructure Partners, LLC (“Lotus”), a Delaware limited liability company, provides investment advisory services to private investment funds (the “Funds” or “Clients”). Lotus was formed on October 17, 2022. Himanshu Saxena is the majority owner, controlling member and Chief Executive Officer of Lotus.

### B. Types of Advisory Services

Lotus provides advisory services pursuant to each Fund’s offering memorandum, limited partnership agreement, subscription documents, or similar document, as applicable (“Constituent Documents”), and not to the needs of any Fund’s individual investors (“Investors”). Lotus invests in energy-related assets, with a focus on power generation, transmission, storage, and related projects, including debt and equity investments.

The Funds will offer limited partnership interests (“Interests”) to certain qualified investors as described in response to Item 7, below.

### C. Client Tailored Services and Client Imposed Restrictions

Advisory services are tailored to achieve the Funds’ investment objectives. With respect to the Funds, Lotus has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Fund or its Investors, as long as the characteristics of such investments meet the investment criteria documented in the Constituent Documents of the applicable Fund(s).

### D. Wrap Fee Programs

Lotus does not participate in wrap fee programs.

### E. Amounts Under Management

As of December 31, 2022, Lotus has approximately \$6.6 billion of assets under management, all on a discretionary basis.

## Item 5 – Fees and Compensation

### A. Fee Schedule

The fees and compensation payable to Lotus are negotiable and vary among its Funds. However, the range of compensation is generally as follows:

#### 1. Management Fee

In general, the Funds pay an annual management fee equal to (i) during their commitment period, a percentage of each Investor’s committed capital, payable quarterly in advance, and (ii) following their commitment period, a percentage of each Investor’s contributed capital in

respect of the investments held by a Fund. The annual management fee rate payable by any Fund varies, but is generally between 1.25% and 1.5% for pooled investment vehicles, and a lesser percentage (or even 0% in some cases) for co-investment vehicles. Lotus or its affiliates and the Funds may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing, a fund's governing documents, including provisions relating to management fees.

## **2. Performance-based Fees**

From the Funds, Lotus generally receives carried interest equal to a prescribed portion of the Fund's profits. The Constituent Documents disclose the nature of the carried interest prior to an Investors commitment or investment. The incentive allocation will only be charged to accounts of those Investors who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"). Lotus or its affiliates and the Funds may enter into side letters or similar agreements with certain Investors that have the effect of establishing rights under, or altering or supplementing, a Fund's Constituent Documents, including provisions relating to carried interest.

## **3. Other Fees**

Lotus does not generally take acquisition fees, disposition fees or other compensation which would be duplicative of the fees or compensation provided under a Fund's Constituent Documents from entities in which a Fund may invest, as the Fund's Constituent Documents usually prohibit such fees. Lotus could take such fees only if authorized by a particular Fund's Constituent Documents. In certain cases, certain parties related to a transaction (e.g., operating or joint venture partners) are expected to receive such fees from entities in which the relevant Fund invests; such compensation is ultimately borne by Investors in such Funds.

Expenses chargeable to Investors are set forth in a Fund's Constituent Documents and can include all fees, costs, expenses, liabilities and obligations relating to the Fund's and/or its, investments and business (to the extent not borne or reimbursed by a portfolio company), including: (i) all fees, costs, expenses, liabilities and obligations attributable to structuring, organizing, acquiring, developing, financing, refinancing, managing, operating, holding, taking public or private, valuing, winding up, liquidating, dissolving and disposing of the investments (including interest and fees on money borrowed by the Fund or an affiliate or the general partner on behalf of the Fund, pursuit costs (as described in the Constituent Documents of the Fund), registration expenses, commitment, brokerage, finders', custodial and other fees as well as transaction research and sourcing expenses), (ii) legal, accounting, administration, custodian, depository, auditing, insurance (including directors and officers, errors and omissions and representation and warranty liability insurance), travel (including, where appropriate, the cost of chartering private aircraft or other private air travel (including from the principals or an affiliate of the general partner) at a cost not exceeding the cost of first class commercial airfare, including when direct commercial flights are otherwise unavailable (which cost shall be determined by comparing the cost of first class commercial airfare for flights of similar distance between locations with similar populations, as reasonably selected by the general partner), reasonable expenses for business development

and entertainment directly related to the development and management of investments to the extent not reimbursed by a third party, litigation (including damages) and indemnification costs and expenses, judgments and settlements, consulting, brokerage, finders', financing, appraisal, third party valuation, filing, printing, title, transfer (including transfer agent fees), registration, telephone, engineering and environmental costs and expenses, and other fees and expenses (including fees, costs and expenses associated with the preparation or distribution of the investment fund's financial statements, tax returns, tax estimates, FATCA filings and Schedule K1s or any other administrative, regulatory or other investment fund-related reporting or filing (including Form PF and any investment fund-related filings or reports contemplated by the EU Alternative Investment Fund Managers Directive, if applicable, or any similar law, rule or regulation)), (iii) costs and expenses of the advisory committee incurred in accordance with the terms set forth in the Constituent Documents of the Fund, (iv) all fees, costs, expenses, liabilities and obligations incurred by the Fund, the general partner or any other person relating to investment and disposition opportunities for the Fund not consummated (including legal (whether rendered by an attorney employed by the general partner or an outside attorney or firm), accounting, auditing, insurance, travel (including, where appropriate, the cost of chartering private aircraft at a cost not exceeding the cost of first class commercial airfare, including when direct commercial flights are otherwise unavailable (which cost shall be determined by comparing the cost of first class commercial airfare for flights of similar distance between locations with similar populations, as reasonably selected by the general partner))), reasonable expenses for business development and entertainment directly related to such investments to the extent not reimbursed by a third party, consulting, brokerage, finders', financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination and other fees and expenses), (v) all out-of-pocket fees, costs and expenses incurred by the Fund, the general partner or any other person in connection with the annual meetings of the Investors and any other conference or meeting with any Investor(s) (including any associated expenses related to meals and entertainment), (vi) the Fund management fee (as described above), (vii) any taxes, fees and other governmental charges levied against the Fund (except to the extent that the Fund is reimbursed therefor by a partner pursuant to the Constituent Documents of the Fund), (viii) costs and expenses that are classified as extraordinary expenses under GAAP, (ix) all fees, costs and expenses incurred in connection with the organization, management, operation, and dissolution, liquidation and final winding up of any controlled affiliates, additional investment vehicles or alternative investment vehicles (or negotiations related thereto) of the Fund, (x) unreimbursed costs and expenses incurred in connection with any transfer contemplated by and in accordance with the Constituent Documents of the Fund and (xi) any activities with respect to protecting the confidential or non-public nature of any information or data, including email hosting, disaster recovery, software and other related computer and internet expenses as well as information described in the Constituent Documents of the Fund. Funds will also bear expenses of vehicles and assets in which the Funds invest, including profit sharing, promote, carried interest, profits interest or other

incentive payments due to joint venture partner or other third parties. Such expenses are ultimately borne by Fund Investors and reduce returns to the extent incurred.

Expenses related to consummated transactions generally are shared pro rata by all Funds participating in the transaction, including co-invest vehicles. To the extent co-investment vehicles are or would be expected to be formed in connection with a proposed transaction that is not consummated, broken-deal expenses and other expenses relating to the diligence or evaluation of a prospective transaction are borne by the applicable Funds participating in the transaction and not any formed or to be formed co-investment vehicle(s) since the commitments of such vehicles are typically not finalized until a closing of a transaction.

**The foregoing discussion in Items 5 represents Lotus' basic compensation arrangements. The management fees and performance base fees described above are structured to comply with Rule 205-3 under the Advisers Act and applicable state laws. Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Investor may vary. Although Lotus believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.**

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

As noted in Item 2 above, the Lotus affiliates are permitted to receive carried interest entitling them to a portion of the profits of the particular Fund. These profit incentives are considered performance fees for purposes of the Advisers Act, including Rule 205-3 for certain investment funds. Rule 205-3 subjects these rules to investor eligibility conditions as a "qualified client" based on measures of financial sophistication. Carried interest payments have been structured to comply with the Advisers Act, including Rule 205-3 under the Advisers Act.

In any particular strategy, there could be differences in the structure of the carried interest. Differences in the performance fee structure create conflicts in that a Lotus affiliate could have greater incentive to favor investment fund structures having the most profitable performance fee structure versus other investment fund structures that have a lower or no performance fee structure. These conflicts, however, are practicably mitigated by various limitations common to private equity structures. For example, allocations of investment opportunities in investment funds using a private equity structure are typically subject to organizational limitations on the creation of successor investment funds. That is, before Lotus may permissibly raise a new investment fund, a predecessor fund in the same strategy generally must be substantially committed.

### **Item 7 – Types of Clients**

As noted in Item 4, Lotus provides investment advice and management to the Funds. Investors in the Funds are expected to include sovereign wealth funds, foreign government sponsored pension plans, US pensions, insurance companies, high net worth individuals,

charitable organizations, independent wealth advisors, family offices and other financial institutions.

Prospective Investors in the Funds must meet eligibility criteria, and are subject to certain withdrawal requirements and limitations. Prospective Investors are encouraged to thoroughly review a Fund's Constituent Documents, which set forth all of the terms in detail.

Each Investor generally must be an "accredited investor" (as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended), a "qualified purchaser" (as defined in Section 2(a)(51) of the Investment Company Act), an Investor who is eligible to enter into a performance fee arrangement under state and/or federal law, as applicable, and must meet other criteria as specified in the Constituent Documents. The minimum initial investment is \$10,000,000, subject to waiver at the discretion of Lotus.

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

### **A. Methods of Analysis**

Lotus' primary methods of analysis include modeling projections for (potential) investments to determine appropriate purchase price, sale price, or fair value (depending on the situation) and presenting such results to senior management using charts, graphs, schedules, and other deliverables. Inputs for such modeling exercise can be obtained from a number of sources, including third party market consultants. In order to make informed decisions, Lotus stays up to date on current market trends, energy needs, political discourse, financial markets, investor specific situations, and other important data by attending conferences and meetings, and using financial newspapers and magazines; research materials prepared by others; corporate rating services; timing services; annual reports, prospectuses, filings with the SEC and company press releases, among other things. Prior to making any investment in a Fund, Investors should review the applicable Fund's Constituent Documents regarding the risks and conflicts of interest specific to each Fund.

### **B. Investment Strategies**

Lotus will look to make opportunistic or value-add investments across the energy infrastructure sector, with a main focus in North America. Lotus will invest in both greenfield and brownfield technologies and assets. Lotus' strategy also focuses on disconnect in the market (e.g. disconnect between supply and demand, gas prices and energy prices, between political agenda and actual needs, etc.

### **C. Risks of Investments and Strategies Utilized**

**Investing in securities involves risk of loss that Clients and Investors should be prepared to bear.**

Certain investment and trading risk factors associated with an investment in the Funds include:

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

**Common Stocks and Equity-Related Securities.** Prices of common stock react to the economic conditions of the company that issued the security, industry and market conditions, and other factors and may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly, the value of other equity-related securities, including preferred stock, warrants and options may also vary widely.

**Small- and Mid-Cap Risks.** Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

**Risks Associated with Investments in Distressed Securities.** Investments in "below investment grade" securities and obligations of domestic and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Some of these securities may not be publicly traded, and it therefore may be difficult to obtain information as to the true condition of such issuers. Additionally, in certain periods, there may be little or no liquidity in markets for these securities. Such investments also may be affected adversely by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies.

**Investing in High Yield Securities.** High-yield securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. High-yield securities face ongoing

uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments.

**Commodities and Derivative Investments.** The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, Client assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Convertible Securities.** The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the investment value of convertible securities. The conversion value of a convertible security is determined by the market price of the underlying common stock. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security is called for redemption, a Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the Client's ability to achieve its investment objective.

**PIPES and Other Restricted Securities.** In a private investments in public equity ("PIPE") transaction, the Client typically purchases unregistered equity securities of a class of securities that is publicly traded and receives registration rights with respect to the unregistered securities that it purchases. The securities are not publicly tradable when the Client purchases them, however, and they may never become publicly tradable. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

**Futures, Commodities, and Derivative Investments.** The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by,

among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, Client assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Use of Leverage and Financing.** A Client may pledge its securities in order to borrow additional funds for investment purposes. Any event which adversely affects the value of an investment by the Client would be magnified to the extent the Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to the Client's investments could result in a substantial loss that would be greater than if the Client were not leveraged.

**Hedging Transactions.** While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. For a variety of reasons, Lotus may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss.

**Derivatives and Hedging.** Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets, reference rates or indices. A Client's ability to profit or avoid risk through investment or trading in derivatives will depend on Lotus' ability to anticipate changes in the underlying assets, reference rates or indices.

**Forward Trading.** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. Disruptions can occur in any market due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in major losses.

**Limited Diversification.** Investments may be primarily focused geographically in North American countries. Furthermore, broad diversification of investments in number or by industry or geography is not a primary investment of Lotus. This limited diversity could

expose Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

**Non-U.S. Securities.** Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers.

**Emerging Markets.** In addition to the risks associated with investments outside of the United States, investments in emerging markets (i.e., the developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices.

**Illiquid Investments.** Securities and other assets, may be subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and a Client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

**Counterparty Risk.** Transactions may be affected in “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss.

**Potential Loss of Renewables Financial Support.** Renewable and sustainable electricity generating projects depend on the support of the legal and regulatory regime in the applicable jurisdiction, given that renewable technologies have typically been more costly than conventional fossil fuel-based technologies. Any change to the legal and regulatory regime may therefore affect Clients’ returns.

**General Energy Risks.** Investments in energy/power assets are subject to significant energy commodity risks including price, volumetric and spread risk. These types of investments could have reduced and/or more volatile returns because of changes in the prices, volumes and spreads of electricity, fuel, transportation, and transmission.

**Environmental, Health and Safety Risks.** Investments that involve wastewater and stormwater discharges and air emissions will be subject to environmental, health and safety laws, regulations and permitting requirements. These requirements are administered by the U.S. Environmental Protection Agency and the states where the companies' facilities are located, and include the requirements of the Clean Air Act and the Clean Water Act. Investments that involve the management and disposal of hazardous substances, chemicals and materials and will be subject to federal, state and local laws and regulations regarding the use, generation, manufacture, storage, handling and disposal of these substances, chemicals and materials, including the Resource Conservation and Recovery Act. Contamination or injury as a result of a release of or exposure to these materials, could have a negative impact on investment returns. Energy generation and transmission investments bear substantial risk of loss from environmental, health and safety liabilities. New legislation or changes in existing environmental, health and safety laws could also affect investment returns. For example, the state or federal government having jurisdiction over a given area may enact legislation and the U.S. Environmental Protection Agency or applicable state entity may propose new regulations or change existing regulations pertaining to emissions or discharges, which in effect, could increase costs and, in turn, negatively impact investment returns.

**Energy Regulations.** Due to certain events in the energy markets, energy companies have been under increased scrutiny by regulatory bodies, capital markets and credit rating agencies. This increased scrutiny could lead to substantial changes in laws and regulations affecting the industry, including new accounting standards that could change the way energy companies are required to record revenues, expenses, assets and liabilities. These types of regulations could have a negative impact on the financial condition or results of operations or access to capital of companies in the industry. Companies owning or operating electric generation plants may separately be subject to regulatory requirements under the Federal Power Act, as amended (the "FPA"), and state and, perhaps, local public utility laws. The FPA grants the Federal Energy Regulatory Commission ("FERC") jurisdiction over the transmission of electricity in interstate commerce, the sale of electricity at wholesale in interstate commerce, and all facilities for such transmission or sale; provided that jurisdiction over retail sales is left to the states. The FPA prohibits "public utilities" (entities that own or operate facilities subject to FERC jurisdiction) from selling, leasing, merging or consolidating jurisdictional facilities, and from buying or acquiring securities of other public utilities, without first obtaining FERC approval. The Energy Policy Act of 2005 also provided the FERC with expanded jurisdiction over the acquisition of generating assets by public utilities and required prior approval by the FERC of certain mergers, consolidations or the acquisition of securities with a value of \$10 million or more by any holding company in a holding company system that includes a transmitting utility or an electric utility company. Rates, charges and other terms for transmission services and for wholesale sales by public utilities are subject to the FERC's supervision. However, in most cases, the FERC does not actively regulate the rates for facilities operated by wholesale generating companies with market-based rate authority, enabling companies to price based upon market conditions. In determining whether a wholesale generating company will be granted market-based rate authority, the FERC has established market power tests that review the holdings of the generating company and its affiliates; the need to maintain market-based rate authority may, from time to time, negatively impact energy-related investments. The FERC also is

responsible for licensing and inspecting private, municipal and state-owned hydroelectric projects. Investments in companies that own electric facilities, may be deemed to be public utilities, subject to these regulations, unless otherwise exempted. Companies owning or operating natural gas transportation or storage facilities may be subject to regulatory requirements under the Natural Gas Act of 1938, as amended (the “NGA”). The NGA grants the FERC jurisdiction over the transportation of natural gas in interstate commerce, among other things. While the FERC has jurisdiction over the rates charged for interstate transportation and storage services, in most cases, the FERC does not actively relate the rates for natural gas storage facilities with market based rate authority, enabling companies to price based upon market conditions. As with wholesale generation, the FERC has adopted market power tests that review the holdings of storage providers prior to granting market-based rates. The FERC also has authority over certain facility construction and no such construction can occur without FERC authorization under the NGA. The FERC does not have jurisdiction to review mergers of natural gas companies, but operating and construction certificates may not be transferred without FERC approval. On the state level, most state laws require approval from the state commission before an electric utility operating in the state may divest or transfer electric generation facilities. These laws also give the commission’s authority to regulate the financial activities of electric utilities selling electricity to consumers in their states. Certain states also regulate the transfer of wholesale power plants and financing activities by the owners of such plants.

**Regulatory Approvals; Permits.** Compliance with federal, state and local statutory and regulatory standards, including those related to air emissions, water discharge, waste disposal, the environment and safety and health, and the maintenance of numerous permits and approvals required for their operation, may cause certain companies in which Clients invest, to incur significant costs and may impact almost every aspect of the business such companies. In addition, certain companies, in which Clients invest, may require the consent or approval of applicable regulatory authorities. For example, certain companies may be subject to FERC approval under the FPA or the NGA. Certain companies may be believed to have obtained all material energy-related U.S. federal, state, local or non-U.S. approvals and permits required as of the date thereof to acquire and operate its facilities. However, such approvals and permits may be subject to conditions and there is no assurance that such companies will be successful in meeting such conditions. A failure to satisfy such conditions could prevent the operation of certain facilities or result in additional costs companies, which may adversely affect Clients’ investment results. Delays in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals and permits (or amendments thereto) or delay or failure to satisfy any regulatory conditions or other applicable requirements (which may change over time), could prevent operation of a facility or sales of such facility to third parties, or could result in additional costs to a company and adversely affect Clients’ investment results.

**Regulation of Greenhouse Gases.** There is a growing consensus in the United States and globally that emissions of greenhouse gases (“GHGs”), are linked to global climate change and this consensus 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. federal or U.S. regional requirements to reduce or mitigate the effects of GHGs. For example, states in the Northeast United States, under the Regional Greenhouse Gas Initiative (“RGGI”), are in the process of implementing rules to stabilize and reduce emissions of GHGs. RGGI allows each state a degree of flexibility in the distribution of its carbon dioxide allocations. There have

been several recent legislative proposals in the U.S. Congress to regulate GHGs. Changes in the regulation of GHGs could impact Clients' investments or make future investments undesirable.

**Governmental Contract Risk.** For investments in infrastructure assets that are governed by concession agreements with national, state/provincial or local authorities, there is a risk that these authorities may not be able to honor their obligations under the agreement, especially over the long term. The leases or concessions may also contain clauses more favorable to the governmental counterparty than a typical commercial contract and may negatively impact profitability. Governments typically have considerable discretion in implementing regulations that could impact these businesses, may be influenced by political (rather than just economic) considerations and may make decisions that adversely affect the Clients' investments.

**Changes in the Utilities Industry.** Funds are expected to make investments in the electric utility industry (and related industries and markets) in North America. A number of countries, including the U.S., and several states within the U.S. are considering or implementing methods to introduce and promote competition with respect to both supply and demand. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation projects (and other energy projects) into which Clients may invest may come under increasing pressure. If restructuring of the electric energy markets is reversed, discontinued, or delayed, this could have an adverse effect on the projects into which Clients may invest.

**Renewable Energy.** Clients are expected to make investments in renewable energy projects. The market for renewable energy is rapidly evolving, and its future success is uncertain. If renewable energy technology proves unsuitable for widespread commercial deployment or if the demand or political support for renewable energy products fails to develop sufficiently (including as a result of changes in market conditions, such as a decrease in the price of fossil fuels), or changes in state or Federal subsidies, Clients' investments in renewable energy projects may be adversely affected. While renewable energy projects currently enjoy wide support from state and local governments and regulatory agencies, there is no assurance that such support will continue in the future and any reduction or elimination of governmental support will have an adverse effect. Renewable energy projects rely on incentives that support the sale of energy generated from renewable sources, including state-adopted renewable portfolio standard programs, which vary among states, but generally require utilities to provide a minimum percentage or base amount of electricity from specified renewable energy sources for a given period of time.

**Equipment Failures.** The generation and transmission of electricity requires the use of expensive and complicated equipment. Generating plants are subject to unplanned outages because of equipment failure. If such an equipment failure occurs while Clients, or one of the companies in which Clients invest, is party to a power purchase contract, Clients, or the companies in which they invest, may be subject to financial penalties to its customers or may

be required either to produce replacement power from potentially more expensive units or purchase power from others at unpredictable and potentially higher cost in order to supply its customers and perform its contractual agreements. Any of these results could increase costs materially and adversely affect Clients' returns. These factors, as well as weather, interest rates, economic conditions, fuel availability and prices, price volatility of fuel and other commodities and transportation availability and costs may have a material adverse effect on Clients' investments.

**Nuclear Facilities.** Clients are permitted to invest in nuclear power generation assets. Risks of substantial liability arise from the ownership and operation of nuclear facilities, including, among others, potential structural problems at a nuclear facility, the storage, handling and disposal of radioactive materials, limitations on the amounts and types of insurance coverage commercially available, uncertainties with respect to the cost and technological aspects of nuclear decommissioning at the end of their useful lives and costs or measures associated with public safety.

**Power Purchase Agreements.** Clients' intermediate and long-term bi-lateral energy and capacity contracts and power purchase agreements, availing itself of feed-in tariff ("FIT") regimes, or trading, buying or selling electricity and energy commodities in liquid markets. However, Clients, and the companies in which they invest, may not be able to secure such agreements or FIT assurances for the power generation facilities that they expect to acquire and/or develop. Without the benefit of such agreements or of an FIT regime, Clients, and the companies in which they invest, may be unable to sell the power generated by their facilities, or operate such facilities, profitably. The inability to secure such agreements or the unavailability of, or adverse modification to, an FIT regime could materially adversely affect the business and Clients' investment results.

**Cybersecurity Risks.** Recent events have illustrated the ongoing cybersecurity risks to which various entities are subject, particularly operating companies in historically vulnerable industries such as the retail and hospitality industries. To the extent that any of a portfolio investment, Fund, or Lotus or its affiliates is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, Lotus, the Funds and/or their portfolio investments may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Lotus', the Funds', portfolio investments' and/or service providers' operations, including the ability to make distributions to limited partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use

of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio investment, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Lotus or one of its service providers holding its financial or investor data, Lotus, its affiliates or the Funds may also be at risk of loss.

**Russia-Ukraine Conflict.** There is currently an ongoing war between Russia and the Ukraine which, in a relatively short period of time, has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. However, the ultimate impact of the Russia-Ukraine war and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine war may have a significant adverse impact and result in losses to the Funds. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Fund intends to pursue, all of which could adversely affect the Funds' ability to fulfill their investment objectives.

### **Certain Conflicts of Interest**

**Shareholder-Directorship Appointments to Portfolio Companies.** As a result of any Fund's controlling interests in portfolio companies, Lotus typically has the right to appoint portfolio company board members (including current or former Lotus personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Lotus in connection with services provided by Lotus and its affiliates to such portfolio company, and, except to the extent such amounts are subject to offset provisions in a Fund's Constituent Documents, are in addition

to the management fees or carried interest. Lotus' authority to appoint or influence the appointment of portfolio company board members who may be involved in approving compensation payable to Lotus subjects Lotus and any such portfolio company board appointees to certain conflicts of interest. Although the interests of the Funds and their portfolio companies typically are closely aligned, in certain limited circumstances, actions that are in the best interest of a portfolio company will not be in the best interest of the relevant Fund, and vice versa. Lotus personnel serving on the boards of portfolio companies are expected to consider all relevant facts before coming to a decision or making a recommendation.

Additionally, a portfolio company typically will reimburse Lotus, its personnel or service providers retained at Lotus' discretion for expenses (including, without limitation, travel expenses) incurred by Lotus or such service providers in connection with the performance of services for such portfolio company. This subjects Lotus to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Lotus determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Lotus or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

**Portfolio Company Employment.** In certain circumstances, current or former Lotus personnel are expected to serve in interim or part-time roles at a portfolio company, or provide services to a portfolio company as a secondee or in similar capacities, whether or not while maintaining certain legacy economic arrangements, benefits, support services or indicia of employment at Lotus. Under such arrangements, Lotus and/or the relevant portfolio company is authorized to pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements create conflicts of interest in that amounts paid by a portfolio company in connection with secondee relationships or to former employees generally will not offset or reduce the management fee. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold or when the position can be filled on a longer-term or permanent basis. Employees will not necessarily return to Lotus at the end of such secondee arrangement.

**Allocation of Investment Opportunities with Other Vehicles.** From time to time, Lotus will be presented with investment opportunities that would be suitable for multiple Funds, and any other investment vehicles operated by Lotus. In determining which investment

vehicles should participate in such investment opportunities, Lotus is subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one Fund in a portfolio company also have the potential to raise the risk of using assets of a Fund to support positions taken by other Funds.

Conflicts are expected to arise when and to the extent that a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Lotus and its affiliates reserve the right from time to time to express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds could adversely affect other Funds.

**Personal Transactions.** Lotus and its principals, equity holders, officers, and employees reserve the right to buy or sell securities or other instruments that Lotus has recommended to a Fund. In addition, the principals reserve the right to buy securities in transactions deemed unsuitable for a Fund, but will not in such circumstances be required to share in or reimburse the relevant Fund for due diligence or other expenses incurred by the Fund in connection with the Fund's consideration of the relevant investment opportunity. Such transactions are subject to any restrictions in the Fund's Constituent Documents and any policies and procedures set forth in Lotus' Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments likely vary from those of any Fund. Employees and related persons of Lotus have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including the Funds) sponsored by potential competitors, and therefore Lotus expects to have additional conflicting interests in connection with these investments.

**Other Benefits.** In connection with its services to the Funds and their investments, Lotus, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Lotus' operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Lotus and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to the Funds or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, the "Lotus Information"). In many cases, the Lotus Information will include tools, procedures and resources developed by Lotus to organize or systematize the Lotus Information for ongoing

or future use. Although Lotus expects the Funds and their portfolio companies generally to benefit from Lotus' possession of the Lotus Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by Lotus and its personnel) and not by the Funds or portfolio company from which the Lotus Information was originally received. The Lotus Information will be the sole intellectual property of Lotus and solely for the use of Lotus. Lotus reserves the right to use, share, license, sell or monetize the Lotus Information, without offset to management fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset management fees.

**Selection of Service Providers.** Lotus generally exercises discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) Lotus or a related person (including a portfolio company of such Fund), (ii) an entity with which Lotus or its (current or former) personnel have a relationship or from which Lotus or its personnel otherwise derive financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Lotus personnel are seconded, or from which Lotus receives secondees or (iii) certain Investors or their affiliates. For example, Lotus expects to be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain Investors or their affiliates that are engaged in lending or related business. This discretion subjects Lotus to conflicts of interest, because, although Lotus selects service providers that they believe are aligned with operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Lotus has an incentive to recommend the related or other person because of its financial or other business interest. There is a possibility that Lotus, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Lotus), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Lotus will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although Lotus generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. In certain circumstances where Lotus commits or has committed to seek "market" or "arms-length" rates or terms, Lotus will do so in its sole discretion, seeking rates

that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. Lotus reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arms-length.” Consequently, Lotus undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable or relate specifically to the assets, services, or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, Lotus reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. Whether or not Lotus has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

**Industry Relationships.** Lotus reserves the right to employ personnel with pre-existing ownership interests in, or who were employed by, portfolio companies owned by the Funds or other investment vehicles advised by Lotus; conversely, current or former personnel or executives of Lotus are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by Lotus. Similarly, Lotus and/or its personnel maintain relationships with (and invest in) financial institutions, service providers and other market participants, including, but not limited, to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Lotus and/or the Funds or other investment vehicles it advises. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Lotus entities) to Lotus personnel and their estate planning vehicles. Lotus expects to be subject to a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Lotus information about markets and industries in which Lotus operates (or is contemplating operations) or will provide other services that are beneficial to Lotus or one or more other Funds. Lotus expects to be subject to conflicts of interest in making such recommendations, in that Lotus has an incentive to maintain goodwill between itself and the existing and prospective portfolio companies for a Fund, while the products or services recommended will not always necessarily be the best available to the portfolio companies held by a Fund.

**Fees for Services from Adviser Affiliates.** Portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to, and reimburse expenses of, senior advisors (“Senior Advisors”) and other consultants (including consultants introduced or arranged by Lotus and/or its affiliates that may regularly provide services to one or more portfolio companies), and such amounts do not offset or reduce the management fee. Senior Advisors are expected to make use of Lotus’ resources or otherwise be associated with Lotus. Lotus and/or its affiliates reserve the right to agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Senior Advisors are expected from time to time to include former employees of Lotus or certain portfolio companies, and in some circumstances former Senior Advisors are expected to become Lotus employees or employees of portfolio companies. Consequently, the determination of whether individuals are Senior Advisors is expected to vary and/or be revisited from time to time. Senior Advisor compensation is expected to include cash fees, securities of a portfolio company and/or a share of proceeds upon sale of a portfolio company. Additionally, portfolio companies could provide opportunities for Senior Advisors to invest in such portfolio company and reimburse costs and expenses incurred by Senior Advisors. Senior Advisors also could have an Interest in one or more Funds or general partners, could receive remuneration from Lotus and/or the Funds or their affiliates and/or be entitled to other forms of compensation. Such investment opportunities, reimbursements and other compensation paid to an Senior Advisor generally will not offset or reduce the management fee of any Fund. To the extent that Senior Advisors are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Senior Advisor’s services at a time when fewer portfolio companies or Funds make use of such Senior Advisor. Although the use of Senior Advisors and the allocation of compensation paid to them by the portfolio companies have the potential to subject Lotus and/or its affiliates to potential conflicts of interest, Lotus believes that such conflicts have the potential to be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Funds) that will result if the cost of the Senior Advisor is lower than market rates for the services provided and/or if the quality of the services of the Senior Advisor makes a greater contribution to the success of the portfolio company. Although Lotus seeks to retain Senior Advisors with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Lotus also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Lotus believes will align such persons’ interests with those of the Investors.

**Profit Interest.** Because Lotus’ carried interest is based on a percentage of net realized profits, it creates an incentive for Lotus to cause a Fund to make riskier or more speculative investments than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because management fees are, at certain times during the life of a Fund,

based upon capital invested by such Fund, this fee structure creates an incentive to deploy capital when Lotus may not otherwise have done so.

**In-Kind Compensation.** Since Lotus is permitted to retain certain portfolio company fees in connection with Fund investments, Lotus expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. Additionally, Lotus, its personnel, affiliates or others designated by Lotus could from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the relevant Constituent Documents are applied, Lotus and/or such other recipients will be permitted to retain such securities as portfolio company fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or Lotus) or retain such securities for a period consistent with their own financial and investment objectives, which could differ from those of the relevant Fund. In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund's relative ownership of the portfolio company awarding such compensation.

**Other Adviser Business Relationships.** Lotus has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended will not always necessarily be the best or lowest cost option. In most cases, the relevant Fund will not consent, participate in the negotiations or be directly involved in such arrangements.

**Allocation of Personnel.** Lotus and its affiliates will devote such time, as they deem necessary to conduct the business affairs of the Funds in an appropriate manner. However, Lotus personnel will work on matters related to the other Funds. In such cases, conflicts will arise in the allocation of personnel among the Funds and such other Funds.

**Cross Transactions.** Although uncommon, Lotus reserves the right from time to time to cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by Lotus, or co-investors or co-investment vehicles. Such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' Constituent Documents or otherwise in the sole discretion of Lotus, Lotus reserves the right to seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of

each Fund's advisory board) to such transactions. In certain circumstances, Lotus reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to a Fund under then-current market conditions. Lotus intends that any such transactions be conducted in a manner that it believes to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

**Other Activities of Management.** Lotus and its affiliates will, from time to time, manage other funds or accounts, some of which will have objectives identical to or substantially similar to those of the Funds, including other collective investment vehicles managed by Lotus or any of its affiliates and in which Lotus or any of its affiliates have an equity interest.

Except to the extent prohibited by the Constituent Documents, Lotus and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles or accounts the investment or business strategy of which does not overlap with that of the Funds and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Constituent Documents and anti-"assignment" provisions of the Advisers Act, Lotus and its personnel are also permitted to offer, restructure and monetize interests in Lotus.

**Side Letters.** Lotus and/or its respective affiliates is permitted, on behalf of the Funds, to enter into a side letter or other similar agreement with one or more Investors in connection with its investment, including in respect of co-investment opportunities, without the approval of any other Investor. This would have the effect of establishing rights under or supplementing the terms of the applicable Constituent Documents with respect to such Investor in a manner potentially more favorable to such Investor than those applicable to other Investors. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) rights to designate a member of the conflicts committee; (ii) reporting obligations of the general partner; (iii) waiver of certain confidentiality obligations; (iv) consent of the general partner to certain transfers by such Investor; (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an Investor; (vi) adjustments to fees or other economics (including, without limitation, the management fee, carried interest or distributions); (vii) access to certain information; (viii) consent rights of the Investor; (ix) tax and structuring matters; and (x) other representations, warranties or diligence confirmations. Lotus is not required to notify the other Investors of any such side letters or of any of the rights or terms or provisions thereof, and some or all of the other Investors will not be entitled to receive such additional benefits or other rights. The general partner, Lotus and/or their respective affiliates will be permitted to enter into such side letters with any party as Lotus or its affiliates determine, in its discretion, at any time. Investors will not necessarily have most favored- nation rights in respect of all or any of the more favorable terms provided to others and Investors will have no recourse against the Funds, Lotus or any of their respective affiliates in the event that certain Investors receive

additional benefits or other rights pursuant to side letters that are more favorable than the terms received by other Investors.

With respect to side letters for certain co-investment opportunities, co-investors or co-investment vehicles could purchase their interest in an investment at the same time as the Fund or purchase their interest from the Fund after the Fund has consummated the investment structured in such case as a post-closing sell down or transfer. In addition, if a vehicle controlled by Lotus is formed and capitalized to effect any co-investment, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Fund, although, from time to time, the Fund alongside which a co-investment vehicle is investing will bear such costs directly or indirectly. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all broken deal expenses relating to such unconsummated transaction will generally be borne entirely by the Fund, and not by any prospective co-investors, that were to have participated in such transaction. In many cases no co-investment vehicle will have been formed at such time. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle could, but will not necessarily, bear its share of such broken deal expenses. The performance of co-investments is not aggregated with that of the Fund, including for purposes of determining any carried interest that may arise under the Constituent Documents. Past performance is not indicative of future results and the actual number of co-investment opportunities made available, if any, could be significantly higher or lower than those made available in connection with other funds managed by Lotus.

As a result of certain side letters, Investors holding the same interests are expected to have different returns, bear different fees and expenses or receive different information, depending on any arrangements applicable to a given Investor's interest in a Fund. It is also expected that Lotus will from time to time confirm factual matters to incoming Investors, make statements of intent or expectation to such Investors or acknowledge statements by such incoming Investors that relate to the Funds and/or Lotus' activities pertaining thereto in one or more respects. As a result, side letters or other similar agreements could permit such Investors to take actions on the basis of information not available to other Investors that do not have the benefit of such agreements. There can be no assurance that any such arrangements will not have an adverse effect on the Funds or that such arrangements will not influence Lotus' activities or the operation of the Funds.

Any of the aforementioned situations subjects Lotus and/or its affiliates to a conflict of interest. Lotus will attempt to resolve such conflicts of interest in light of its obligations to investors in its Funds and any other investment vehicles managed by Lotus, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a manner it believes to be fair and equitable to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, Lotus will review the circumstances of such investment or relationship with a view to

addressing and reducing the potential for conflict. Where necessary, Lotus consults and receives consent to conflicts from an advisory board consisting of the limited partners of the relevant Fund(s) and such other investment vehicles.

More information about the Funds' investments and the associated risk factors is available in the Constituent Documents.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of every risk involved in an investment with Lotus. Prospective Investors should read the entire Brochure as well the Constituent Documents, agreement other materials provided by Lotus and consult with their own advisers prior to engaging Lotus' services.**

### Item 9 – Disciplinary Information

Neither Lotus nor its management persons have been a party to any legal or disciplinary events that would be material to an Investor's or prospective Investor's evaluation of its investment advisory business or the integrity of its management.

### Item 10 – Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither Lotus nor its management persons are registered, or have an application pending to register, with the SEC as a broker-dealer or broker-dealer representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Adviser

Neither Lotus nor its management persons are registered, or have an application pending to register, with the Commodity Futures Trading Commission as futures commission merchant, commodity pool operator, or a commodity trading adviser.

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

There are no other relationships or arrangements that are material to this advisory business other than Lotus' relationship with Starwood Capital Group ("SCG"), which is a real estate investment advisory fund that is indirectly controlled by Barry Sternlicht. Prior to Lotus becoming a registered investment adviser, SCG managed several energy related investment funds that would ultimately become managed by Lotus if and when Lotus gets all necessary approvals.

D. Selection of Other Advisors or Managers

Lotus does not utilize nor select other advisors or third party managers. All investments are managed by Lotus. For avoidance of doubt, if Lotus hires third party asset/energy managers

to assist with day to day operations of the assets, all such third party consults will report to Lotus.

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

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

Lotus has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act. The Code governs the activities of each member, officer, director and employee of Lotus (collectively, “Employees”). Lotus holds its Employees to a high standard of integrity and business practices that reflects its fiduciary duty to the Client. In serving its Client, Lotus strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the personal trading activities of its Employees and Client securities transactions. When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles as well as to the Code’s specific provisions: (a) at all times the interests of Client must be paramount; (b) personal transactions must be conducted consistent with the Code in manner that avoids any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain trading restrictions and reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must annually certify that they have received it and have complied with its provisions. In addition, any Employee who becomes aware of any potential violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

Lotus will provide a copy of its Code of Ethics to Clients and prospective Investors by submitting a written request to Lotus at the address on the cover page to this Brochure.

### **B. Recommendations Involving Material Financial Interests**

Neither Lotus nor its related persons recommends to Clients, or buys or sells for Client accounts, securities in which Lotus or a related person has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

Although Lotus’ policies and procedures prohibit its Employees and related persons from trading ahead of Clients in the same instruments that Lotus buys or sells for Client account, there may be circumstances in which Lotus, its Employees and/or related persons have holdings in the same instruments that Lotus buys or sells for Client accounts, and they may own securities, or options on securities, of issuers whose securities are subsequently bought for Client accounts because of Lotus’ recommendations regarding a particular security. Lotus’ policy as to such transactions is that neither Lotus nor any of its Employees or related persons are to benefit from price movements that could be caused by transactions for Client accounts or otherwise Lotus addresses this conflict by requiring Employees to sign and

adhere to Lotus' Code of Ethics and to report personal securities holdings and transactions to Lotus.

**D. Trading Securities At/Around the Same Time as Clients' Securities**

If Lotus, its Employees, or related persons of Lotus buy or sell securities for themselves that Lotus also recommends to the Client, Lotus will always document any transactions that could be construed as conflicts of interest and will always transact Client business before the business of its Employees and/or related persons when similar securities are being bought or sold.

## **Item 12 – Brokerage Practices**

**A. Factors Used to Select or Recommending Broker-Dealers**

Lotus provides investment advice with respect to private investments. As such, the Firm's transactions are privately negotiated and generally do not involve the use of a broker or dealer for the execution of transactions. The Firm will seek to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to the Investors. Due to the nature of the Firm's investment advice and relationship with its Funds, the Firm does not expect to engage in soft dollar arrangements with broker-dealers, consider Investor referrals when selecting or recommending a broker-dealer, or engage in directed brokerage. If, in the future, the Firm does utilize broker-dealers for transactions, this section will be updated accordingly.

**B. Aggregating Trading for Multiple Funds**

Lotus may (but is not required to) combine orders on behalf of Fund with orders for other Funds for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, Lotus will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Lotus believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a Fund than if that Fund had been the only Fund effecting the transaction or had completed its transaction before the other participants. Because of Lotus' relationship to the Funds it manages by virtue of its position as an investment manager, there may be circumstances in which transactions for such Funds may not, under certain laws, regulations and internal policies, be combined with those of some of Lotus' and its affiliates' other Funds, which may result in less advantageous execution for those Funds.

Lotus may place orders for the same security for different Funds at different times and in different relative amounts due to differences in investment objectives, cash availability, size of order and practicability of participating in "block" transactions. The level of participation by different Funds in the same security may also be dependent upon other factors relating to the suitability of the security for the particular Fund.

In addition, Lotus and/or its related persons or Funds may buy or sell specific securities for its or their own account that are not deemed appropriate for Funds at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the Funds are made. Where execution opportunities for a particular security are limited, Lotus attempts in good faith to allocate such opportunities among the Funds in a manner that, over time, is equitable to all Funds.

### **Item 13 – Review of Accounts**

A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

Lotus reviews Client accounts on a quarterly basis to track performance and compliance with fund operating documents. Asset allocation, cash management, market prospects and individual issue prospects are considered. The reviews are conducted by the accounting and finance team, under the direction of David Arbia, Managing Director and Chief Financial Officer.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews will take place more frequently if triggered by economic, market, or political conditions.

C. Content and Frequency of Regular Reports

Investors in the Funds will generally receive unaudited reports of performance quarterly and will receive audited year-end financial statements annually.

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

A. Economic Benefits Provided by Third Parties

Lotus does not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Client.

B. Compensation to Non-Advisory Personnel for Client Referrals

Lotus does enlist the services of private placement agents in respect of the offering of interests in the Funds. To the extent Lotus engages a placement agent, such placement agents are generally compensated based upon the capital committed to the Funds by Investors that were identified by such private placement agent(s), pursuant to a written agreement between Lotus and such private placement agent(s).

### **Item 15 – Custody**

All Fund assets will be held in custody by unaffiliated broker/dealers or banks that serve as qualified custodians; however, Lotus could be deemed to have access to Client accounts since

its affiliates will serve as general partners of the Funds. Investors in the Funds will not receive statements from the qualified custodian. Instead, the Funds will be subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements will be distributed to each Fund's respective investors. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

### **Item 16 – Investment Discretion**

The Funds' Constituent Documents generally authorize Lotus to invest and trade the assets in a broad range of investments, to be selected at Lotus' sole discretion, with no specific limitations as to type, amount, concentration, or leverage. Further, Lotus is generally permitted to enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate. Investment advice is provided directly to each Fund and not individually to the Investors of any Fund.

### **Item 17 – Voting Client Securities**

Lotus exercises voting authority over Client proxies and has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. The policies require Lotus to vote proxies received in a manner consistent with the best interests of the Client.

The policies also require Lotus to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the Clients. However, the policies permit Lotus to abstain from voting proxies in the event that the Clients' economic interest in the matter being voted upon is limited relative to the Clients' overall portfolio or the impact of the Clients' vote will not have an effect on its outcome or on the Clients' economic interests.

Certain of Lotus proxy voting guidelines are summarized below:

- Lotus votes for: uncontested director nominees recommended by management; the election of auditors recommended by management, unless a dispute exists over policies; limiting directors' liability; and eliminating preemptive rights.
- Lotus votes against proposals to: entrench the board or adopt anti-takeover measures; proposals to provide cumulative voting rights; and social issues.

Although many proxy proposals can be voted in accordance with Lotus' proxy voting guidelines, some proposals will require special consideration, and Lotus will make a decision on a case-by-case basis in these situations, including proposals to: eliminate director mandatory retirement policies; rotate annual meeting locations and dates; grant options and stock to management and directors; and indemnify directors and/or officers.

Where a proxy proposal raises a material conflict between Lotus' interests and the interests of the Clients, Lotus will seek to resolve the conflict in the best interest of the Clients.

### **Item 18 – Financial Information**

Lotus has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy petition.

A. Balance Sheet

Lotus does not require nor solicit prepayment of more than \$500 in fees per Client, six months or more in advance and therefore does not need to include a balance sheet with this Brochure.

B. Financial Condition

Lotus has discretionary authority over the Clients' assets. At this time, neither Lotus nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

C. Bankruptcy Petitions in Previous Years

Lotus has never been the subject of a bankruptcy petition.