



**FORM ADV PART 2A  
DISCLOSURE BROCHURE**

**Item 1      Cover Page**

This brochure (this “***Brochure***”) provides information about the qualifications and business practices of Arroyo Investors. If you have any questions about the contents of this Brochure, please contact us at (281) 825-5480. 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 Arroyo Investors is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Arroyo Investors**

1700 City Plaza Drive, Suite 400  
Spring, Texas 77389  
(281) 825-5480  
<http://arroyoinvestors.com/>

**March 2023**

## **Item 2      Material Changes**

Our 2021 Brochure was filed in March 2022. Below is a summary of the material changes since our 2022 Brochure:

- We updated assets under management as of December 31, 2022. **See Item 4.**

*The information set forth in this Brochure is qualified in its entirety by the applicable governing and offering documents. In the event of a conflict between the information set forth in this Brochure and the information in the applicable offering or governing documents, the information in the applicable offering or governing documents will control. We encourage all clients and investors to review this Brochure in its entirety.*

**Item 3      Table of Contents**

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

## Item 4 Advisory Business

### A. Background and Principal Owners

Arroyo Investors (“**Arroyo**”) is a Delaware limited liability company that was formed in February 2014. Arroyo became a registered investment adviser with the U.S. Securities and Exchange Commission in June 2015. Arroyo operates as an investment management firm targeting North and South American energy assets in the power generation and midstream space. Arroyo is headquartered in Spring, Texas and has an additional office in Santiago, Chile.

Arroyo is controlled and managed by David Field and Chuck Jordan (the “**Partners**”), who collectively have more than 50 years of experience in the wholesale gas and power sectors, approximately 40 years of executing transactions following this investment model, and over 15 years of working together as a team.

David Field, Chuck Jordan and Pam Baden<sup>1</sup>, founded Arroyo Energy Investors I, a \$500 million fund in 2003 (“**Fund I**”) and operated it under an investment strategy substantially similar to Arroyo’s investment strategy. The Bear Stearns Companies Inc. (“**Bear Stearns**”) was the sole investor of Fund I. Following JP Morgan’s acquisition of Bear Stearns in 2008, David Field, Chuck Jordan and Pam Baden continued to manage the Fund I investments as principals within JP Morgan’s Global Commodities Principal Investment Division. Fund I is no longer making new investments. Pursuant to a Commercial Management Agreement (the “**Commercial Management Agreement**”) between J.P. Morgan Ventures Energy Corporation (“**J.P. Morgan**”) and Arroyo, Arroyo previously provided advisory services to J.P. Morgan with respect to Fund I investments that had not yet been liquidated. Arroyo no longer provides any supervisory or management services to Fund I. Therefore, Fund I is not included in Arroyo’s regulatory assets under management.

Arroyo provides discretionary investment advisory and management services for private equity funds and certain co-investment and parallel investment vehicles, including Arroyo Energy Investors Fund II, L.P. (“**Fund II**”), Arroyo Energy Investors Fund III, L.P. (“**Fund III**”), Arroyo Investors Fund IV, L.P. and Arroyo Investors Fund IV-B, L.P. (together “**Fund IV**” and, collectively with Fund II and Fund III, the “**Main Funds**”), Arroyo PEM Direct Investment I, L.P. (“**PEM Co-Invest**”), Arroyo Huinala Direct Investment I, L.P., (“**Huinala Co-Invest**”), Arroyo Trinity Direct Investment I, L.P. (“**Trinity Co-Invest**”), and Arroyo Tortuga Direct Investment-A, L.P. and Arroyo Tortuga Direct Investment-B, L.P. (together “**Tortuga Co-Invest**”) and, collectively, the “**Co-Invest Vehicles**”. The Main Funds, Co-Invest Vehicles and other private equity funds and co-investment and parallel investment vehicles launched after the date hereof, are hereafter referred to as the “**Funds**”; the Funds are Arroyo’s “**Fund Clients**”. Funds will typically be formed as a limited partnership with affiliate(s) of Arroyo acting as the general partners of the Funds. In certain cases, some of the investment vehicles used to facilitate the Funds’ investments may have corporate or other structures and may or may not be domiciled in the United States.

Arroyo Energy Investors Fund II GP, L.P. serves as the general partner of Fund II; Arroyo Energy Investors Funds III GP, L.P. serves as the general partner of Fund III; Arroyo Investors Fund IV GP, L.P. serves as the general partner of Fund IV; Arroyo PEM Direct Investment I GP, L.P. serves as the general partner of PEM Co-Invest; Arroyo Huinala Direct Investment I GP, L.P. serves as general partner of Huinala Co-Invest; Arroyo Trinity Direct Investment I GP, L.P. serves as the general partner of Trinity Co-Invest; Arroyo Tortuga Direct Investment I GP, L.P serves as the general partner of Tortuga Co-Invest (each a “**General Partner**” and

---

<sup>1</sup> Note: Pam Baden retired in 2010.

together the “**General Partners**”). The General Partners are not required to register but instead rely on our investment adviser registration instead of separately registering as investment advisers with the Securities and Exchange Commission (“**SEC**”) under the Investment Advisers Act of 1940, as amended (“**Advisers Act**”). **See Item 10.** References throughout this document to “Arroyo,” include the General Partners, except as the context otherwise requires.

B. Types of Advisory Services

Arroyo only provides investment advisory and management services to the Funds. Arroyo intends to realize medium and long-term capital appreciation for its Fund Clients by investing their assets in the power and midstream energy infrastructure sectors in the Americas. In the future, Arroyo may manage additional Funds.

Arroyo may invest the Main Funds alongside strategic, financial or other third-party co-investors, and may offer to certain of the Main Funds’ investors (the “**Investors**”) or other persons the opportunity to participate in co-invest vehicles that will invest in certain portfolio companies alongside the respective Fund. Such co-invest vehicles typically invest and dispose of their investments in the applicable portfolio company at the same time and on the same terms as the Main Fund.

Subject to certain limitations, Arroyo may establish continuation vehicles with respect to one or more permitted investments of the Main Funds and may sell or otherwise structure the transfer or contribution of applicable investments to any such continuation vehicles. Subject to certain limitations, Arroyo may establish separately managed accounts with investment objectives and strategies substantially similar to the investment objective of the Main Funds and other funds with a primary focus on debt investments.

Arroyo’s investment advisory services to the Funds include sourcing, investigating, analyzing, structuring and negotiating potential investments, monitoring the performance of portfolio companies, and advising the Funds as to disposition opportunities. Arroyo tailors its advisory services to the Funds in accordance with the respective Fund’s investment strategy, as disclosed in such Fund’s private placement memoranda, management agreements and partnership agreements (the “**Offering Documents**”). Additional specific details of the Adviser’s advisory services are set forth in the respective Fund’s Offering Documents and are further described below in Item 8, “Methods of Analysis, Investment Strategies and Risk of Loss.”

Outside of the services described above, Arroyo offers no other advisory or management services (e.g., financial planning, quantitative analysis, tax planning or market timing services). In the future, Arroyo may provide “asset management” services to Fund Clients to meet day-to-day treasury, accounting, tax and regulatory obligations, and such services will be provided at market rates; however, Arroyo does not currently charge for any such services.

C. Tailoring of Advisory Services

As noted in Item 4(B) above, Arroyo will tailor the advisory services provided to the Funds to meet the investment strategy set forth in the respective Fund’s Offering Documents. However, Arroyo will not tailor its advisory services to the needs of the individual Investors, and Investors may not impose restrictions on the securities or types of securities in which the Funds invests.

D. Wrap Fee Programs

Arroyo does not offer or participate in wrap fee programs.

E. Assets Under Management

Arroyo currently has assets under management of approximately \$1.8 billion including gross assets and uncalled capital for funds as of December 31, 2022. Arroyo manages all assets on a discretionary basis.

**Item 5** Fees and Compensation

A. Our Compensation

As detailed below, Arroyo may receive management fees and carried interest in connection with providing investment advisory services to Fund Clients.

With respect to the Main Funds and future Funds, generally, Investors pay or will pay management fees quarterly in advance based on the Fund's aggregate capital commitments during its investment period, and based on invested capital, as defined in Fund Offering Documents, thereafter, until the termination of the Fund. Arroyo or an affiliated entity, in its sole discretion, may waive or reduce the management fees to be paid by any Investor, including Investors that are principals, employees or affiliates of Arroyo, or relatives of such persons, and for certain large or strategic investors. Additionally, management fees are lowered accounting for the portion of the general partner capital contribution that is funded by limited partners. Investors generally do not pay any management fees in the Co-Invest Vehicles. For those investors that do pay management fees in the Co-Invest Vehicles, the management fees are generally the same as the Main Fund. Please see the respective Fund's Offering Documents for a detailed description of the management fee calculations.

Arroyo or an affiliated entity may also receive a carried interest or other performance-based allocation from the Main Funds and future Funds, generally at the time of an investment's disposition and the corresponding distribution of cash to the Investors, after return of contributed capital and a preferred return, as established in Fund Offering Documents. Arroyo or an affiliated entity may, in its sole discretion, waive or reduce the carried interest or other performance-based distributions to be paid by any Investor, including Investors that are principals, employees or affiliates of Arroyo, or relatives of such persons. Investors generally do not pay a carried interest or other performance-based distributions in the Co-Invest Vehicles.

Pursuant to the terms of Fund Offering Documents for each Main Fund, the management fees otherwise payable to Arroyo generally will be reduced to offset certain fees or expenses paid or due and payable by the Fund, including placement fees, excess organizational expenses, and all transaction, break-up, advisory, director or other similar fees received by Arroyo, affiliate or related person from a portfolio company or in connection with portfolio company transactions.

Arroyo may have a conflict of interest to the extent, for example, it is incentivized to make an investment to earn a transaction fee or provide a service to a particular portfolio company to earn a director or monitoring fee. However, Arroyo believes that this potential conflict of interest is mitigated by the management fee offset mechanic described above.

For additional information regarding the fees charged to any Fund, Investors and prospective investors should refer to Fund's Offering Documents.

B. How We Collect Fees

The management fee will be payable by each Fund quarterly in advance and will be deducted from Fund's account as funded through capital calls to Investors, a Fund's credit facility, or other available capital. Carried interest will be allocated and paid to the general partner of each Fund at the time distributions are made to the Investors in the Fund.

C. Other Fees or Expenses

The Funds bear all expenses incurred in its formation and the offering of Fund interests up to an amount specified in the respective Fund's Offering Documents (for Funds II and III, not to exceed \$3 million; for Fund IV, not to exceed \$4 million). Generally, the Funds also pay all costs, expenses and liabilities in connection with its ongoing operations, as more fully defined and described in the respective Fund's Offering Documents. Except as otherwise described in the respective Fund's limited partnership agreement, expenses, investment advisory and other fees may be paid over the term of the Fund.

Generally, Arroyo or an affiliated entity will pay the compensation and overhead expenses of the personnel who act on their behalf. Fund Clients will be responsible for all fund-related expenses, including all expenses incurred in connection with potential investments and the evaluation, acquisition, ownership, sale, hedging or financing of any investment; expenses incurred in connection with transactions not consummated ("*dead deal expenses*"); insurance premiums; fees and expenses of accountants, counsel and consultants; costs and expenses involved in reporting to Investors and government authorities; costs and expenses related to the Advisory Committee activities and the annual meeting; banking, custodial, administration, appraisal, auditing, tax preparation, regulatory and compliance expenses; legal, litigation-related and indemnification expenses; taxes and other government charges imposed on the Fund or fund subsidiaries; administrative expenses; costs of winding up and liquidating the Fund; and other extraordinary expenses. Fund-related expenses may include travel and entertainment costs, which may involve coach, business or first-class accommodations on commercial, private or chartered carriers. To the extent practicable, third-party costs and other expenses related to a specific portfolio company will be charged to the respective portfolio company.

In addition, when deemed appropriate by the General Partner in good faith, the Fund or a portfolio company will pay certain costs and expenses incurred by related persons of, and consultants to, the Fund, to the extent that such costs and expenses would be considered Fund expenses if performed by employees of Arroyo.

On occasion, other personnel of Arroyo may provide accounting, reporting, data processing, legal, environmental, social and governance, investment-level management and servicing, market research, and other similar services to its Fund Clients or to portfolio companies that would otherwise be performed by third parties. In such event, the Fund Clients or portfolio companies will reimburse Arroyo at cost for such services, including employment costs and related overhead expenses, as reasonably determined by Arroyo, provided that such reimbursements will not exceed the amount payable if such services were provided by third parties on an arms' length basis and are subject to provisions of the partnership agreement and disclosure to the Advisory Committee.

To the extent that any fees, costs and expenses are incurred for the benefit of more than one Fund Client, Arroyo may allocate such expenses amongst the Fund Clients (or, in certain cases, amongst the relevant Fund Client and Arroyo). Any such allocation will be made on a basis Arroyo reasonably believes to be fair and equitable based on relevant facts, such as the relative

size of the participating Fund Clients, the activity of the Fund Clients and the particular circumstances that caused the expense to be incurred with respect to each entity. Co-Invest Vehicles are generally responsible for their own expenses, pursuant to their Offering Documents; however, Co-Invest Vehicles generally will not pay dead deal expenses.

D. Advance Payment

Investors will pay management fees quarterly in advance until the termination of each Fund. Installments of the management fee payable for any period other than a full quarterly period will be adjusted on a pro rata basis according to the actual number of days in such period.

E. Compensation for Sales of Securities

Neither Arroyo nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

As noted in Item 5(A) above, Arroyo or an affiliated entity will receive from the Main Funds and future Funds a performance-based distribution in the form of a carried interest. The existence of performance-based compensation may create an incentive for Arroyo or the affiliated entity to cause a Fund to make investments that are more speculative than would otherwise be the case in the absence of such performance-based compensation. In addition, the method of calculating the carried interest may result in conflicts of interest between Arroyo or the affiliated entity, on the one hand, and the Investors, on the other hand, with respect to the management and disposition of investments, including the timing and sequence of such dispositions. However, such incentives are mitigated by Arroyo's affiliates' personal investment in the Main Funds and the fact that losses will reduce the performance of the Fund and thus, Arroyo's or the affiliated entity's compensation.

Arroyo may be incentivized to favor one client over another if the calculation of incentive distributions differed between a Fund and the other Funds. However, the Main Funds generally share the same carried interest distribution waterfall.

With respect to Fund IV, Arroyo will generally not admit investors to any blind-pool commingled investment vehicle, having investment objectives and strategies substantially similar to the investment objectives of Fund IV (a "Successor Fund"). However, subject to certain limitations, it may sponsor limited other funds, such as credit funds, continuation funds, co-investment vehicles and separately-managed accounts.

Types of Clients

As noted in Item 4, Arroyo will provide portfolio management services to the Funds. In the future, Arroyo may provide portfolio management services to other Funds under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The Investors participating in the Funds may include individuals, banks or thrift institutions, sovereign wealth funds, pension and profit-sharing plans, trusts, estates, charitable organizations or other corporations or business entities and also may include, directly or indirectly, principals or other employees of Arroyo.

The minimum initial investment in the Main Funds currently is \$10,000,000, though lesser amounts may be accepted at the sole discretion of the General Partner. The General Partner will only admit into the Main Funds Investors who qualify as both "accredited investors," as defined under the



Securities Act of 1933, as amended (the “*Securities Act*”), and “qualified purchasers,” as defined under the Investment Company Act of 1940, as amended. Generally, an “accredited investor” includes (a) a person with an individual net worth, or joint net worth with the person’s spouse or spousal equivalent, that exceeds \$1,000,000 (excluding the value of such persons primary residence) and (b) a person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse or spousal equivalent exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year. (c) a knowledgeable employee and/or (d) individuals with certain professional certifications, designations, or credentials or other credentials issued by an accredited educational institution. Largely, a “qualified purchaser” includes a person or company who owns not less than \$5,000,000 in investments.

## **Item 7      Methods of Analysis, Investment Strategies and Risk of Loss**

### **A.      Analysis and Strategies**

The Main Funds are private investment funds with a broad investment mandate. Primarily, the Main Funds seek to realize medium and long-term capital appreciation by making investments in the power and midstream energy infrastructure sectors in the Americas. The Partners have been developing and executing their investment strategy over the past 20 years, including in respect of Fund I, to deliver what Arroyo believes are superior risk-adjusted returns within the North and South American power and midstream space, as detailed further below.

#### **Disciplined and Direct Sourcing**

The Partners have a proven expertise in identifying and acquiring power and midstream investment companies that have potential for material improvements in financial performance at lower risk. The Partners have remained disciplined in only sourcing investments that fit its investment strategy and have avoided targets outside of its core management expertise. To mitigate potential risks, the Partners seek to target quality assets with strong operating histories that typically have five to seven years of stable, predictable operating margins that support base case returns. However, Arroyo will only seek opportunities where the Partners are also able to establish cogent and executable commercial strategies to realize additional upside value (as detailed below). The primary commercial strategies Arroyo seeks to employ for Fund II, Fund III, and Fund IV are expected to be typically revenue focused, with the aim of increasing the amount of operating margins at the project, while reducing the risk associated with achieving such increased margins.

Related to this discipline is Arroyo’s ability to identify, conduct due diligence regarding, and underwrite its investments on a self-sourced basis outside of the mainstream marketing efforts of brokers and investment bankers. Every single asset in Fund I’s portfolio was originated on a proprietary basis, and the Partners have developed extensive networks in both North and South America over the past 25 years, which the team hopes will allow it to source deals on a proprietary basis that fits its investment screen.

#### **Delivering Value to Projects**

Arroyo will be actively involved in the day-to-day management of each investment and will typically seek control positions. In the instance that it acquires a minority interest, Arroyo expects to employ control mechanisms that it believes will ensure Arroyo’s ability to execute the commercial strategies for value enhancement it has identified.

The primary commercial strategies for which the Partners have a proven track record and expertise in successfully implementing include (a) the unbundling and restructuring of the

existing contractual framework around the asset to increase operating margins; (b) the negotiation of incremental commercial fuel input and/or off-take agreements with both existing and new counterparties in order to reduce risk and enhance operating margins; (c) developing brownfield capacity; and (d) driving operational improvement. Arroyo will seek to continue the successful implementation of these strategies for Fund II, Fund III, and Fund IV.

### **Technical Expertise to Execute and Manage**

The Partners believe it is able to carry out highly specialized diligence and M&A processes within expedited timeframes due to their in-house M&A, engineering, regulatory and financial backgrounds. The Investment Team believes that their collective skillset will provide Arroyo with a competitive advantage to win projects and implement business plans successfully alongside local management teams.

Arroyo will aim to identify opportunities for commercial upside during the diligence phase of a potential investment and will seek to lead all the key commercial initiatives post acquisition. However, Arroyo will typically partner with highly qualified operators to manage the day-to-day industrial activity at the project level and will typically engage “asset managers” who fulfill the day-to-day treasury, accounting, tax and regulatory obligations for the investment company. These two sets of service providers will manage the steady-state activity at the investment company, while the Investment Team at Arroyo will direct and execute the key commercial initiatives to achieve the upside value.

### **B. Material Risks**

The various risks outlined below are not the only risks associated with our investment strategy and processes and may not necessarily apply to each Investor. Investors are urged to consult with their own independent financial, legal, and tax advisors before making any investment decisions. With respect to the Funds, the following risks are qualified in their entirety by the risks set forth in the offering documents.

Investment in the Funds will involve certain risks. Certain of these risks are summarized below. The Funds may not be suitable for all investors and are intended for sophisticated investors who can accept the risks associated with their investments. Investors will not have recourse except with respect to the assets of the Funds.

### **General Risks**

*No Assurance of Investment Return; Past Performance Not Indicative of Future Results.* Arroyo and the General Partner cannot provide assurance that they will be able to identify, choose, make or realize investments of the type targeted for the Funds, or that the Funds will be able to fully invest or use the total capital commitments. There can be no assurance that the Funds will be able to make general returns for the Investors or that returns will be commensurate with the risks of the investments within the respective Fund’s investment objectives. Although certain of the Funds’ investments may generate current income in the form of cash interest, there can be no assurance of such income, and the return of capital and the realization of gains, if any, from the Funds’ investments may occur only upon the partial or complete disposition of such investments through the trade sale, public offering, recapitalization, refinancing or secondary buyout of the debt issuers, as to which there can be no certainty. The Funds’ investments are speculative in nature and there can be no assurance that the Funds’ investment objectives or targeted or illustrative returns will be achieved or that, particularly in light of the Funds’ potential use of leverage, there will be any return of capital. Many of the investments will be highly illiquid, and there can be no assurance that the Funds

will be able to realize such investments in a timely manner. Therefore, a prospective Investor should only invest in the Funds if such prospective Investor can withstand a total loss of its investment. The performance of portfolio investments of other funds sponsored by Arroyo is not necessarily indicative of the results that will be achieved by the Funds. There can be no assurance that the Funds will achieve its investment objectives. The Funds will not be a complete investment program and should represent only a portion of an investor's portfolio management strategy.

*Investors May Not Receive Distributions.* There can be no assurance that the Funds' operations will be profitable or that cash from investments will be sufficient to enable the Funds to make distributions to Investors. The Funds will have no source of funds from which to pay distributions to the Investors other than income and gains received from investments and the return of capital.

*The Management Fee Will Be Paid to Arroyo Regardless of Fund Performance.* Whether or not suitable investment opportunities are available to the Funds and regardless of whether the Funds experience net losses in a particular year or over the terms of the Funds, Investors will be required to make payments to the Funds to cover the management fee and reimbursement of certain expenses.

*Epidemics, Pandemics, and Public Health Issues.* Our business activities as well as our clients and their operations and investments could be adversely affected by the outbreaks of epidemics globally and in the United States, 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 and the stock market. The transmission of COVID and efforts to contain its spread have resulted in travel restrictions and disruptions, market volatility, disruptions to business operations, supply chains and customer activity and quarantines. With widespread availability of vaccines, the U.S. Centers for Disease Control and Prevention has revised its guidance, travel restrictions have started to lift, and businesses have reopened. However, the COVID pandemic continues to evolve and the extent to which our investment strategies will be impacted will depend on various factors beyond our control, including the extent and duration of the impact on economies around the world and on the global securities and commodities markets. Volatility in the U.S. and global financial markets caused by the COVID pandemic may continue and could impact our Firm's investment strategies. Although currently there has been no significant impact, the COVID outbreak, and future pandemics, could negatively affect vendors on which our Firm and clients rely and could disrupt the ability of such vendors to perform essential tasks. An outbreak or recurrence 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 the Firm, the Fund(s) and portfolio companies.

*Force Majeure & Catastrophic Risks.* The Firm 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 the Firm deems uneconomic. These events could result in loss and litigation, among other potentially detrimental effects.

## **Risks Relating to the Funds' Strategies**

*Nature of Investment in the Funds.* An investment in the Funds requires a long-term commitment, with no certainty of return. Although some investments may generate current income, many investments will generate little or no near-term cash-flows to the investors as a return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. Many of the Funds' investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize returns on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in kind to the investors. Additionally, the Funds typically will acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act and that complies with any applicable non-U.S. securities laws. Certain of the Funds' investments may be in businesses with little or no operating history. Certain of the Funds' investments may be in businesses with high levels of debt or may be investments in leveraged acquisitions; leveraged acquisitions by their nature require companies to undertake a high ratio of fixed charges to available income. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses. The Fund's investments will be concentrated in the North and South American power and midstream energy industry; therefore, adverse changes in the industry could materially adversely affect the Funds. Since the Funds may only make a limited number of investments, and since the Funds' investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the Investors. The performance of previous investments managed by the Partners is not necessarily indicative of the results that will be achieved by the Funds. There can be no assurance that a Fund's target net return will be attained.

*Competition.* The business of the Funds is highly competitive. Arroyo will be competing for investments against other groups, including other private equity investment and hedge funds, large and well-capitalized industrial groups, project developers and operators, strategic companies, such as utilities and energy companies, and commercial, investment and merchant banks. Some of these competitors could have financial and strategic resources significantly in excess of those of the Funds, may be willing to provide financing and other operational assistance to power and midstream energy companies on more favorable terms than the Funds and may make competing offers for investment opportunities that are identified by the Funds. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Funds and adversely affecting the terms upon which investments can be made. Consequently, Arroyo may be unable to identify a sufficient number of attractive investment opportunities for the Funds to meet its investment objectives. Other investors may make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with the board of directors or owners of an acquisition target, consummating the transaction is subject to a myriad of uncertainties, only some of which are foreseeable or within the control of Arroyo or the General Partner.

*Investment Due Diligence and Research; Reliance on Corporate Management and Financial Reporting.* Pursuant to its investment strategy, the Funds may acquire stakes in target companies without direct discussions with the management of such companies. Therefore, the due diligence information on which the Funds rely may be difficult to obtain, limited in scope or inaccurate. While Arroyo intends to invest in companies with proven operating management in place, there can be no assurance that such management will continue to operate successfully. Although Arroyo will monitor the performance of each investment, the Funds may rely upon management to operate the portfolio companies on a day-to-day basis.

## **Risks Relating to Portfolio Investments**

*Investment Outside of the United States.* Certain of the Funds' investments are expected to be in businesses operating or organized outside of the United States, including significant investments in countries that are considered to be "emerging markets." Investments outside of the United States involve a broad range of economic, non-U.S. currency and exchange rate, political, legal and financial risks not typically associated with, and in addition to risks with respect to, investments in the securities of U.S. companies.

*Investments in Leveraged Companies.* The Funds may invest in securities of highly leveraged companies. While these investments are likely to be particularly risky, they also may offer the potential for correspondingly high returns. In addition, each of the Funds' portfolio companies or their assets may be pledged to third parties, including senior lenders, and could be foreclosed upon or otherwise acquired by such parties under certain circumstances, including an incipient or unremedied default. Under certain circumstances, payments to the Funds and distributions by the Funds to the Investors may be reclaimed if any such payment is later determined to have been a preferential payment.

*Financial Market Conditions Risk.* Investments may require large and various forms of financing. In some cases, the Funds will only be able to make investments to the extent that financial market conditions and other factors are such that banks and other lenders and investors are willing to enter into debt financing undertakings on terms and conditions that do not adversely affect a portfolio company of the Funds. In other cases, the Funds may seek to acquire assets from lenders that have assumed control after loan defaults by prior owners and the Funds will need to negotiate suitable financing terms with these lenders.

Given the relatively high levels of debt that may be undertaken by portfolio companies, any material increase in interest rates or risk margins could have a detrimental effect on investment returns. Further, a material increase in interest rates or risk margins during the term of a Fund could materially and adversely affect its ability to exit its investments.

*Hedging.* The Funds may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates and market interest rates. The Funds will generally only sell securities or other assets short and enter into similar transactions for the purpose of hedging currency exposure or managing the duration of its portfolio positions. Such hedging transactions also limit the opportunity for gain. The success of hedging transactions will be subject to the ability of the General Partner to correctly predict movements in and the direction of currencies and interest rates. Unanticipated changes in currency exchange rates or interest rates may negatively impact the overall performance of the Funds. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to hedge, the desired protection may not be obtained, and the Funds may be exposed to additional risk of loss. It is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. The General Partner may determine in its sole discretion to cause the Funds not to hedge against certain risks, and certain risks may exist that cannot be hedged. There can be no guarantee that instruments suitable for hedging market shifts will be available at the time when the Funds wish to use them. The Funds' hedging arrangements that are undertaken through brokers, banks or other organizations will be subject to the risk of default or insolvency of such organizations. In such event, there can be no

assurance that any money advanced to such organizations would be repaid or that the Funds would have any recourse in the event of non-payment.

*Commodities and Futures Trading.* Interests in oil, gas and other fuels among other things, are commodities. The Funds may trade futures contracts in order to hedge against fluctuations in commodity prices. A principal risk in trading futures contracts is the traditional volatility (rapid fluctuation) in market prices. Because of the low margin deposits typically required in futures contract trading, a relatively small movement in the market price of a futures contract may result in a disproportionately large profit or loss. Commodity futures positions may also be illiquid. Certain commodity exchanges do not permit trading in particular futures beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits – which conditions have in the past sometimes lasted for several days in certain contracts – the General Partner could be prevented from promptly liquidating unfavorable positions and thus the Funds could be subject to substantial losses. In addition, the Funds may trade foreign futures or options contracts. Transactions on markets located outside the United States, including markets formally linked to a United States market, may be subject to regulations which offer different or diminished protection to the Funds and their Investors. Further, United States regulatory authorities may be unable to compel the enforcement of the rules of regulatory authorities or markets in non-United States jurisdictions where transactions for the Fund may be effected.

Pursuant to an exemption from registration under Commodity Futures Trading Commission (the “*CFTC*”) regulations, Arroyo is not required to register, and is not registered, with the CFTC or with the National Futures Association (“*NFA*”) as a Commodity Pool Operator (a “*CPO*”) or as a Commodity Trading Advisor (“*CTA*”). To comply with the exemption, Arroyo is subject to specific limitations on the amount of commodities and futures that it can trade on behalf of the Funds. Should the Funds' investments in commodities or futures instruments exceed the limits provided by the applicable exemption from registration, Arroyo will either have to register with the NFA or cease providing commodity interest trading advice to the Funds and liquidate the Funds' holdings of commodities and futures which could result in losses and additional costs to the Funds.

*Nature of Investments in the Power Industry.* The operation of power facilities and certain other types of energy-related infrastructure or facilities involves many risks, including higher than anticipated operating and maintenance costs, loss of sale and supply contracts or fuel contracts, bankruptcy of key customers or suppliers, the breakdown or failure of pipelines, transmission lines, power generation equipment or other equipment or processes and performance below expected levels of output or efficiency. Although each project typically contains certain redundancies and back-up mechanisms and insurance is generally maintained to protect against the effects of certain operating risks, such redundancies and back-up mechanisms may not cover every operating contingency, and the proceeds of such insurance may not be adequate to cover lost revenues or increased expenses.

*Project Risks.* Investing in the energy industry and related assets may be subject to a variety of risks, not all of which can be foreseen or quantified, including construction, operating, economic, environmental, permitting, commissioning, start-up, commercial, regulatory, political and financial risks. Most energy assets have unique locational and market characteristics, which could make them highly illiquid or appealing only to a narrow group of investors. Political and regulatory considerations and popular sentiments could also affect the ability of the Funds to buy or sell investments on favorable terms. Energy projects are generally heavily dependent on the operator of the assets. There are a limited number of operators with the expertise necessary to successfully maintain and operate energy investments. Energy assets are typically subject to extensive regulation in the jurisdiction where they are located and

changes in regulations, or in the interpretation of regulations, or stricter enforcement of such regulations may adversely affect the value of the Funds' investments.

The Funds may also invest in early development stage projects involving risks of failure to obtain or substantial delays in obtaining: (i) land, right of way, environmental, safety or other regulatory approvals or permits; (ii) financing; and (iii) suitable equipment supply, operating and off-take contracts. Development projects, by their nature, involve additional substantial risks, including construction and other delays.

*Construction Risks.* The construction and development of any project involves many risks, including delays or shortages of construction equipment, material and labor, work stoppages, labor disputes, weather interferences, unforeseen engineering, technological, environmental and geological problems, difficulties in obtaining requisite licenses or permits and unanticipated cost increases, any of which could give rise to delays or costs overruns. Arroyo may attempt to minimize construction-related risks through fixed-price construction contracts with experienced and creditworthy construction contractors, under which the contractors typically assume certain risks (though not risks related to force majeure events), such as the risk of unexcused delays in completion of construction and certain cost overruns; however, the use of fixed-price contracts may result in an increase in the overall price of the construction contract, and contractors may not be willing to enter into fixed-price contracts. Construction contracts typically require the contractor to carry substantial insurance or have adequate resources and to pay liquidated damages in the event of failure of performance by the contractor. There can be no assurance, however, that liquidated damages or insurance payments would be sufficient to pay for any increased costs or to replace reduced revenues resulting from a completed facility that does not meet, or is late in meeting, its performance specifications, that a contractor will honor its commitments or will have the financial resources to satisfy its obligations to make liquidated damages payments, or that any affected project would continue to operate at its design specifications after the expiration of the contractors' and equipment suppliers' warranties. Any such occurrence may adversely affect the overall performance of the Funds.

*Environmental Matters.* Energy infrastructure and resource companies are subject to numerous environmental laws and regulations, including those affecting air emissions, water quality, wastewater discharges, solid waste and hazardous waste, in each country in which they operate. These laws and regulations can result in increased capital, operating and other costs. These laws and regulations generally will require the Funds' portfolio companies to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Compliance with environmental laws and regulations can require significant expenditures, including expenditures for clean-up costs and damages arising out of contaminated properties. Compliance with existing and new and emerging environmental regulatory programs is likely to result in significant operating costs by the Funds' investments.

Failure to comply with environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting the Funds' investments. The Funds' investments may not be able to obtain or maintain from time to time all required environmental regulatory approvals for operating assets or development projects. If there is a delay in obtaining any required environmental regulatory approvals, if a Fund portfolio company fails to obtain or comply with them or if environmental laws or regulations change or are administered in a more stringent manner, the operations of facilities or the development of new facilities could be prevented, delayed or become subject to additional costs.

In addition, increased regulation of exploration and production activities, including hydraulic fracturing, could result in reductions or delays in drilling and completing new crude oil and

natural gas wells. The natural gas industry is increasingly relying on natural gas supplies from unconventional sources, such as shale, oil sands and coal-bed methane gas. Natural gas extracted from these sources frequently requires hydraulic fracturing, which involves the pressurized injection of water, sand and chemicals into a geologic formation to stimulate natural gas production. Recently, there have been initiatives at the federal and state levels to regulate or otherwise restrict the use of hydraulic fracturing, and several states have adopted regulations that impose more stringent permitting, disclosure and well-completion requirements on hydraulic fracturing operations. Legislation or regulations placing restrictions on hydraulic fracturing activities could impose operational delays, increased operating costs and additional regulatory burdens on exploration and production operators, which could reduce their production of unprocessed natural gas and, in turn, adversely affect the Funds' portfolio investments by decreasing the volumes of unprocessed natural gas gathered, treated, processed and transported in their pipelines.

Energy and resource companies are subject to numerous environmental laws and regulations in each country in which they operate. Some of the most onerous requirements regulate air emissions of pollutants such as sulfur dioxides, nitrogen oxides and particulate matter. In the United States, emission standards for sulfur dioxides, nitrogen oxides and particulate matter are stringent. Additionally, in the United States, generators are now subject to limits on their emissions of mercury. Under the laws of several U.S. states, generators also face new requirements on their emissions of greenhouse gases, specifically including carbon dioxide. The uncertain and ever-changing regulatory environment in which generators operate in the United States makes it likely both that generators will face increased operating costs in the years ahead and that the relative competitive position of various fuel types and generation technologies will change. Certain possible changes in the environmental laws and regulations applicable to generators in the United States could affect the performance of one or more of the Funds' investments to an extent that would have a material adverse effect on the Funds. The environmental liability risks related to power generation and other power facilities or other tort liability in excess of insurance coverage may adversely affect the value of the Funds' portfolio companies and the overall performance of the Funds.

Similarly, certain countries in South America have recently increased their regulation of the environment or adopted more stringent environmental laws or regulations. These countries may further tighten their environmental laws. Stricter environmental laws may increase compliance costs by South American companies or require them to modify the conduct of their businesses. These laws may provide the governments of these countries with the power to take action against companies for failure to comply with such environmental regulations, including the imposition of fines and the revocation of licenses and concessions. The Funds may experience material losses due to these risks, particularly to the extent that changes in laws or regulations or governmental action occurs after a Fund makes its investments or results in higher than expected compliance costs.

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

*Economic, Political and Social Risks in Chile.* In the course of investing in Chile, the Funds will be exposed to the direct and indirect consequences of political, economic, social or



diplomatic changes in Chile that could adversely affect their investments. Chile could face potential social and political instability. In October 2019, protests against the government occurred in Santiago and were at times violent and disruptive. In November 2020, a referendum was passed to draft a new constitution, and voters rejected the proposed new constitution. A second constitutional convention is underway. There can be no assurance as to the policies that the Chilean government may pursue in the future, and there is the possibility of changes in taxation or governmental regulation, which could adversely affect the economy of such country or the value and other aspects of the Funds' respective investments in Chile.

The actions of the Chilean government in the future could have a significant effect on economic conditions in Chile, which could affect private sector companies and the return from investments. Political, economic or social instability, or other economic or political developments, could adversely affect the assets of the Funds.

Political changes or deterioration of Chile's domestic economy may indirectly affect the Funds' respective investments. Investments could be adversely affected by changes in the general economic climate or the economic factors affecting the energy industry, changes in tax law or specific developments within such industry, or interest rate movements. While the General Partner intends to manage the investments in a manner that will minimize its exposure to such risks, there can be no assurance that adverse political or economic changes will not cause the Funds to suffer losses.

*Political and Regulatory Risks in Mexico.* The federal government of Mexico could continue its attempt at reforming electricity and energy infrastructure laws and regulations. The timing, scope, implementation and potential impacts of the reforms are uncertain. In the course of investing in Mexico, the Funds will be exposed to the direct and indirect consequences of changes in electricity, energy and other laws and regulations that could adversely affect their investments.

In May 2020, Mexico energy industry regulators modified the economic variables used to determine transmission costs applicable to certain power generators, resulting in changes to the transmission service fees payable by these generators.

In early March 2021, amendments to the Electric Industry Law of Mexico ("*LIE*") became effective. These amendments modify mechanisms for the dispatch of power generation resources, place additional criteria on certain electric power-related permits, modify mechanisms to grant clean energy certificates, change certain power and capacity auction processes and call for review and reconsideration of certain capacity and power purchase and sale agreements entered into by the Mexico federal government and independent power producers, among other things. Shortly after the *LIE* amendments became effective, judicial injunctions have suspended their application, and even though the Mexican Supreme Court did not declare the unconstitutionality of the amendments, it did not validate their legality either; therefore we expect a decision on each of the injunctions granted will be analyzed and resolved individually by the federal administrative specialized courts.

In September 2021, the executive branch of the federal government of Mexico proposed a constitutional amendment regarding the energy sector. The proposed constitutional amendment is generally consistent with the modifications to the *LIE* and would have granted the Federal Electricity Commission new, discretionary authority over power generation dispatch. This constitutional reform did not garner the required votes and as a result was not approved by the Mexican Congress.

Other reforms to electricity and energy infrastructure laws and regulations may be proposed, or they may develop from pending regulatory, legal and constitutional amendments.

Actions of the Mexican government and regulators could have a significant effect on energy and infrastructure projects in Mexico and the returns from such projects. Political and regulatory changes and similar developments could adversely affect the assets of the Funds.

### **Fund and Manager Risks**

*Dependence on Key Personnel.* The success of the Funds depends in substantial part on the skill and expertise of the Partners and other employees of Arroyo. There can be no assurance that such persons will continue to be employed by Arroyo throughout the life of the Funds. The loss of key personnel could have a material adverse effect on the Funds. Arroyo and its Partners will devote such time and effort as they deem necessary for the management and administration of the Funds' business. However, Arroyo and its Partners may engage in various other business activities and consequently, they may not devote their complete time to the Funds' business.

*Distributions in Kind.* Although, under normal circumstances, the Funds intend to make distributions in cash, it is possible that under certain circumstances (including the liquidation of the Funds), distributions may be made in kind and could consist of securities for which there is no readily available public market.

*Lack of Investor Management Rights.* Investors have no right or power to take part in the management of the Funds and will only have limited rights to remove the General Partner. Accordingly, an investor should not purchase an interest in a Fund (the "*Interests*") unless such investor is willing to entrust all aspects of the management of such Fund to Arroyo and the General Partner.

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

*Restrictions on Transfers and Withdrawal and No Public Market.* The Interests will not be registered under the Securities Act or any state securities laws and may not be transferred unless registered under applicable federal and state securities laws or unless an exemption from such laws is available. The Funds have no plans, and is under no obligation, to register the Interests under the Securities Act. No market exists for the Interests and no market is expected to develop. Further, the limited partners may not transfer or assign their Interests without the prior written consent of the General Partner, which consent may be withheld in its sole discretion, and the transferred Interests will be subject to the terms and conditions of the Partnership Agreement. Consequently, Investors may not be able to liquidate their investments prior to the end of the respective Fund's term.

*Cybersecurity Risk.* Arroyo and its service providers depend on information technology systems and notwithstanding our efforts and resources devoted to ensuring that such systems are reliability and secure, there is a risk that such systems may be breached or unavailable to execute transactions or engage in activities when desired. Our 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.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of the Fund's banks, brokers, hedging counterparties, lenders or other custodians (each, a "**Financial Institution**") of some or all of the Fund's (or any portfolio company's) assets fails to timely perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "**Distress Event**"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Arroyo, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services, either permanently or for an extended period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("**FDIC**"), in the case of banks, or the Securities Investor Protection Corporation ("**SIPC**"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties during Distress Events, there can be no assurance that such intervention will occur in a future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Arroyo to manage the Funds and their investments, and on the ability of Arroyo, any Fund and/or any portfolio company to maintain operations, which in each case could result in significant losses and in unconsummated investment acquisitions and dispositions. Such losses have the potential to include: a loss of funds; an obligation to pay fees and expenses in the event a Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of a Fund to access capital contributions or otherwise); the inability of a Fund to acquire or dispose of investments, or acquire or dispose of such investments at prices that the relevant General Partner believes reflect the fair value of such investments; and the inability of portfolio companies to make payroll, fulfill obligations or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that a Fund or a portfolio company will incur additional expenses or delays in putting in place alternative arrangements or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital or otherwise). Although Arroyo expects to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. A Fund and its portfolio companies are subject to similar risks if a Financial Institution utilized by investors in the Fund or by suppliers, vendors, service providers or other counterparties of the Fund or a portfolio company becomes subject to a Distress Event, which could have a material adverse effect on the Fund.

Many Financial Institutions require, as a condition to using their services (including lending services), that Arroyo and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although Arroyo seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Arroyo is under no obligation to use a minimum number of Financial Institutions with respect to any Fund or to maintain account balances at or below the relevant insured amounts.

For a more complete discussion of the Funds' risks, please refer to the respective Fund's private placement memorandum.

**Item 8      Disciplinary Information**

Arroyo has no legal or disciplinary events that are material to an investor's evaluation of this advisory business or the integrity of our management to disclose.

**Item 9      Other Financial Industry Activities and Affiliations**

A.      Broker-Dealer Registration

Arroyo is not registered as a broker-dealer or a registered representative of a broker-dealer, nor does it have any pending application to register.

B.      Futures and Commodities Registration

Arroyo is not registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated party of any of those, nor does it have any pending application to register as such. Arroyo has filed for the applicable exemption under the Commodity Futures Trading Commission regulations.

C.      Affiliates & Related Persons

An Arroyo affiliate, as identified in Section 7.A. of Part 1A of Form ADV, serves as the General Partner to each Fund and is ultimately responsible for making decisions with respect to the acquisition and disposition of Fund investments. Pursuant to SEC guidance, such General Partners are not registered with the SEC but rely on the registration of Arroyo. Fund Offering Documents designate Arroyo as the manager of Fund assets. Any investment advisory activities of the General Partners are subject to the Advisers Act and rules thereunder and are subject to examination by the SEC. The General Partners and all persons acting on their behalf are "persons associated with" and "supervised persons" (as each term is defined in the Advisers Act) of Arroyo.

Arroyo does not have any other relationships that are material to its advisory business or to its clients with any related person listed below:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker;
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
3. other investment adviser or financial planner;
4. futures commission merchant, commodity pool operator, or commodity trading advisor;
5. banking or thrift institution;
6. accountant or accounting firm;
7. lawyer or law firm;
8. insurance company or agency;
9. pension consultant;
10. real estate broker or dealer; or
11. sponsor or syndicator of limited partnerships.

D. Conflicts of Interest

Arroyo will not be compensated for recommending or selecting other investment advisers for its clients. Arroyo also has no other business relationships with such advisers that will create a material conflict of interest.

Advisory agreements between Arroyo and/or its affiliates and its Fund Clients require Arroyo and its affiliates to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to such clients. Pursuant to Fund IV's partnership agreement, Arroyo will not admit investors into a new Fund with the same investment objective and strategy until at least 75% of capital commitments of the current Fund have been invested or reserved for follow-on investments. Therefore, generally only one Fund is making new investments at any given time. In the future, when two or more Funds or pooled investment vehicles are formed as part of the same Fund for making the same investments, Arroyo will allocate investments made by such pooled investment vehicles based on their relative partners' commitments, subject to any limitations in the applicable partnership agreement.

With respect to Fund II and Fund III, Arroyo has raised follow-on funds or Co-Invest vehicles for certain Fund investments that co-invest alongside a Fund in portfolio company transactions that require more capital than the diversification limits that such Fund is permitted according to its offering documents. With respect to Fund IV, Arroyo has raised two Co-Invest vehicles that were offered to certain Investors and third parties. Arroyo may establish additional vehicles (each a "*Side Car Fund*" and the investors in such vehicles "*Side Car Partners*") to facilitate other co-investment opportunities, consistent with provisions set forth in Fund Offering Documents. Arroyo serves and may in the future serve as investment manager to certain Co-Invest Vehicles or Side Car Funds. Certain affiliates and personnel of Arroyo, third party investors and other persons have been and may be permitted to participate in Co-invest Vehicles or, in some cases, co-invest directly in a particular portfolio company. Generally, Arroyo selects which Investors or other persons are permitted to co-invest based on various factors, including (but not limited to) the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and any other reason for including such investor or person. With respect to Fund IV, Arroyo first offers any co-investment opportunity to the Side Car Partners on a pro rata basis. The General Partner has sole discretion to allocate any remaining co-investment to Fund Investors or other third parties. Arroyo expects there may be additional opportunities for Funds to invest alongside other Funds in the future. Arroyo is highly focused on managing conflicts of interest, including cases where they may be cross-fund investing. Arroyo will work closely with the Advisory Committees of the applicable Funds, as needed, to help ensure that all potential conflicts are properly managed.

Pursuant to Fund partnership agreements, except for pre-existing investments in which Arroyo or an affiliate has a commitment prior to the initial closing, generally during the investment period for a Fund, investment opportunities that are suitable and appropriate for the Fund and consistent with the investment objectives of the Fund must be offered to the Fund, to the extent that the Fund has available remaining capital. Further, during the investment period, neither Arroyo nor any affiliate may invest in securities of any portfolio company or securities that would be required to be offered to the Fund without consent of the Fund's Advisory Committee. Following the investment period, any such transactions must be disclosed to the Advisory Committee.

Finally, pursuant to Fund partnership agreements, during the investment period, Arroyo principals generally must devote substantially all of their business time and efforts to the investment and other activities of the respective Fund and any related investment entities, except that the principals may engage in affairs related to pre-existing investments, serve on

public and private boards, engage in civic and charitable activities, conduct personal and family investment activities and engage in other activities as approved by the Fund's Advisory Committee. Pursuant to Arroyo's Code of Ethics, outside business activities generally must be disclosed or pre-approved and are monitored by Arroyo's Chief Compliance Officer (the "CCO") for potential conflicts of interest.

**Item 10     Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Arroyo has a fiduciary responsibility to treat its clients fairly and to avoid actual or potential conflicts of interest. The employees of Arroyo have an obligation to act solely in the best interests of Arroyo's clients and to make full and fair disclosure of all material facts, particularly where the clients' interests may conflict with the interests of Arroyo or its employees.

**A.     Code of Ethics**

Arroyo has adopted, and requires all employees to understand, acknowledge and follow, a Code of Ethics. The fiduciary principles that govern personal investment activities of employees will be, at a minimum, the following: (1) to place the interests of clients first at all time; (2) to conduct personal securities transactions in a manner that is consistent with Rule 204A-1 of the Advisers Act and in such a manner so as to avoid any actual or potential conflict of interest, or any abuse of an individual's position of trust and responsibility; and (3) to provide clients with advisory services in a way that never takes inappropriate advantage of Arroyo's position. Arroyo will institute a policy that the interest and privacy of clients always comes first, and all employees will conduct themselves in accordance with the highest standards of integrity, honesty and fair dealing. Arroyo will monitor compliance with the Code of Ethics on an ongoing basis, and employees may be subject to disciplinary actions as severe as dismissal for certain infractions. Arroyo's Code of Ethics will be available to Investors and prospective investors upon request.

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

Consistent with Fund Offering Documents, prior to the initial close for a Fund, a Fund's General Partner may designate one or more investments as investments warehoused for a new Fund or temporarily acquire, fund or hold investments in anticipation of the establishment of a Fund ("***Warehoused Investments***"). Such Warehoused Investments generally will be identified in writing to prospective Investors prior to closing along with the acquisition cost, related expenses and interest for such Warehoused Investments. If such purchase is consummated, the Fund's purchase price for such Warehoused Investments generally shall include the cost of such Warehoused Investment plus legal and out of pocket expenses related to such Warehoused Investment plus interest or an amount set forth in Fund Offering Documents. An Investors' decision to invest in the Fund will constitute consent to such investment.

Other than Warehoused Investments, Arroyo does not expect to engage in principal transactions with the Funds in its normal course of business. In the event Arroyo does intend to engage in a principal transaction after the Fund's close, it will make disclosure to and seek consent from the relevant Fund(s)' Advisory Committee with respect to such transaction.

Arroyo's related persons may personally invest in the Funds and, therefore, may hold the same or similar partnership interests as other investors in Fund Clients. Arroyo generally will not recommend that its Funds invest in securities in which any related person has a material financial interest, except as permitted by Fund partnership agreements, as follows. Certain of

Arroyo's related persons are permitted to participate in co-investments through the Co-Invest Vehicles. However, the extent of the participation is determined by the Partners.

As noted in Item 10, Arroyo may serve as investment manager to certain Co-invest Vehicles that invest alongside the Funds in certain portfolio companies, and certain affiliates and personnel of Arroyo may participate in such co-investment opportunities. Co-investors generally will participate in the investment at the same time and on the same terms as the Fund, except as otherwise specified in Fund Offering Documents.

Arroyo, its affiliates and related persons may enter into contracts and transactions with the Funds or a portfolio company subject to certain terms and provisions as outlined in the relevant Fund's partnership agreement and subject to disclosure to and/or approval by the Advisory Committee.

C. Personal Securities Investing

Arroyo's related persons generally are permitted to engage in personal or family investments, subject to certain reporting to and pre-approval by the CCO as required by Arroyo's Code of Ethics. Under certain circumstances, related persons of Arroyo may invest alongside the Funds. Such co-investment rights may result in the Funds investing less capital than it otherwise would have in such transactions. Each such related personal transaction would be separately identified and made strictly in accordance with the terms of the respective Fund's offering documents and Arroyo's Code of Ethics. To manage this conflict of interest, Arroyo's Code of Ethics requires its employees to obtain prior written approval from the CCO before engaging in any transactions in his/her personal account that involve the direct or indirect purchase or sale of any privately offered security. Such employee transactions will be reviewed in the best interests of the Funds and will be denied by the CCO if there is risk of potential material adverse consequences to the Funds.

D. Personal Securities Trading

As discussed in Item 11(c) above, Arroyo has adopted procedures to monitor the personal securities transactions entered into by its employees. In addition, to avoid the misuse of material non-public information or confidential client information, Arroyo maintains a restricted list of securities in which Arroyo and its employees may not trade without prior approval from the CCO.

E. Insider Trading Policy

Arroyo 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, Arroyo 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 Fund Client. Accordingly, should Arroyo come into possession of material nonpublic or other confidential information with respect to any company, it may be prohibited from communicating that information to, or using that information for the benefit of its Fund Clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use that information for the benefit of, the Fund Clients when following policies and procedures designed to comply with law. Accordingly, Arroyo's Code of Ethics establishes procedures to prevent the misuse of material nonpublic information by Arroyo's supervised persons.

F. Gifts & Entertainment

Arroyo employees may on occasion accept gifts or invitations to entertainment but must always act in the best interest of Arroyo and its Fund Clients and avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of the Company's business relationships. Arroyo's gifts and entertainment policy implements internal controls to monitor such activity, which includes reporting or seeking pre-approval for gifts and entertainment events of significant value.

G. Political Contributions & Payments to Foreign Officials

Arroyo employees may on occasion make political or charitable contributions. Arroyo employees are required to seek prior approval before making political contributions to any political official, candidate for political office, political party or political action committee ("*PAC*"). Political contributions are generally permitted except where such contributions may raise issues under the pay-to-play rule. Payments or offers of payments to foreign political officials that intended to improperly influence such person in the conduct of any business function or activity are strictly prohibited.

**Item 11 Brokerage Practices**

A. Selection of Broker-Dealers

As noted in Item 4, Arroyo will primarily offer investment advice with regard to a broad range of energy-related private investments, rather than advice and execution with respect to securities traded through brokers. Thus, Arroyo, as a matter of policy, will not affect soft dollar transactions and will not enter into soft dollar arrangements with respect to transactions for the Fund. If Arroyo determines to use soft dollars in the future, it will endeavor to do so within the "safe harbor" provided by Section 28(e) of the Securities and Exchange Act of 1934 and implement appropriate policies and procedures at that time. Although Arroyo may receive proprietary research from certain brokerage firms, it will not take the value of such research into account when selecting a broker. Instead, Arroyo will select a brokerage firm that it believes is in the best interest of the Funds.

B. Aggregation of Securities for Client Accounts

Initially, Arroyo will not aggregate the purchase or sale of securities for its clients since Arroyo will generally only have one Fund Client investing at the same time, and the Funds will not regularly invest in publicly traded securities. If and when Arroyo has multiple clients that invest in publicly traded securities, Arroyo may, but will not be required to, aggregate order to achieve more effective execution or to provide for equitable treatment among Funds and their Investors. Funds participating in aggregated trades would be allocated securities based on the average price achieved for such trades.

**Item 12 Review of Accounts**

A. Periodic Review of Client Accounts

The Partners and other professionals employed by Arroyo monitor the performance of investments of its Fund Clients on a regular basis, including the evaluation of additional investment opportunities in the case of the Main Funds. These professionals monitor operations, financial performance and strategic direction of each investment owned by the Fund Clients.



B. Frequency of Review

The General Partner has established or will establish an “Advisory Committee” for the Main Funds whose voting members consist of investor representatives. The Advisory Committee will ordinarily meet with the General Partner on a semi-annual basis (or as otherwise agreed upon by the Advisory Committee) and at the General Partner’s discretion. Items and matters which the Advisory Committee will consider and act on include, but are not limited to, potential conflicts of interest and methods of valuation.

C. Reports to Clients Regarding their Accounts

Fund Clients and their Investors will receive periodic reports (typically quarterly and annually) consistent with the requirements of each Fund’s offering materials. Each Investor will also be provided with annual audited financial statements and unaudited quarterly statements of their capital. Arroyo holds an annual meeting for Investors and provides additional materials in conjunction with such meeting. Additional information and materials are provided to the Advisory Committee at its meetings or in conjunction with conducting its activities. Other reports or information may be provided to Investors pursuant to the terms of side letters.

**Item 13** **Client Referrals and Other Compensation**

A. Other Compensation

Arroyo, its affiliates or related persons may receive director’s fees, transaction fees, investment banking fees, break-up fees, advisory fees, monitoring fees or other similar fees (“***Fee Income***”) from portfolio companies or with respect to portfolio company investments. Generally, such Fee income will offset management fees paid by the Funds.

In addition, Arroyo, its affiliates or related persons may receive fees for project management, administrative and accounting services performed for portfolio investments (“***Project-Level Service Fees***”). Any Project-Level Services shall be solely for the benefit of Arroyo or its affiliates and will not be shared with the Fund, subject to terms of the relevant Fund’s partnership agreement and disclosure to the Advisory Committee.

Other than these arrangements, no person, other than Fund Clients, will provide an economic benefit to Arroyo in exchange for providing investment advice or other advisory services to the Fund Clients.

B. Client Referrals

From time to time, Arroyo may enter into placement arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in one of the Funds. Such placement arrangements may be a flat fee or based on a percentage of commitments to a particular Fund. Threadmark LP has been engaged as a placement agent to assist in the placement of Interests in Fund IV to certain of its clients and will generally be entitled to charge placement fees to Fund IV in respect of such clients in amounts based on the size of an investment in Fund IV. Placement agent fees are generally allocated to the Funds but subsequently offset management fees paid by the Funds.

**Item 14** **Custody**

Due to its affiliation with the General Partner for each Fund, Arroyo is generally deemed to have custody of client funds and securities for purposes of Rule 206(4)-2 under the Advisers Act. Arroyo uses a qualified, unaffiliated third-party custodian to hold the required assets of

the Funds in accordance with current SEC standards and guidance. Although Arroyo may be deemed to have custody of the underlying assets of its Fund Clients, Arroyo will rely on the “pooled investment vehicles” exemption from the reporting and surprise audit obligations imposed by the SEC’s custody rule. Accordingly, Funds generally are subject to a year-end audit by a major independent accounting firm, as disclosed in Section 7.B.(1) of Form ADV Part 1A, that is a member of, and examined by, the Public Company Accounting Oversight Board. The audited financial statements will then be provided to Fund Investors of Fund within 120 days of the end of the fiscal year.

**Item 15     Investment Discretion**

As dictated by the respective Fund’s Offering Documents, Arroyo will have full discretionary authority to manage such Fund and, therefore, will not be required to obtain, and will not seek, approval from such Fund or the Investors of such Fund with respect to Arroyo’s investment decisions.

Each Fund’s investment strategy will be set forth in detail in its Offering Documents and/or additional governing documents (if any). Individual Investors will not have the ability to impose limitations on Arroyo’s discretionary authority. There will not be any separate classes for Investors. All Investors will receive identical interests. However, Arroyo may under certain circumstances enter into agreements or side letters with Investors that address specific legal, regulatory, tax or policy restrictions of the Investor.

Prospective investors will be provided with the applicable Fund’s Offering Documents prior to their investment and will be encouraged to carefully review all offering materials and to be sure that the proposed investment in such Fund is consistent with their investment goals and tolerance for risk. Prospective investors will also be required to execute a subscription agreement, in which they will make various representations including representations regarding their suitability to invest in that privately placed investment pool.

**Item 16     Voting Client Securities**

Arroyo provides investment advisory services to Funds whose investment programs, when involving securities, primarily involve investing in securities through privately negotiated transactions. Accordingly, Arroyo does not typically invest in or hold publicly traded securities or vote any proxies. The general partner of each Fund is responsible for the management, policies and operations of each Fund, acting pursuant to and in accordance with each Fund’s partnership agreement. On behalf of the general partner of each of the Funds, Arroyo generally originates and recommends investment opportunities to the Funds, monitors and evaluates investments and provides other related services as each Fund may reasonably request. To the extent Arroyo exercises or is deemed to be exercising voting authority over a Fund’s securities, it will vote those securities in a way that maximizes the value of such Fund’s assets. In the event Arroyo buys or holds public equity securities subject to proxy votes, Arroyo will adopt and implement additional proxy voting policies and procedures designed to ensure that Arroyo will vote such proxies based on what it considers to be in the best financial interest of each applicable client, as determined in its discretion and identifies and resolves material conflicts of interest prior to voting any proxy. Investors may receive a copy of any proxy voting procedures and information on how proxies were voted on behalf of a client, if applicable, upon request.

**Item 17     Financial Information**

A. Prepayment of Fees

Arroyo does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

B. Financial Condition

Arroyo is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

C. Bankruptcy

Arroyo has never been the subject of a bankruptcy petition.

**Item 18** **Requirements for State-Registered Advisers**

Not applicable.