



AETHON ENERGY MANAGEMENT LLC

Form ADV, Part 2A

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This Form ADV, Part 2A, the “**Brochure**”, provides information about the qualifications and business practices of Aethon Energy Management LLC (“**Aethon**”). If you have any questions about the contents of this Brochure, please contact Aethon at (214) 750-3820 or IR@AethonEnergy.com. 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. Additional information about Aethon also is available on the SEC’s website at www.adviserinfo.sec.gov. Aethon may refer to itself as a “registered investment adviser” or “**RIA**”. You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

This Brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of a confidential offering memorandum and other similar materials that contain a description of the material terms relating to such investment.



ITEM 2: MATERIAL CHANGES

The following material changes have been made to the Brochure since it was last updated on March 31, 2022.

Item 4, Advisory Business – This item was revised to update regulatory assets under management.

Item 8, Methods of Analysis, Investment Strategies and Risk of Loss – This item has been revised to update disclosure about risks related to catastrophic events.

The information set forth in this brochure is qualified in its entirety by the applicable offering and/or governing documents of each Aethon Fund. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering and/or governing documents, such documents will control.

Aethon encourages all clients and investors to carefully review this document in its entirety.



ITEM 3: TABLE OF CONTENTS

ITEM 2: MATERIAL CHANGES.....	2
ITEM 3: TABLE OF CONTENTS	3
ITEM 4: ADVISORY BUSINESS.....	4
ITEM 5: FEES AND COMPENSATION.....	6
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	10
ITEM 7: TYPES OF CLIENTS	12
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	13
ITEM 9: DISCIPLINARY INFORMATION	22
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	23
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	25
ITEM 12: BROKERAGE PRACTICES.....	28
ITEM 13: REVIEW OF ACCOUNTS	29
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION	30
ITEM 15: CUSTODY	31
ITEM 16: INVESTMENT DISCRETION	32
ITEM 17: VOTING CLIENT SECURITIES	33
ITEM 18: FINANCIAL INFORMATION	34



ITEM 4: ADVISORY BUSINESS

Firm Overview

Aethon Energy Management LLC, a Delaware limited liability company (“**Aethon**” or “**Investment Manager**”), was organized in 2014. Aethon provides investment management and other asset management services to affiliated private pooled investment funds and other investment vehicles with respect to direct and/or indirect investments in oil and natural gas properties and assets, including working interests and net profits interests. Aethon is wholly-owned by Gordon Huddleston (“**G. Huddleston**”).

Aethon provides investment management services to Aethon II-A LP (“**Aethon II-A**”), Aethon II-C LP (“**Aethon II-C**”), Aethon II-A CI-I AG LP (“**Aethon AG-I**”), and Aethon II-A CI-II AG LP (“**Aethon AG-II**”) (together the “**Aethon II Funds**”) and Aethon III-A LP (“**Aethon III**”), which together with the Aethon II Funds are the “**Aethon Funds**”. Each of the Aethon II Funds invests substantially all of its assets in Aethon United LP, which invests substantially all of its assets in Aethon United BR LP (“**Aethon BR**” and together with Aethon United LP “**Aethon United**”). Aethon serves as the asset manager and operator to Aethon United pursuant to a management services agreement. Aethon United ultimately holds all of the portfolio investments of the Aethon II Funds and is jointly owned by the Aethon II Funds and two other sophisticated institutional investors. Aethon III invests substantially all its assets in Aethon III LLC. Aethon serves as the asset manager and operator to Aethon III LLC pursuant to a management services agreement. Aethon III LLC ultimately holds all of the portfolio investments of Aethon III. Aethon III LLC is jointly owned by Aethon III and two other sophisticated institutional investors. Aethon’s investment advice is provided in accordance with the investment objectives and strategies described in the applicable offering and governing documents of the Aethon Funds, and the information in this Brochure is qualified in its entirety by the information set forth in such documents. Aethon does not ultimately control the decisions made at Aethon United and Aethon III LLC, and those decisions may be distinct from decisions that Aethon would make or would have made with respect to those entities.

Aethon II GP LP (“**Aethon II GP**”), an affiliate of Aethon, serves as the general partner of the Aethon II Funds, and Aethon III GP LLC (“**Aethon III GP**”) serves as the general partner of Aethon III. Aethon II GP and Aethon III GP are referred to herein as the “**GPs**” or “**General Partners**”. The General Partners rely on Aethon’s investment adviser registration with respect to any investment advisory activities conducted, instead of separately registering as an investment adviser with the SEC. Except as the context otherwise requires, any reference to “we,” “us,” or “our” in this document includes Aethon and the General Partners. Aethon United BR GP LLC, also an affiliate of Aethon, serves as the general partner of Aethon United BR. An affiliate of one of the institutional investors serves as the general partner of Aethon United LP.



As of December 31, 2022, Aethon had approximately **\$579 million** in gross regulatory assets under management (“**RAUM**”) for the Aethon Funds, all of which is managed in a discretionary manner. Aethon provides asset management services for Aethon United BR which had gross assets of ~**\$3,390** million as of that date. Aethon provides asset management services for Aethon III LLC which had gross assets of ~**\$ 2,565** million as of that date. Aethon United BR and Aethon III LLC assets are not separately reflected in the Firm’s RAUM.

Nature of Aethon’s Clients and Investors

The Aethon Funds are Aethon’s “**Clients**.” Aethon does not have a separate client relationship with investors in the Aethon Funds, which are referred to throughout this Brochure as “**Limited Partners**” or “**Investors**.” The Aethon Funds are Delaware limited partnerships that are not registered or required to be registered under the U.S. Investment Company Act of 1940 (the “**Investment Company Act**”) or the U.S. Securities Act of 1933 (the “**Securities Act**”) and are privately offered to qualified Investors in the United States and elsewhere. Investors in the Aethon Funds are typically domiciled in the U.S. and Europe and include institutions, endowments and foundations, wealth management firms, high net worth individuals, family offices and other investment entities that are accredited investors and qualified clients.

Aethon’s Investment Mandates

The Aethon Funds are managed in accordance with the investment objectives, strategies, and guidelines as set forth in the relevant Aethon Fund’s confidential offering memorandum, partnership agreements, organizational documents and other related documents (collectively “**Governing Documents**”) or investment management agreements, and in all cases investments are selected on the basis of the Client’s investment needs and objectives.

The Aethon Funds are not tailored to the individualized needs of any particular Investor, though each Aethon Fund may take into consideration the general characteristics (e.g., tax status) of its target Investors when structuring its operations. An investment in an Aethon Fund does not, in and of itself, create an advisory relationship between the Investor and Aethon, and Aethon typically does not enter into separate advisory arrangements with any Investor. Therefore, each Investor must consider for itself whether any Aethon Fund meets the Investor’s investment objectives and risk tolerance before investing in the Aethon Fund. Information about each Aethon Fund is set forth in its Governing Documents, which will be available to current and eligible prospective Investors only through Aethon or another authorized party.



ITEM 5: FEES AND COMPENSATION

Management Fees and Carried Interest

Aethon and the General Partners receive various fees from the Aethon Funds for their services as set forth in the Governing Documents or applicable investment management agreement. Aethon II-A is subject to a “**Management Fee**,” as defined in the Fund’s Governing Documents, which is initially charged as a percentage of a limited partner’s capital commitments, generally ranging from 1.5% to 2.0% depending on the size of the commitment. Following the Investment Period (as defined in the Governing Documents), the Management Fee is generally based on capital commitments that have been funded with respect to portfolio investments that have not been disposed. Management Fees are generally billed quarterly in advance and are paid through a “capital call”, by which the Investor is required to pay the required amount from its undrawn capital commitment to the Fund, or through a deduction from available cash. Investors in the Aethon Funds are generally subject to restrictions on transferring their interests, pursuant to the Governing Documents of each Aethon Fund.

The General Partners are generally entitled to receive a carried interest distribution of the net profits derived from the disposition of investments, after the return of capital contributions and a preferred rate of return (typically 8%) to Investors, (the “**Carried Interest**”), as defined in the Governing Documents for each Aethon Fund. Upon final dissolution of the Aethon Fund, the Aethon General Partner is generally required to return Carried Interest distributions to the extent that such distributions exceed the amounts that would have been distributed if such Carried Interest distributions were calculated on the aggregate basis covering all Aethon Fund transactions (subject to terms and limitations set forth in the applicable Aethon Fund’s Governing Documents). Carried Interest distributions are calculated from time to time upon the disposition of portfolio investments and are allocated or distributed to the General Partners or affiliate following the return of capital contributions and preferred return to Investors.

Aethon II-C does not pay a Management Fee. Aethon may waive or reduce Management Fees or Carried Interest for all or certain Investors or classes of Investors, at its discretion. Thus, different Investors in the same Aethon Fund may pay different Management Fees. Additionally, the GPs’ capital account will generally not be subject to Management Fees or Carried Interest. Except as otherwise agreed, Aethon is not obligated to waive or reduce Management Fees for any other Investor when offering waivers or reductions to a particular Investor. The Aethon Co-Investment Funds generally do not pay a Management Fee but do pay Carried Interest and are subject to other expenses as described below.

Aethon receives a monthly fee (the “**Monthly Management Charges**”) for the management services provided to Aethon United and Aethon III LLC. The fee is governed by the management services agreement and includes the amount of (i) all third-party costs and expenses reasonably incurred by Aethon in provision of the services to Aethon United or Aethon III LLC, as applicable, and (ii) the amount of general and administrative expenses of Aethon as allocated by Aethon to the provision of services to Aethon United or Aethon III, as applicable. All third-party costs and expenses shall be reimbursed “at cost” to Aethon, without subsequent markups, commissions or charges.



Organizational & Other Expenses

In addition to the Management Fee (if applicable), each Aethon Fund is responsible for paying or reimbursing Aethon or its affiliates for certain expenses (“**Fund Expenses**”) as outlined in the Governing Documents for each Fund. Fund Expenses may include the following:

- » **Organizational Expenses** – Expenses, costs and liabilities incurred in connection with (i) the offering and sale of the Interests and limited partner interests in any Parallel Fund, including placement agent costs and placement agent fees, (ii) the organization of the Fund, any Parallel Fund, the General Partner, the Investment Manager and their respective Affiliates and (iii) the negotiation, execution and delivery of the partnership agreement or other similar agreement in respect of the Fund and any Parallel Fund, the investment management agreement and any related or similar documents, including, without limitation, any related legal and accounting fees and expenses, travel expenses and filing fees. Notwithstanding the foregoing, placement agent fees generally will be treated as an offset against the Management Fee.
- » **Operating Expenses** – Expenses, costs and liabilities incurred in connection with the operation of the Fund and its Portfolio Investments and the performance by Aethon or an affiliate of their respective obligations under Fund Governing Documents and the Investment Management Agreement, including, without limitation, (i) the organization of any Alternative Investment Vehicle or Holding Vehicle, including documentation related thereto; (ii) the Management Fee; (iii) all expenses, costs and liabilities incurred in connection with the identifying, structuring, negotiating, making, monitoring, managing, sale, proposed sale, other disposition or valuation of Portfolio Investments and Temporary Investments or Portfolio Investments, Portfolio Assets and Temporary Investments considered for the Fund (including due diligence in connection therewith), including, but not limited to, legal, accounting, audit and other expenses (to the extent not subject to reimbursement); (iv) salaries, bonuses, benefits and other expenses of their respective employees or consultants (such personnel to include, but shall not be limited to: engineering; land; geology; geophysics; accounting; tax; human resources and administration); (v) costs and expenses typically included in or incurred in connection with joint operating agreements; (vi) all expenses and costs incurred as a result of a proposed transaction or investment by the Fund that is not consummated (“**dead deal expenses**”), to the extent not reimbursed by a third party; (vii) all expenses, costs and liabilities incurred in connection with litigation or other extraordinary events, D&O liability and other insurance and indemnity expenses; (viii) all taxes, fees and other governmental charges payable by the Fund, expenses incidental to the transfer, servicing and accounting for the Fund’s cash and securities, including all charges of depositories and custodians, and all expenses incurred by the General Partner in its role as Tax Matters Partner or a similar role under applicable foreign, state or local tax law; (ix) communications expenses and costs; (x) all expenses and costs associated with meetings of the Limited Partners; (xi) all expenses and costs of the Advisory Committee; (xii) brokerage commissions, custodial expenses, appraisal fees and other investment costs actually incurred in connection with Portfolio Investments and Temporary Investments; (xiii) all expenses and costs of liquidating the Fund and its subsidiaries; (xiv) all



expenses and costs incurred in connection with the maintenance of the Fund's books of account and the preparation of audited or unaudited financial statements required to implement the provisions of this agreement or required by any governmental authority with jurisdiction over the Fund (including, without limitation, fees and expenses of independent auditors, accountants and counsel, the costs and expenses of preparing and circulating reports to Limited Partners and any fees or imposts of a governmental authority imposed in connection with such books and records and statements) and other routine administrative expenses of the Fund or its subsidiaries, including, but not limited to, the cost of the preparation of returns, cash management expenses and insurance and legal expenses; (xv) the Fund's pro rata share of the expenses of the Investment Manager with respect to the operation and development of the Fund's properties and review of potential Fund investments; and (xvi) all expenses and costs incurred in connection with any indebtedness of the Fund or credit arrangement (including any line of credit, loan commitment or letter of credit for the Fund or related to any Portfolio Investment (or any underlying asset)). Notwithstanding the foregoing, the Fund shall not be responsible for payment of the following expenses, and such payment shall not be borne by or reimbursed by the Fund: (A) ordinary operating expenses of the General Partner; or (B) lease or other payments for the General Partner's office space, utilities and office equipment.

The Aethon Funds, Aethon United or Aethon III LLC, as applicable, will pay or reimburse Aethon or an affiliate and their respective employees, agents, advisors, managers and members for any and all expenses, costs and liabilities incurred by them in the conduct of the business of the Funds, General Partners, Investment Manager, Asset Manager or Operator in accordance with Fund Governing Documents. Expenses reimbursed may include business class, first class or private travel and entertainment expenses.

Aethon or Aethon II GP generally are responsible for the proportionate amount of compensation and employee benefit expenses allocable to the Partners of Aethon (the "**Executive Team**"), ordinary overhead and administrative expenses of its General Partner, and lease or other payments for the General Partner's office space, utilities, and office equipment to the extent incurred in connection with the operations of Aethon United ("**General Partner Expenses**").

Investors are charged for Fund Expenses either through a capital call or through a deduction from available cash held by the Aethon Fund, as selected by Aethon. Portfolio assets may directly pay for certain expenses or reimburse Aethon or an affiliate for expenses incurred in connection with such investment. Aethon discloses certain information about the amount and nature of Fund Expenses in capital call notices and Aethon Fund financial statements. However, Investors generally do not receive detailed information regarding specific Fund Expenses paid. In addition, other than the Aethon Fund financial statements, investors will not receive additional information about the expenses paid or reimbursed by Aethon United or Aethon III LLC.



Shared expenses incurred in evaluating potential investments or managing portfolio assets will be shared jointly by each Aethon Fund, and the other institutional investors in Aethon United or Aethon III LLC, to the extent that Fund or investor participates or may participate in the investment, in proportion to the investor's investment. Dead deal expenses are generally paid or reimbursed by the affected Fund and any co-investors that are expected to participate in the specific portfolio investment.

This section provides an overview of the general fees and expenses to which Aethon Fund Investors are subject but is not an exhaustive list of all Fund Expenses. Fund Expenses are described more fully in the Governing Documents for each Aethon Fund.



ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As noted above, the Aethon Funds generally pay Carried Interest to the General Partners that is tied to the performance of the relevant Aethon Fund. In addition, Aethon II GP shares in the profits of Aethon United and Aethon III LLC as a Class B partner, as outlined in the Governing Documents of Aethon United. Aethon's receipt of performance-based fees and profit sharing raises certain conflicts of interest, which are described below. Certain of Aethon's individual employees, agents and affiliates may be compensated to some extent based upon investment profits for which they are responsible and, accordingly, may face the same potential conflict.

Investment Selection

Performance-based fees and other arrangements where the incentive to achieve gains may exceed the disincentive to suffer losses may cause Aethon to choose investments that are riskier or more speculative than might otherwise have been chosen.

To mitigate these conflicts, Aethon's related persons have invested substantial personal funds in the Aethon Funds, and Aethon's policies and procedures are designed to ensure that investment decisions are made in accordance with the fiduciary duties owed to the Clients and without consideration of Aethon's (or its personnel's) pecuniary, investment, or other financial interests. Aethon further attempts to mitigate conflicts of interest associated with Carried Interest distributions through (i) the requirement that invested capital, a preferred return and expenses be returned to Investors before Aethon's affiliate is entitled to receive any Carried Interest distributions; and (ii) the clawback obligation of Aethon's affiliate upon liquidation of the applicable Aethon Fund.

Side-by-Side Management

Different Aethon Funds may have different Carried Interest provisions or may be eligible for different Carried Interest allocations based on the investment returns of such Fund or entity. Such differences could incent Aethon to favor one Fund or Client over another in its investment allocations, make investments in one Fund or entity that are intended to prop up investments in another Fund or entity, or manipulate the sequence of dispositions. These potential conflicts are mitigated by the fact that each of the Aethon Funds invest substantially all of their assets in Aethon United or Aethon III LLC and have a shared interest with other Investors in maximizing returns of the Aethon United and Aethon III LLC assets.

To the extent that Aethon establishes any parallel Funds, such Funds will generally be structured to accommodate different tax considerations for certain types of Investors, as outlined in the Governing Documents. Parallel Funds will generally invest in the same properties and assets but certain Funds may own a working interest while others own a net profits interest in such assets.



Pursuant to Aethon Fund Governing Documents, Aethon generally will not launch a subsequent Aethon Fund(s) (other than other parallel Aethon Funds, alternative investment vehicles or co-investment vehicles to accommodate investments in the same portfolio of assets) with primary objectives similar to the current Aethon Funds (a “**Successor Fund**”) until the investment periods for the prior Aethon Funds have expired; therefore multiple Aethon Funds generally will not be making new investments concurrently. Investments by the Aethon Funds in a portfolio investment or asset owned by another Aethon Fund or Aethon affiliate generally must be disclosed to and approved by the Limited Partner Advisory Committee as established under the Governing Documents for each Aethon Fund (“**Advisory Committee**”) for each relevant Aethon Fund to address potential conflicts of interest.



ITEM 7: TYPES OF CLIENTS

Aethon provides investment management services to the Aethon Funds, which are private funds exempt from registration under the Investment Company Act and Securities Act. Investors in the Aethon Funds are generally institutional investors, high net worth investors and related investment entities, that are “**accredited investors**,” “**qualified clients**” and “**qualified purchasers**” (if required pursuant to the fund’s exemption), within the meaning of the Securities Act, the Advisers Act and the Investment Company Act, respectively.

The Aethon Funds have a specified minimum investment as set forth in their Governing Documents which is generally \$1 million. This minimum investment is subject to discretion, and Aethon or its affiliates may permit investments of a smaller amount generally or with respect to any Investor.

The General Partners, on behalf of an Aethon Fund, may from time to time enter into letter agreements or other similar arrangements (collectively, “**Side Letters**”) with one or more Limited Partners that have the effect of establishing rights under, or altering or supplementing the terms of the Partnership Agreement or any subscription agreement. As a result of such Side Letters, certain Limited Partners may receive additional benefits that other Limited Partners will not receive. The General Partners will not be required to notify any or all of the other Limited Partners of any such Side Letters or any of the rights or terms or provisions thereof, nor will the General Partners be required to offer such additional or different rights or terms to any or all of the other Limited Partners.



ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Following is a summary of the investment strategies and risks involved in Aethon's investment activities. Investors and potential Investors should review the applicable Governing Documents for the particular Aethon Fund(s) in which they are considering investing for a more comprehensive discussion of the relevant risks associated with investing in that Aethon Fund.

Methods of Analysis and Investment Strategies

The Aethon Funds seek to acquire and exploit onshore oil & gas assets in North America. Aethon focuses on acquiring assets with minimal development risk, substantial resources in place and significant upside optionality. Aethon intends to acquire a combination of onshore operated, non-operated, and mineral assets in North America in order to achieve an optimal risk profile, which balances principal protection and long-term cash flow generation. All potential investments will be subject to extensive operational and technical due diligence that will examine historical and projected production and financial performance, lease operating expenses, commodity prices and differentials, sales contracts, comparative analysis, and risk assessment, including environmental risk analysis.

Aethon's investment discipline emphasizes downside protection and the preservation of capital by opportunistically pursuing transactions where it believes the risk/reward profile can be altered in its favor. Aethon expects to acquire oil & gas assets that provide superior returns through reserve development and replacement, identifying unappreciated assets, improved efficiency and cost reduction, disciplined hedging, and financing and divestiture strategies. Among other things, this includes purchasing high-quality reserves in basins where Aethon has an understanding of the geology, petrophysics, basis differential, marketing options, and production declines.

Upon acquisition, Aethon will seek to maximize the return on investment by implementing operational efficiencies and reducing costs, as well as applying the considerable technical expertise of its management and technical staff to exploit the potential of the acquired assets.



Investment Risks

Aethon's investment activities involve a significant degree of risk. There can be no assurance that the Aethon Funds will achieve their investment objectives or that an investment in the Aethon Funds will be profitable. The Aethon Funds' investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this Brochure is intended to imply, and no one is or will be authorized to represent, that an investment in the Aethon Funds is low risk or risk free. The Aethon Funds' investment strategies and programs are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective Investors should consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with these investment strategies and processes. The following risks are qualified in their entirety by the risks set forth in the Aethon Funds' Governing Documents.

Oil & Gas Risks

Volatility of Crude Oil and Natural Gas Prices

The revenues, profitability, and future growth of Aethon Fund investments depend substantially on prevailing prices for oil & gas. Historically, prices for oil & gas have been extremely volatile and are likely to continue to be extremely volatile in the future. These prices will affect the amount of cash flow available for distribution by each Aethon Fund. Among the factors that can cause fluctuations in oil & gas prices are the domestic and foreign supply of oil & gas, the level of demand and inventory levels, the price and availability of alternative fuels, weather conditions, the price of foreign imports, worldwide economic conditions, political conditions in oil & gas producing regions, and domestic and foreign governmental regulations.

Uncertainty of Reserve and Acquisition Assumptions

Estimating accumulations of oil & gas is complex and is not exact because of the numerous uncertainties inherent in the process. The process relies on interpretations of available geologic, geophysical, engineering and production data. The extent, quality, and reliability of this technical data can vary. The process also requires certain economic assumptions, such as oil & gas prices, drilling and operating expenses, capital expenditures, taxes, and availability of funds. The actual future production, well life, oil & gas prices, drilling and operating expenses, capital expenditures and taxes, with respect to a property, will most likely vary from the estimates thereof at the time of the acquisition of the property. Any significant variance could materially adversely affect the quantities and value of any acquisition by the Aethon Funds.

Operating Hazards

The oil & gas business involves a variety of operating risks, including the risk of fire, explosions, blow-outs, pipe failure, casing collapse, abnormally pressured formations, and environmental hazards such as oil spills, gas leaks, ruptures and discharges of toxic gases. The occurrence of any of these could result in substantial losses to the Aethon Funds due to injury and loss of life, severe damage to and destruction of property, natural resources and equipment, pollution and other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations.



Extensive Environmental and Other Regulation

The Aethon Funds' operations are subject to extensive federal, state, and local laws and regulations. Under these laws and regulations, the Aethon Funds may be liable for personal injuries, property damage, and other damages. Failure to comply with these laws and regulations may result in the suspension or termination of Aethon Funds' operations and subject the Aethon Funds to administrative, civil, and criminal penalties. There is an inherent risk that the Aethon Funds may incur significant environmental costs and liabilities due to the nature of its business. For example, an accidental release from one of its wells, even though the Aethon Funds are not the operator, could subject the Aethon Funds to substantial liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage, and fines or penalties for related violations of environmental laws or regulations.

Drilling Permissions Risks

Public interest in environmental protection has increased in recent years, and environmental organizations have opposed, with some success, certain drilling projects. Drilling and development activities require federal, state, and local review (including environmental reviews) and approvals. Delays in obtaining such approvals or the imposition of onerous conditions on such approvals could have a material adverse effect on the Aethon Funds' ability to develop properties and the value thereof.

Substantial Capital Requirements

A substantial amount of capital is required to acquire, explore, develop, produce and market oil & gas reserves. Lower oil & gas prices or operating difficulties affecting assets acquired by an Aethon Fund may result in its cash flow from operations being less than expected. This may limit the ability of an Aethon Fund to expend the capital necessary to undertake or complete drilling and development activities unless additional funds are raised through other means including debt and equity offerings. If an Aethon Fund is unable to participate in drilling and development activities proposed by co-owners in the properties owned by the Aethon Fund, it will be subject to non-consent penalties that may include loss of the Aethon Fund's interests or require that all cash flow from the properties be distributed to the participating parties until they have recouped some multiple of their expenditures. There can be no assurance that an Aethon Fund will be able to raise or borrow the capital required to continue funding its capital expenditure requirements.

Pipeline Capacity; Shut-in Wells; Delays in Production

The marketability of production may depend upon the availability and capacity of oil & gas gathering systems and pipelines, the effect of federal and state regulation of such production and transportation, general economic conditions, changes in supply due to drilling by other producers and changes in demand. These could adversely affect the Aethon Funds' ability to market production. Production from wells drilled in areas remote from marketing facilities may be delayed until sufficient reserves are established to justify construction of necessary pipelines and production facilities.



Delay in Distributions of Revenue

Distribution of revenue may be delayed for substantial periods of time after discovery of hydrocarbons due to unavailability of, or delay in obtaining, necessary material for completion of a well, reduced takes by purchasers due to market conditions, delays in obtaining satisfactory purchase contracts and connections for wells, delays in title opinions and obtaining division orders and other circumstances.

Leverage

One or more portfolio investments may use significant leverage. Due to such leverage, such portfolio investments may be more sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such companies. If for any of these reasons a portfolio investment is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness, meet financial or other covenants required by such indebtedness, or make regular dividend payments, the value of an Aethon Fund's investment in such portfolio investments could be significantly reduced or even eliminated.

Hedging Transactions & Derivatives

Aethon Funds will not engage in short selling or shorting transactions but may from time to time purchase or sell forwards, swaps, and/or options on currencies, securities, and indices. It is the intention of the Aethon Funds to engage in such hedging transactions primarily as a way to mitigate risk associated with portfolio investments; however, it is generally impossible to fully hedge a portfolio investment given the uncertainty as to the amount and timing of projected cash flows and investment returns, if any, on the portfolio investment. This may lead to losses on both the portfolio investment and the related transaction. Conversely, there will be times during which the General Partner believes that it is not advisable to enter into hedging transactions; accordingly, an Aethon Fund may be exposed to fluctuations in currencies and other market conditions specific to the underlying asset. The success of the Aethon Funds' hedging transactions will be subject to the ability to correctly predict movements in, and the direction of, currency exchange rates, interest rates, and public security prices.

Options, forward contracts, swaps, and other instruments the Aethon Funds may utilize for hedging purposes are each subject to various risks, as outlined in more detail in an Aethon Fund's Governing Documents. The prices of derivative instruments, including forward contracts, swaps and options, are highly volatile and may be 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. Hedging transactions will also present counterparty risk and there is no limit on the exposure that may be incurred to any single counterparty under over-the-counter derivative instruments, exchange listed securities, options, repurchase agreements, or other similar transactions and, as a result, if any such counterparty becomes unable to pay amounts due on such instruments or transactions, the financial losses to an Aethon Fund would be greater than if such limits were imposed.



Fund Risks

Absence of Operating History and Limited Value of Historical Performance Data

Certain of the Aethon Funds are newly created funds that have no operating history upon which prospective Limited Partners can evaluate the likely performance of the Aethon Funds. The past investment performance information provided to prospective Investors relates to internal and external funds previously managed by affiliates of Aethon and is not necessarily indicative of the future results of the Aethon Funds. While the General Partner intends to make investments that have estimated returns commensurate with the uncertainties involved, there can be no assurances that the Aethon Funds' investment objectives will be achieved. In view of the current geopolitical situation, it is possible that significant disruptions in, or historically unprecedented effects on, the financial markets and/or the businesses and projects in which the Aethon Funds invest may occur, which could diminish any relevance that historical performance data of the Investment Manager may have to the future performance of the Aethon Funds.

Highly Competitive Market for Investment Opportunities

The activity of identifying, negotiating, and closing acquisitions in the energy sector is highly competitive and involves a high degree of uncertainty. There can be no assurance that the Aethon Funds will be able to find or complete acquisitions at attractive prices, that any acquisition or any drilling activities will be successful or that Aethon will be able to fully invest Aethon Fund commitments. The availability of investment opportunities generally will be subject to market conditions as well as the prevailing regulatory or political climate. The Aethon Funds will compete for acquisition opportunities, and for drilling rigs and other services, with major and diversified energy companies and large independent energy companies with significantly greater financial, technological and employee resources than Aethon.

Concentration of Investments

The Aethon Funds will participate in a limited number of portfolio investments and, as a consequence, the aggregate return of the Aethon Funds may be affected by the performance of a single portfolio investment. Furthermore, to the extent that the capital raised is less than the targeted amount, the Aethon Funds may invest in fewer portfolio investments and thus be less diversified.



Illiquid and Long-term Investments

Although oil & gas properties acquired by the Aethon Funds are expected to generate current income, the return of the Limited Partners' capital and realization of the Limited Partners' preferred return from their investment generally will occur only upon the partial or complete disposition of Aethon Fund properties. Although the sale of acquired properties may occur at any time, Aethon does not expect that this will occur until a number of years after the investments are made. Upon the dissolution of the Aethon Fund at the end of the Aethon Fund's term, depending on oil & gas prices and the market for oil & gas properties and related assets, the Limited Partners who are unaffiliated with the General Partner may elect to either (i) receive in-kind distributions in the form of working interests in the oil & gas properties owned by the Aethon Fund, with such Limited Partners then holding such assets directly with all of the risks of owning oil & gas properties and assuming full responsibility for managing such interests, or (ii) sell their interests in such oil & gas properties and related assets to the General Partner at fair market value in accordance with the Partnership Agreement.

Follow-On Investments

Following the initial investment in a portfolio investment, an Aethon Fund may be called upon to provide additional funds or have the opportunity to increase its investment in such portfolio investment or to fund additional investments through such portfolio investment. There is no assurance that the Aethon Fund will make follow-on investments or that the Aethon Fund will have sufficient funds to make all such investments. Any decision by Aethon not to make follow-on investments or its inability to make them may have substantial negative impact on the portfolio investment in need of such investment.

Recycling; Reinvestment

Pursuant to the terms of the relevant Aethon Fund Governing Documents, Aethon may recycle proceeds received in respect of a portfolio investment during the investment period, or amounts contributed in respect of a bridge financing or other investment that are refinanced or otherwise repaid. Accordingly, such amounts may be reinvested in other portfolio investments subject to investment and other risks associated with such portfolio investments.

Exclusive Reliance upon Aethon for Management of the Aethon Funds

The General Partners will exclusively manage and control all aspects of the business of the Aethon Funds and will make all decisions respecting the business of the Aethon Funds and has appointed the Investment Manager to manage each Aethon Fund's day-to-day operations and investment program. Aethon's senior management team will exclusively manage and control all aspects of the business of the Aethon Funds. Investors will not have an opportunity before purchasing interests in an Aethon Fund to evaluate for themselves the relevant geophysical, geological, economical, or other factors regarding the potential acquisition(s) to be selected.



Joint Activities with Others

The Aethon Funds may acquire less than the full working interest in portfolio investments and, as a result, may engage in joint activities with other working interest owners. The Aethon Funds could be held liable for the joint activity obligations of the other working interest owners, such as nonpayment of costs and liabilities arising from the actions of the working interest owners. Full development of the properties may be jeopardized in the event of the inability of other working interest owners to pay their respective shares of drilling and completion costs.

Third-Party Advice

The Aethon Funds, the General Partners, and the Investment Manager utilize the services of attorneys, accountants and other consultants in their operations. The Aethon Funds, the General Partners, and the Investment Manager generally rely upon such advisors for their professional judgment with respect to legal, tax and other regulatory matters. Nevertheless, there exists a risk that such advisors may provide incorrect advice from time to time. None of the Aethon Funds, the General Partners, or the Investment Manager will have any liability to Limited Partners for any reliance upon such advice.

Other Risks

Cybersecurity Risks

Aethon, the Aethon Funds and their respective affiliates and service providers depend on information technology systems and, notwithstanding the diligence that Aethon or its affiliates may perform on its or the Fund's (or any other clients') service providers, they may not be in a position to verify the risks or reliability of such information technology systems. Aethon, the Funds and their respective affiliates and service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. Aethon, its affiliates and their respective information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Aethon has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Aethon or an affiliate may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Aethon's, a Fund's or any of their respective affiliates' operations 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). Such a failure could harm Aethon's or its affiliates' reputations, subject any such entities and their respective affiliates to legal claims and otherwise affect their business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Funds or individual investors by interfering with Aethon's operations and those of its affiliates (or their service providers). The Funds may also incur substantial costs as the result of a cybersecurity breach, including those associated with



forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Funds, Aethon and their respective affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Funds may be required to indemnify Aethon and its affiliates against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

Epidemics, Pandemics, and Public Health Issues

Aethon's business activities, as well as that of clients and their operations and investments, could be adversely affected by the outbreaks of epidemics, such as CoronaVirus, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Specifically, CoronaVirus, or COVID-19, has spread rapidly around the world since December 2019 and has negatively affected the global economy; oil, gas and commodity markets; and the stock market. Although the ongoing and long-term effects of coronavirus cannot be predicted with certainty, the pandemic to date, as well as previous occurrences of other pandemic and epidemic diseases, such as H5N1 and H1N1, have had an adverse effect on the economies of United States and other countries in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the business, financial condition and operations of Aethon and its clients. Should these or other major public health issues, including pandemics, arise or spread farther, Aethon and its clients could be adversely affected by more stringent travel restrictions, additional limitations on the firm's operations or business and governmental actions limiting the movement of people between regions and other activities or operations.

Force Majeure & Catastrophic Risks

Aethon and the Funds may be subject to operational risk from unforeseeable and uncontrollable catastrophic events, including fires, floods, earthquakes, adverse weather conditions and related power outages, water shortages or other damage caused by such events, changes in law, eminent domain, wars, riots, terrorist attacks, and other similar risks, which may be uninsurable or insurable at rates that Aethon deems uneconomic. These events could result in loss and litigation, among other potentially detrimental effects.

Russia/Ukraine Conflict

In February 2022, armed conflict escalated between Russia and Ukraine and Russia invaded Ukraine. In response to Russia's invasion of Ukraine, the United States, the European Union and various other countries have announced, and continue to announce and expand, sanctions against or targeting Russia and various important Russian people and companies. These sanctions currently include, among others, restrictions or bans on selling or importing goods, services or technology in or from Russia, bans on Russian energy imports, and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. The U.S. and other countries could impose wider or more significant sanctions and take other actions against Russia or its interests should the conflict further escalate or deteriorate. The Ukraine-Russia conflict has led to,



and may continue to lead to, significant political, geopolitical, economic and market turmoil and volatility, including dramatic increases and/or instability in oil and gas prices and further supply chain disruptions. It is not possible to predict the broader consequences of this conflict or the sanctions imposed or applied as a result thereof, which could include further sanctions, embargoes, cyberattacks, regional instability, geopolitical shifts, conflicts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact a Fund's or investment's business, financial condition and results of operations.

The Aethon Funds are subject to other risks related to the structure and operations of the Aethon Funds and other factors, as described in greater detail in Aethon Fund Governing Documents. These risks include, among others:

- » Restrictions on Purchase and Transfer / Lack of Liquidity
- » Penalties for Failure to Make Capital Contributions
- » Liability for Return of Distributions
- » Recourse to Assets
- » Litigation Risks
- » Legal & Regulatory Risks
- » Tax Risks

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE INVESTMENT STRATEGIES OF, OR THAT ARE APPLICABLE TO, THE FUNDS.



ITEM 9: DISCIPLINARY INFORMATION

Aethon is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Aethon or the integrity of Aethon's management.

Aethon has no information to disclose in response to this Item.



ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Aethon Energy Operating Company

Aethon is affiliated with Aethon Energy Operating LLC, Hyperion Oil & Gas, LLC, and affiliates (collectively “**AEO**”). AEO was founded in 1990 by Albert Huddleston (“**A. Huddleston**”) and has a 27-year history of acquiring, operating, and developing oil & gas assets. AEO serves, or may serve, as the operator for Aethon Funds and other client properties and assets. The Aethon Funds and other clients are responsible for salaries and other expenses incurred by AEO in providing services to the Aethon Funds and portfolio investments, as discussed in Item 5 above. AEO also serves as operator for other oil & gas assets owned by affiliates and related persons of Aethon.

To the extent that AEO or any affiliate provides services to any Aethon Fund, client or portfolio investment that would otherwise be provided by independent third parties, Aethon or any such affiliate, as applicable, will receive fees at rates customarily charged for similar services by persons engaged in the same or substantially similar activities and the provisions of any such agreement shall be at least as favorable to the Aethon Fund or such portfolio investment as the terms reasonably expected by the General Partner to be available in an arm’s-length transaction with an independent third party.

General Partners

Aethon II GP and Aethon III serve as the general partners of the Aethon Funds as described above. As noted in Item 4 above, each General Partner is a “Relying Adviser” of Aethon and its activities and the activities of its employees and the persons acting on its behalf are subject to Aethon’s supervision and control. Aethon and the Relying Adviser are subject to the Advisers Act and operate under a unified compliance program administered by a single chief compliance officer in accordance with the Advisers Act. Aethon United BR GP serves as the general partner of Aethon United BR. Aethon and each GP entity share the same office space and personnel.

Other Investment Vehicles

In addition to the Aethon Funds, Aethon or an affiliate serves as the investment manager to certain other entities, including internal and external investment vehicles established prior to the formation of the Aethon Funds (“**Legacy Funds**”), which hold existing oil & gas assets similar to Aethon Fund portfolio investments (“**Existing Activities**”). Further, pursuant to Aethon Fund Governing Documents, Aethon may in the future establish Successor Funds. As such, certain conflicts could arise in the allocation of investment opportunities and in connection with the acquisition and/or disposition of investments. Aethon attempts to manage such conflicts through disclosures in Aethon Fund Governing Documents and this Brochure and investment allocation procedures as discussed below and in Item 12.



Co-Investments

Certain Co-Investment Funds were created to purchase an asset that was too large for the existing fund due to limited capital. These Co-Investment Funds were structured to allow certain co-investors to invest alongside the Aethon Funds in portfolio investments and are now part of the Aethon Fund structure.

At the discretion of the General Partners, Limited Partners or third parties may in the future be invited by the applicable General Partner to co-invest with the Aethon Funds in transactions on substantially the same terms and conditions as an Aethon Fund. Co-investment opportunities may be offered as interests in a limited partnership or other similar entity formed for each such investment (a “**Co-Investment Entity**”). Unless otherwise specified under Aethon Fund Governing Documents, the General Partners will allocate available investment opportunities among the Aethon Funds or other Co-Investment Entities, and any third parties as it may in its sole and absolute discretion determine. Aethon generally expects to offer co-investment opportunities to all Limited Partners, whenever feasible, unless it determines it is impracticable to do so for a particular co-investment opportunity.

Other Activities

Aethon employees are generally expected to devote their full professional time and efforts to the business of the Aethon Funds and related activities and avoid activities that could present actual or perceived conflicts of interest. Aethon employees must generally obtain prior approval for outside activities, except as specifically contemplated by the Aethon Fund Governing Documents.

During the Investment Period for each Aethon Fund, A. Huddleston will devote substantially all of his business time and attention to the business of the Aethon Funds (including any parallel Aethon Fund, any alternative investment vehicle and any co-investment entity), Aethon, the General Partner, any permitted Successor Fund and their respective affiliates and, thereafter, will devote such amount of time and attention to each Aethon Fund as is reasonably necessary to manage and direct the operations, business and affairs of the Aethon Funds. In addition, A. Huddleston may (i) engage in Existing Activities (as defined above); (ii) serve as an officer or director on behalf of investment funds or portfolio investments owned or controlled by Aethon and its affiliates; (iii) engage in civic, professional, industry and charitable activities; (iv) conduct and manage personal and family investment activities; or (v) engage in any other activities approved by the Advisory Committee.

Other Registrations

Neither Aethon nor any of its principals is registered, or has an application pending to register, as a securities broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, or commodity trading advisor.



ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Participation in Client Transaction Transactions

Aethon, its affiliates and related persons, may invest or otherwise hold an interest, either directly or indirectly, in the Aethon Funds and any parallel vehicle, alternative investment vehicles, or co-investment entities related to such funds (“**Aethon-Related Funds**”). During the term of the Aethon Funds, neither Aethon nor any affiliate may acquire, invest in or hold interests in any existing or prospective portfolio investment for an Aethon Fund without the consent of the respective Advisory Committee, except: (i) Aethon-Related Aethon Fund investments; (ii) warehoused transactions, as discussed below, and (iii) securities granted or paid to Aethon or an affiliate in such Person’s capacity as member of the board of directors (or equivalent governing body) of such portfolio investment.

Pursuant to Aethon Fund Governing Documents, the Aethon Funds may (i) without Advisory Committee approval, purchase from Aethon or an affiliate thereof, Aethon-Related Funds, or the Legacy Funds, some or all of the securities of one or more prospective portfolio investment which were “warehoused” in contemplation of a transfer to the Aethon Funds, at cost plus interest and reimbursement of “deal expenses”; (ii) sell to one or more Successor Funds or an affiliate, the securities of one or more portfolio assets which were “warehoused” in contemplation of a transfer to such Successor Fund on or shortly after the initial closing date of such Successor Fund, at cost plus interest and reimbursement of “deal expenses”; and (iii) sell securities and assets to, and purchase securities and assets from, any Aethon-Related Fund. Aethon will disclose the details of each transaction and obtain the prior consent of the Advisory Committee (which consent shall constitute consent of the Aethon Fund) with respect to any principal transaction that would be prohibited by Section 206(3) of the Advisers Act without Client consent. In the event that prior to a Fund’s closing Aethon has identified one or more prospective warehoused investments, Aethon will disclose to each potential investor in the Fund sufficient details regarding each such proposed transaction to enable such investor to make an informed consent to such transaction in conjunction with making a decision to invest in the Fund and executing subscription documents. To the extent that the Advisory Committee for a Fund has been established at the time such warehoused transaction is completed, Aethon will further disclose to the Advisory Committee the details of such transaction and obtain consent from the Advisory Committee for such transaction.

Aethon, its affiliates, and related persons hold an interest in existing oil & gas investments through the Legacy Funds, as discussed in Item 10 above. Pursuant to Aethon Fund Governing Documents, Aethon and its affiliates have the right to pursue any opportunity that consists of (i) the acquisition of an additional interest in an investment in which Aethon or an affiliate owns an interest prior to the initial closing of the Aethon Funds; or (ii) the acquisition of oil & gas assets or companies involved in the exploration, ownership, production, development, transportation or storage of oil & gas, if such assets



or companies are located within ten (10) miles of the county in which the properties or assets from Existing Activities are located as of the initial closing.

As a fiduciary to its clients and investors, Aethon will evaluate each potential transaction, including initial investments, follow-on investments, working interest swaps, restructurings, asset or investment sales, as well as other transactions or investment management activities that Aethon or an affiliate executes or conducts on behalf of any Client, to identify potential conflicts of interest. As part of such analysis, Aethon will consider whether and to what extent a potential transaction should be presented to the Advisory Committee for review and approval and or whether disclosure should be made to all investors regarding a potential conflict.

Code of Ethics

Aethon's Code of Ethics governs personal transactions by supervised persons and is intended to assure that their interests do not conflict with the interests of Clients or, as applicable, Investors in the Aethon Funds. As such, Aethon's Code of Ethics includes: (i) standards of business conduct, requiring that supervised persons comply with relevant provisions of the federal securities laws and the fiduciary duties an investment adviser owes to its Clients; (ii) personal securities transaction policies governing the personal investment activities of relevant personnel and requiring the submission by Access Persons of reports regarding their personal trading accounts and activities; and (iii) an insider trading policy. Aethon will furnish a copy of the Code of Ethics to Clients or Investors upon request.

To assist Aethon in monitoring personal trading activities and in order to detect potential conflicts of interest or violations of the Code, fiduciary duty or applicable law, Access Persons must provide periodic reports with respect to personal securities transactions, holdings and accounts, including annual reports of holdings in certain, reportable securities, and quarterly reports of their personal transactions in reportable securities. In addition, Access Persons must obtain approval prior to investing in initial public offerings ("**IPOs**") and private placements. Aethon will maintain and periodically update a Restricted List that includes issuers for which Aethon believes it is prudent to restrict trading. Access Persons are further prohibited from investing in securities listed on the Restricted List without prior approval.

Insider Trading Policy

Aethon and its related persons may, from time to time, come into possession of material nonpublic and other confidential information, which, if disclosed, might affect an investor's decision to buy, sell, or hold a security. Under applicable law, Aethon may be prohibited from improperly disclosing or using such information for its personal benefit or for the benefit of any other person, regardless of whether that other person is a Client. Accordingly, should Aethon come into possession of material nonpublic or other confidential information with respect to any company, it may be prohibited from using that information for the benefit of its Clients or communicating that information to Clients, Investors or others. Accordingly, Aethon's Code of Ethics establishes procedures to prevent the misuse of material nonpublic information by Aethon's supervised persons. Aethon shall have no obligation or responsibility



to disclose such information to, nor responsibility to use that information for the benefit of, the Clients when following policies and procedures designed to comply with law.



ITEM 12: BROKERAGE PRACTICES

Brokerage Practices

Aethon generally does not use broker-dealers when acquiring and selling portfolio investments for the Aethon Funds but may on occasion purchase securities through a broker and does have the authority to determine brokers to be used for Aethon Fund transactions and to negotiate commission rates and other monies paid by the Aethon Funds. Aethon may use brokers, or financial institutions at which the Aethon Funds maintain lines of credit, in conjunction with hedging activities and transactions.

In situations where Aethon selects the broker-dealer to purchase or sell positions or execute transactions on behalf of any Aethon Fund, consistent with its duty to seek best execution, Aethon selects brokers and dealers based upon their reputation, nature, and quality of service provided, and ability to efficiently execute such transaction. When selecting a broker or dealer, Aethon will take into account factors such as execution capabilities, commission rates, responsiveness, and financial responsibility. In applying these factors, Aethon recognizes that different brokers may have different execution capabilities with respect to different types of securities and transactions, and that no one broker will likely be judged the best at every relevant factor as a general matter or with respect to any particular transaction.

Aethon currently does not use commissions generated by trading for the Aethon Funds to pay for third party research or other services (“**Soft Dollars**”). In addition, Aethon does not use brokerage relationships to compensate for Client or Investor referrals.

Allocation of Investment Opportunities

Until the expiration of the Investment Period for any Aethon Fund, each prospective investment opportunity identified by Aethon or an affiliate (other than any follow-on investment opportunity related to an existing investment managed by Aethon or any affiliate) that is within the scope of the Fund’s investment objectives will be made available to such Aethon Fund before being offered to any other person. In certain circumstances, other investment vehicles managed by Aethon affiliates may co-invest with an Aethon Fund on a basis that the applicable General Partner believes is fair and equitable. With respect to any Successor Fund established prior to the expiration of the Investment Period of a prior Aethon Fund, the General Partner intends to allocate investment opportunities that meet the investment objectives of the prior Aethon Fund and such Successor Fund on a basis that the General Partner believes is fair and equitable. As noted above, Aethon generally expects to offer co-investment opportunities to all Limited Partners, whenever feasible, unless Aethon determines it is impracticable to do so for a particular co-investment opportunity.



ITEM 13: REVIEW OF ACCOUNTS

All investment decisions are made by the Investment Committee. The Investment Committee oversees, reviews and monitors all portfolio investments, including reporting and valuations.

Aethon invests, directly or indirectly, in oil and natural gas working properties and assets, including working interests and net profits interests. In monitoring the performance of such portfolio investments, Aethon engineers, geologists and other field employees review various information weekly, including production data, drilling or other development activity reports, engineering reports, and other data and reports. Aethon accounting and financial personnel review debits and credits to the net profits accounts monthly. The Investment Committee reviews production and production sales performance of the oil & gas investments, and reports from the engineers at least weekly, and net profits information at least monthly.

Investors generally receive an investor letter quarterly and unaudited financial statements within 45 days following the end of the first three quarters of each fiscal year and audited financial statements within, if applicable, 90 days following the end of the fiscal year but no later than 120 days following the end of the fiscal year. Additionally, each Investor receives information about the Investor's capital account balance and certain tax-reporting information (e.g., Schedule K-1) within 120 days following the end of the fiscal year, and such other tax information as may reasonably be requested by any Limited Partner (at the expense of the Limited Partner). Investors receive capital call and distribution notices providing detail regarding the amount and nature of each call or distribution.

Aethon provides, and may in the future provide, additional information to certain institutional Investors or Co-Investors that is not provided to other Limited Partners. Such information may include additional detail regarding investments, hedging activities, operating budgets, and other information as requested by such Investors. In addition, to the extent required in Side Letter agreements or arrangements with other Limited Partners, Aethon may provide additional information to such Limited Partners that is not distributed to other Limited Partners.

Representatives of Aethon may be made available for discussions with Investors on a periodic or agreed upon basis.



ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Aethon has entered into (and may in the future enter into) one or more agreements with third-party placement agents or solicitors that provide for payment to such placement agent or solicitor in the event that a prospective Investor introduced to Aethon by that placement agent or solicitor elects to invest in an Aethon Fund. These arrangements typically provide for the placement agent or solicitor to receive a percentage of the assets introduced to Aethon ranging from 1% to 3% subject to other contingencies. Any placement agent fees shall reduce, on a dollar-for-dollar basis, the amount of unpaid future management fees payable by the Fund to Aethon or an affiliate. All current marketers for the Aethon Funds are disclosed in Schedule D Section 7.B. (1) of Form ADV Part 1A.

Neither Aethon nor any affiliate generally receives any economic benefit from a non-client for providing investment advice or other advisory services to its Clients, except fees received or expenses reimbursed with respect to operating or providing other services to or in connection with portfolio investments, as described in Item 5 above.



ITEM 15: CUSTODY

Due to its affiliation with the General Partner for each Aethon Fund, Aethon is generally deemed to have custody of Client funds and securities for purposes of Rule 206(4)-2 under the Investment Advisers Act of 1940 (the “**Advisers Act**”).

In order to comply with Rule 206(4)-2, Aethon holds Clients funds and securities at a qualified custodian (as defined under Rule 206(4)-2), to the extent required by the Rule. Aethon ensures that each qualified custodian maintains these assets in an account that contains only Clients assets, under the Client’s name. However, generally the oil & gas securities held by Aethon Funds are deemed to be “*privately offered securities*” as defined in Rule 206(4)-2 and are not required to be held, and therefore are not held, at a qualified custodian. Custodians for each Aethon Fund are disclosed in Schedule D Section 7.B. (1) of Form ADV Part 1A. Custodians do not provide statements directly to Limited Partners in the Aethon Funds.

In accordance with Rule 206(4)-2, Aethon also (i) engages an outside auditor to audit each Aethon Fund at the end of each fiscal year and (ii) distributes the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles to all Investors within 120 days after the end of the fiscal year for each Aethon Fund, but there can be no assurance that this will occur. The auditor for each Aethon Fund is disclosed in Schedule D Section 7.B. (1) of Form ADV Part 1A.



ITEM 16: INVESTMENT DISCRETION

Aethon provides investment advisory services to the Aethon Funds on a discretionary basis, subject to the overall supervision of the General Partner. The investment objectives and restrictions of the Aethon Funds are set forth in the relevant Governing Documents. Investors in the Aethon Funds do not have authority to impose any restrictions upon Aethon's discretionary authority. However, Aethon may, under certain circumstances, enter into Side Letters with Investors that limit certain fund investments to address specific legal, regulatory, tax, or policy restrictions of the Investor.

Each investor in the Aethon Funds generally grants the General Partner of the Fund a limited power of attorney to enable the General Partner to execute the applicable partnership agreement (and certain other limited actions) on its behalf.



ITEM 17: VOTING CLIENT SECURITIES

While Aethon and/or its affiliates technically will have the authority to vote proxies on behalf of the Aethon Funds, the Aethon Funds generally only invest in oil and natural gas properties and assets, including working interests and net profits interests. Accordingly, neither Aethon nor any of its affiliates generally expect to be called upon to vote proxies with respect to securities owned by the Aethon Funds. Nevertheless, in the event that Aethon or any affiliate is called upon to vote proxies, Aethon will vote proxies in accordance with proxy voting policies and procedures in its compliance manual. In general, its policy will be to vote proxy proposals, amendments, consents, or resolutions in a manner that serves the best interests of the Aethon Funds, as determined by Aethon or its affiliates. Copies of its proxy voting policy, together with information regarding how it has voted past proxies (if applicable), will be made available to Clients or Investors upon request.



ITEM 18: FINANCIAL INFORMATION

Aethon is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients.