

## BROCHURE

June 30, 2012

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This Brochure provides information about the qualifications and business practices of Hall Capital Partners LLC. If you have any questions about the contents of this Brochure, please contact us at (415) 288-0544. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hall Capital Partners LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Hall Capital Partners LLC is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

## Item 2. Material Changes

Hall Capital Partners LLC (“Hall Capital or the “firm”) is pleased to provide its clients and prospective clients with this Brochure, which is the firm’s Form ADV Part 2A. The Brochure contains important information about Hall Capital’s business practices as well as a description of potential conflicts of interest relating to the firm’s advisory business that could affect a client’s account with us.

Kathryn A. Hall, Chief Executive Officer and Chief Investment Officer of Hall Capital, also controls a company that recently registered as an investment adviser with the SEC, relying upon Hall Capital’s registration. This change will not reduce the amount of time Ms. Hall spends on the business of Hall Capital clients. For many years, Ms. Hall has served as managing general partner of a limited partnership, which is not a Hall Capital client. The limited partnership is the only client of the registered entity, KHALL LLC. For further information, please see Item 10.B.

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## Item 4. Advisory Business

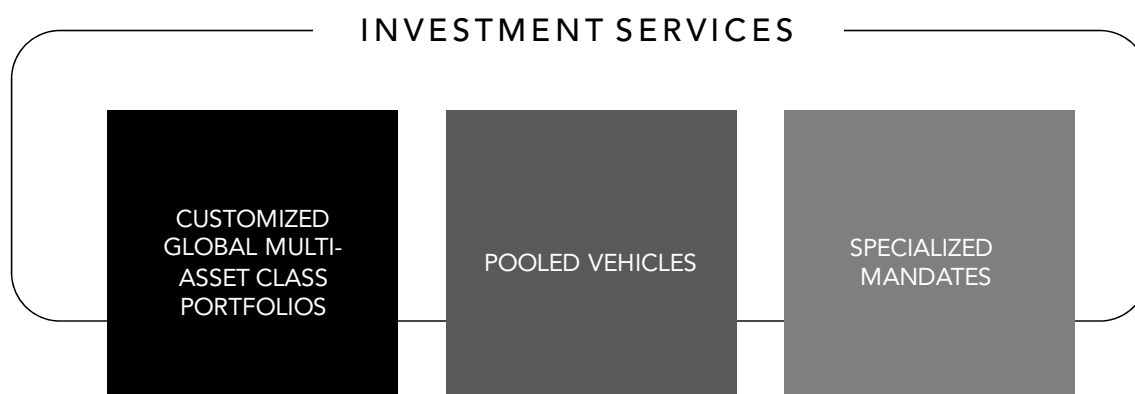
### A. INTRODUCTION

Hall Capital Partners LLC (“Hall Capital”) constructs, manages, and oversees multi-asset portfolios for families, endowments, foundations, and other clients. The firm is a privately owned, independent, registered investment adviser with approximately 124 employees and offices in San Francisco and New York. The firm and its predecessors began in 1994, initially to manage the portfolios of a few family offices and their private foundations. As of December 31, 2011, Hall Capital managed approximately \$21.8 billion (\$21,758,381) of investment assets for 132 clients and 25 pooled vehicles and special purpose vehicles. (The firm’s “Regulatory Assets Under Management” listed on the Form ADV Part 1A, Item 5 are \$22,102,941,638.)

### B. INVESTMENT SERVICES

Hall Capital’s main service is the management of investment portfolios for families, endowments, foundations, and other clients. The firm actively invests with a wide spectrum of “underlying managers” (managers of private funds (“portfolio funds”), separate accounts, and certain mutual funds) for its clients through both advisory client accounts and the HCP Pooled Vehicles. The firm offers private and institutional investors three services, each of them benefiting from the expertise of the firm’s Research Group:

- Customized Global Multi-Asset Class portfolios, for which the firm builds diversified portfolios covering multiple geographies and asset classes, customized for the firm’s clients’ needs;
- HCP Pooled Vehicles, which are unregistered funds of funds that provide diversified commingled investment strategies for qualified institutional and individual investors. As of December 31, 2011, the HCP Pooled Vehicles represented approximately \$2.2 billion of the firm’s assets under management;
- Specialized Mandates, pursuant to which the firm invests in a specific asset class such as hedge funds, private equity, or real assets for clients wanting to dedicate capital to that specific focus.



The core of Hall Capital’s business is its global, multi-asset class portfolio construction, customized according to client-specific guidelines, with each portfolio managed by one of the firm’s Portfolio Managers. Hall Capital specializes in asset allocation, manager selection, portfolio accounting, and reporting for complicated pools of capital for families, endowments, foundations, and other clients. The firm maintains and expands its expertise through a commitment to rigorous research, partnership, and focus.

Hall Capital has an experienced Research Group. This group reviews potential and existing portfolio fund investments, tracks the performance of most sectors of the markets, and identifies established underlying managers with strong historical return characteristics as well as promising emerging firms. The Research

Group is organized primarily by investment strategies: absolute return/credit (including credit, arbitrage, multi-strategy, and distressed); equity strategies (long-only and equity-hedge); private equity (buyout, growth, distressed, and venture capital); real assets (real estate, energy and power, timber, and other hard assets); and capital markets. In each of these areas Hall Capital's perspective is global, including North American markets, the developed international markets in Europe and Asia, and emerging markets.

Hall Capital seeks to have a close working relationship with all clients in order to meet each client's particular goals and objectives. The firm works on either a non-discretionary or a discretionary basis; the fee schedule is the same in both instances. As of December 31, 2011, the firm had non-discretionary authority over approximately \$19.2 billion (\$19,237,290,426) in assets under management and discretionary authority over approximately \$2.5 billion (\$2,521,090,541) in assets under management. Clients may impose restrictions on investing in certain securities or types of securities.

Hall Capital is a privately owned firm; it is not owned by any institution such as a bank, broker-dealer, insurance company, or another investment manager. Kathryn A. Hall, founder of the firm, is Chief Executive Officer and Chief Investment Officer. John W. Buoymaster is Chairman. As of December 31, 2011, no single person or entity owned 25% or more of the firm.

## Item 5. Fees and Compensation

### A. CUSTOMIZED GLOBAL MULTI-ASSET PORTFOLIOS

Hall Capital charges an annual retainer fee for each Customized Global Multi-Asset Class (CGMA) client account generally using the following fee schedules.

#### CGMA Portfolios Fee Schedules

OPTION 1
0.35% on all assets under management Minimum fee of \$350,000
OPTION 2
<u>Base Fee</u> 0.25% on all assets under management Minimum fee of \$250,000
<u>Performance Fee</u> 10% of return over a specified hurdle rate (8%) Maximum combined fee of 1.00%

#### **Notes on CGMA Fees (also applicable to Specialized Mandates)**

##### *General*

References to assets under management in the above table refer to assets for which the firm provides advisory services. In connection with the performance fee option, Hall Capital complies with Rule 205-3 under the Investment Advisers Act of 1940, as amended, which requires a client who pays a performance fee to be a "qualified client."

***Advisory Agreement***

Hall Capital requires individually managed account clients to enter into an investment management services agreement which generally, among other matters, details the nature of the advisory relationship; the nature of discretionary investment authority, if any, granted to us; and whether a client chooses to deduct fees from the account or pay separately.

***Fee Negotiated***

Hall Capital may waive all or part of its minimum annual fee in its discretion and may have lower fee arrangements with certain clients or otherwise negotiate different fee arrangements in certain circumstances.

***Fee Components***

Hall Capital's annual retainer fee generally covers the services it provides to clients with customized global multi-asset or specific mandate portfolios. Underlying managers of portfolio funds, separate accounts, and certain mutual funds in which a client invests also charge management fees and some additionally charge incentive allocations or performance fees. Clients also generally incur, directly or indirectly, brokerage costs, other transaction costs and other fees and expenses.

***Clients Who Invest in HCP Pooled Vehicles***

For assets invested in the HCP Pooled Vehicles on which a client pays a management fee, as well as advisory fees to the firm or its affiliates, the firm reduces the advisory fee paid by the client directly by the amount of the management fee paid with respect to the HCP Pooled Vehicles, except that in certain cases this reduction will not reduce the advisory fee below an agreed upon minimum annual fee and generally the advisory fee will not be reduced below zero. Certain fee arrangements as agreed to by clients do not involve an offset.

***Timing of Payment and Termination of Our Services***

Fee payments generally are due monthly or quarterly in advance depending on the terms of each client's investment management services contract, other than performance fees which are generally payable annually in arrears.

A client may terminate the firm's services at any time upon written notice to us. Upon termination, the client receives a *pro rata* refund of pre-paid fees based on the number of days remaining in the period for which the fees were paid. Performance fees that have accrued until termination will remain payable.

**B. SPECIALIZED MANDATES**

Hall Capital negotiates an annual retainer fee with each Specialized Mandate client account generally using the following fee schedules:

**Specialized Mandates Fee Schedules\***

<b>OPTION 1</b>
0.75% on all assets under management Minimum fee of \$350,000
<b>OPTION 2</b>
0.60% on all assets under management Minimum fee of \$250,000 Performance fee of 10% of return over specified hurdle rate (8%)

\* See "Notes on CGMA Fees (also applicable to Specialized Mandates)" above

## C. HCP POOLED VEHICLES

The HCP Pooled Vehicles are unregistered funds of funds that invest primarily in private funds or mutual funds managed by underlying managers. Fees owed by an HCP Pooled Vehicle are deducted from the Pooled Vehicle's assets. The general partner may in its sole discretion agree to accept an alternative fee arrangement to the amounts set forth in the schedules below with respect to any limited partner.

### 1. HCP Absolute Return Funds

The Absolute Return Funds pay Hall Capital an annual management fee, quarterly in advance, through the term of each Absolute Return Fund and pro-rated for periods less than one calendar quarter. The management fee is calculated separately with respect to the capital account balance of each limited partner as follows:

LIMITED PARTNER'S NET CAPITAL CONTRIBUTION	ANNUAL MANAGEMENT FEE
Under \$10 million	85 basis points
\$10 million or more	75 basis points

In addition, the underlying manager of each portfolio fund in which the Absolute Return Funds invest charges a management fee generally ranging from 1% to 2% of the net asset value of that portfolio fund and generally also receives an incentive allocation of up to 20% of that portfolio fund's returns. Investors generally also pay, indirectly, the underlying managers' brokerage costs, other transaction costs, and/or other fees and expenses.

### 2. HCP Private Equity Funds I-V

Private Equity Funds I-V pay Hall Capital or an affiliate of Hall Capital an annual management fee, quarterly in advance, through the term of the particular fund. The management fee is calculated separately with respect to each limited partner and, if the fund has a Cayman feeder fund, on a separate basis for each limited partner of the fund's Cayman feeder.

For Private Equity Fund I, the annual management fee to Hall Capital's affiliate currently is 0.50% on each limited partner's remaining unreturned capital contributions. The firm's affiliate is also entitled to receive a performance fee equal to 10% of the fund's profits, subject to a 15% compound preferred return in favor of the limited partners.

For Private Equity Fund II, the base on which the annual management fee is calculated for any particular limited partner is reduced by the cost basis of investments that have been sold, distributed, or written off with respect to such limited partner.

During the first seven years of Private Equity Funds III-V, the management fee to Hall Capital or its affiliate will be calculated in accordance with the following table:

LIMITED PARTNER'S COMMITMENT	ANNUAL MANAGEMENT FEE
Under \$5 million	95 basis points
Over \$5 million up to \$10 million	85 basis points
Over \$10 million	75 basis points

After the seventh year of the initial closing of each of these funds, the base on which the annual management fee is calculated for any particular limited partner will be reduced by the cost basis of investments that have been sold, distributed, or written off with respect to such limited partner (for Private Equity Funds II and III), or reduced by an amount equal to 20% of the management fee payable in the immediately previous annual period (for Private Equity Funds IV and V).

In addition, the underlying manager of each portfolio fund in which a fund invests charges a management fee equal to a percentage of the respective total commitment of that portfolio fund generally ranging from 0.75% to 2.5% for Private Equity Fund I, 1.25% to 2.5% for Private Equity Fund II, 1.0% to 2.5% for Private Equity Funds III and IV, and 1.5% to 2.5% for Private Equity Fund V as of 12/31/11; and generally receives an incentive allocation of up to 30% of that portfolio fund's returns. Investors generally also pay, indirectly, the underlying funds' brokerage costs, other transaction costs, and/or other fees and expenses.

### 3. HCP Real Assets Funds I-III

Real Assets Funds I, II and III pay an annual management fee to an affiliate of Hall Capital, quarterly in advance, through the term of the particular fund. The management fee is calculated separately with respect to each limited partner. During the first seven years of each fund, the management fee to Hall Capital's affiliate will be calculated in accordance with the following table:

LIMITED PARTNER'S COMMITMENT	ANNUAL MANAGEMENT FEE
Up to \$5 million	95 basis points
Over \$5 million up to \$10 million	85 basis points
Over \$10 million	75 basis points

After the seventh year of the initial closing of each fund, the base on which the annual management fee is calculated for any particular limited partner will be reduced by the cost basis of investments that have been sold, distributed, or written off with respect to such limited partner (for Real Assets Funds I and II) or reduced by an amount equal to 20% of the management fee payable, provided, however, that in no event shall the annual management fee payable by a limited partner be reduced below 0.30% of such limited partner's commitment (for Real Assets Fund III).

In addition, the underlying manager of each portfolio fund in which a fund invests charges a management fee generally ranging from 1% to 2% of the total commitment amount of that portfolio fund and generally receives an incentive allocation of up to 20% of that portfolio fund's returns. Investors generally also pay, indirectly, the underlying funds' brokerage costs, other transaction costs, and/or other fees and expenses.

### 4. HCP Global Investment Fund

Global Investment Fund (encompassing two parallel funds) pays an annual management fee to an affiliate of Hall Capital, quarterly in advance, and calculated separately with respect to each limited partner as follows:



SUM OF LIMITED PARTNER'S CAPITAL ACCOUNT PLUS UNDRAWN COMMITMENT	ANNUAL MANAGEMENT FEE
Below \$50 million	55 basis points
\$50 million to below \$250 million	50 basis points
\$250 million and above	Discretionary but equal to or less than 50 basis points

At the end of each calendar year of the fund, to the extent that net capital appreciation allocated to the capital account of a limited partner reflects at least a 10% annualized return for that year (the “Hurdle”), an amount will be reallocated from the capital account of the limited partner with respect to such year to the capital account of the General Partner so that the General Partner obtains up to 5% of the net capital appreciation above the Hurdle for that year.

In addition, the underlying manager of each portfolio fund in which the fund invests charges a management fee generally ranging from 0.40% to 2.5% of the net asset value or total commitment amount of that portfolio fund and generally receives an incentive allocation of up to 30% of that portfolio fund's returns. Investors generally also pay, indirectly, the underlying funds' brokerage costs, other transaction costs, and/or other fees and expenses.

## 5. HCP Special Opportunities Fund

Special Opportunities Fund pays an annual management fee to an affiliate of Hall Capital, quarterly in advance and calculated separately with respect to the capital account balance of each limited partner as follows:

LIMITED PARTNER'S CAPITAL ACCOUNT	ANNUAL MANAGEMENT FEE
Up to \$5 million	125 basis points
Over \$5 million up to \$10 million	110 basis points
Over \$10 million	95 basis points

In addition, the underlying manager of each portfolio fund in which the fund invests charges a management fee generally ranging from 0.90% to 1.75% of the net asset value or total commitment amount of that portfolio fund and generally receives an incentive allocation of up to 25% of that portfolio fund's returns. Investors generally also pay, indirectly, the underlying funds' brokerage costs, other transaction costs, and/or other fees and expenses.

## 6. HCP Credit Dislocation Fund

Credit Dislocation Fund (encompassing two parallel funds) pays an annual management fee to an affiliate of Hall Capital, quarterly in advance, through the term of the fund. The management fee will be calculated separately with respect to each limited partner as follows:

SUM OF LIMITED PARTNER'S CAPITAL ACCOUNT PLUS UNDRAWN COMMITMENT	ANNUAL MANAGEMENT FEE
Below \$10 million	85 basis points
\$10 million and above	75 basis points

The management fee is calculated on the sum of each limited partner's capital account balance plus uncalled commitments. After the fifth year of the initial closing of the fund, the management fee will be reduced to 50 basis points per year on any remaining capital account balances.

In addition, the underlying managers of each portfolio fund in which the fund invests charge a management fee generally ranging from 0.90% to 1.5% of the net asset value of that portfolio fund and also receive an incentive allocation of up to 20% of that portfolio fund's returns. Investors generally also pay, indirectly, the underlying funds' brokerage costs, other transaction costs, and/or other fees and expenses.

#### D. SPECIAL PURPOSE VEHICLES

A Special Purpose Vehicle ("SPV") is a means of providing exposure to a specific underlying manager or set of managers for Hall Capital's clients or others by aggregating individual investments in one vehicle. Hall Capital and its affiliates do not charge management fees on the SPVs unless an investor ceases to be a client of Hall Capital, in which case the fee generally would be 0.55% multiplied by a limited partner's capital commitment or capital account as appropriate. Investors are required to pay certain expenses. The underlying managers of the portfolio funds in which the SPVs invest charge management fees as follows: 2% plus a performance allocation of 20%; 2% of capital commitments and generally an incentive allocation of up to 30% of a portfolio fund's returns; 1.75% and carried interest of 20% on returns after a preferred return of 8%; 1% and a performance fee of 20%; 1.75%, which drops to 1.5% after the investment period, and carried interest of 20% on returns after a preferred return of 6%; 1.5% and carried interest of 20%; 2% and a carried interest of 20% on returns after a preferred return of 8%; 1.25% and a carried interest of 15%. Investors generally also pay, indirectly, the underlying funds' brokerage costs, other transaction costs, and/or other fees and expenses.

#### E. ADDITIONAL INFORMATION

Hall Capital may, in the future, serve as the general partner or otherwise sponsor, manage, or provide advisory services (directly or through affiliates) to other private investment funds or people or entities with fee schedules similar or dissimilar to those set forth above.

Hall Capital believes that its fees are competitive with fees charged by other investment advisers for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Hall Capital.

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

Some client fees are based partly on the performance of investments ("performance-based fees"). Certain HCP Pooled Vehicles also charge performance-based fees. For details, please see Item 5.

## A. POTENTIAL CONFLICTS

The same Hall Capital Portfolio Managers may manage client investment portfolios or HCP Pooled Vehicles with performance-based fees and non-performance-based fees. Performance-based fees may create an incentive for an adviser to recommend investments which may be risky or speculative. Performance-based fees may also create an incentive to favor those accounts over other accounts in the allocation of investment opportunities. Performance fees provide Hall Capital the opportunity to receive more, or less, compensation than may be the case for fees based on assets under management. Hall Capital mitigates these potential conflicts, including as described generally below.

## B. MITIGATION OF POTENTIAL OR ACTUAL CONFLICTS

**Equitable Allocation of Investment Opportunities.** To the extent that demand for a particular investment opportunity recommended by the firm exceeds the capacity allocated to the firm's clients, Hall Capital undertakes an allocation process designed to allocate the investment opportunity among clients (including the HCP Pooled Vehicles) in an impartial manner such that investment opportunities are allocated over a period of time on a fair and equitable basis taking into account each client's investment objectives, restrictions, or policies. Generally, allocations are made pro rata to each client indicating an interest in the opportunity. Where pro rata allocations are not feasible, the firm may use other methods, including participation by random selection. In some cases, the underlying manager of the investment opportunity makes the allocation decision, and the firm has little or no input into the manager's decision. The type of fee paid by a client and the size of the fee are not factors considered. Due to manager-imposed minimums, entities requesting lower amounts may receive a higher percentage of their requested amounts. The final allocation decision resides with the Chief Investment Officer, although the Chairman, President, Director of Research, Co-Directors of Portfolio Management, and other firm investment personnel may provide input into the allocation process.

**Review of Client Accounts.** Each Senior Portfolio Manager reviews his or her clients' accounts approximately quarterly or more frequently as deemed appropriate, among other purposes, to analyze performance and assess the appropriateness of each investment account in light of the client's investment objectives. Kathryn A. Hall, Chief Executive Officer and Chief Investment Officer, and Chairman John W. Buoymaster participate in two oversight mechanisms. The firm's Portfolio Assessment and Review Committee, chaired by Mr. Buoymaster, reviews new client policies, guidelines, and portfolios. Thereafter, the Committee conducts annual or biannual reviews of all portfolios with Portfolio Managers in a peer-review process, discussing overall asset allocation and adherence to guidelines. Commencing in 2010, the firm began conducting semi-annual Chief Investment Officer/Research Reviews for client portfolios. Ms. Hall, Mr. Buoymaster, and Eric E. Alt, Director of Research, review portfolios to ensure that important themes, investment ideas, and risk mitigation strategies are represented in portfolios, as deemed appropriate.

**Fairness to Clients.** The firm attempts to resolve all potential or actual conflicts in a manner that is generally fair to all of its clients.

**Best Interests of Clients.** The firm recommends an investment to a client only if the firm believes the recommendation is appropriate for the client and is in the client's best interest. An investment may not be appropriate for all client accounts, and recommendations are made independent of the consideration of fees payable by an account.

**Investment Due Diligence, Decision-making, and Monitoring.** Before an investment can be included in a client portfolio or an HCP Pooled Vehicle, the firm performs comprehensive due diligence. If an investment is viewed favorably after the initial due diligence, the Research Group prepares a written memorandum, which is discussed by the Investment Committee. An investment must be approved by the Investment Review Committee ("Review Committee") before it can be included in client or HCP Pooled Vehicle portfolios. Recommended managers are actively monitored by the Research Group after the initial recommendation.

## Item 7: Types of Clients

### A. TYPES OF CLIENTS

Hall Capital's main service is the management of investment portfolios of families, endowments, foundations, and other clients. In general, Hall Capital's clients are both "accredited investors" under the Securities Act of 1933, as amended, and "qualified purchasers" under the Investment Company Act of 1940, as amended. All investors in the HCP Pooled Vehicles are accredited investors, and many are qualified purchasers.

### B. MINIMUM ACCOUNT SIZES—CUSTOMIZED GLOBAL MULTI-ASSET AND SPECIALIZED MANDATE PORTFOLIOS

Hall Capital does not require a minimum investment to open an individually managed account, but the firm typically charges a minimum annual fee of \$350,000 and in general each client account has \$100 million or more under the firm's management. The firm may waive all or part of its minimum annual fee in its discretion and may have lower fee arrangements with certain existing clients or otherwise negotiate different fee arrangements in certain circumstances.

### C. MINIMUM ACCOUNT SIZES—HCP POOLED VEHICLES

The HCP Pooled Vehicles generally require minimum investments, subject to the General Partner's right to waive the minimums. Currently the highest minimum is \$3 million, many minimums are \$1 million, and some are lower.

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

### A. INVESTMENT STRATEGIES AND METHODS OF ANALYSIS

**Investment Philosophy.** Hall Capital's investment philosophy has four key tenets:

First is a desire to *diversify portfolios across drivers of value*. In other words, almost all of the firm's portfolios have at least some exposure to multiple asset classes, specifically fixed income, equities, hedge funds, private equity, and real assets.

Second, Hall Capital strongly advises that its clients *invest globally*.

Third, the firm's research process and strategies *focus on fundamental analysis*. As such, Hall Capital has typically avoided meaningful exposure to quantitative, "black-box," global macro, momentum-based, or high-velocity trading strategies, or to strategies that depend too heavily on financial leverage.

Fourth, the firm believes that *managing liquidity needs* is of great importance and that clients must receive a significant premium for investing in illiquid investments.

**Investment Strategies.** Hall Capital's goal is to invest through superior underlying managers, regardless of geography, in all asset classes. Hall Capital's objective is to build relatively concentrated portfolios of complementary managers. Typically, portfolios in aggregate are diversified. Investment strategies used by Hall Capital include, but are not limited to:

**Cash and Fixed Income.** Investment in fixed income securities may offer opportunities for income and capital appreciation, and may be used for, among other purposes, temporary defensive purposes and to maintain liquidity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes, and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities or by a foreign government; municipal securities; and mortgage-backed securities (“MBS”) and asset-backed securities (“ABS”). These securities may pay fixed, variable, or floating rates of interest, and may include zero-coupon obligations.

**U.S., International and Global Equities.** U.S. equity strategies might include investments in common stocks, preferred stocks and other equities. International and global equities include investments in global equity markets in both developed and emerging countries. Securities may be purchased and sold on U.S. or international stock markets and may be transacted in dollars or local currencies. Dedicated emerging market strategies invest in equity of companies in underdeveloped or developing economies, such as, without limitation, in the People’s Republic of China, India, other Southeast and South Asian countries, Africa, and South America.

**Absolute Return.** Absolute return funds seek to generate positive annual returns with relatively lower volatility in most market environments. Investment managers in this asset class invest in a wide array of securities including equity, debt, derivatives, and futures. Examples of absolute return strategies include event-driven arbitrage, fixed income arbitrage, multi-strategy and distressed equity and debt. This strategy is frequently implemented by investments in hedge funds.

**Global Equity/Hedge.** Equity hedge investments typically buy and sell short U.S. and global equities. These investments tend to have a greater allocation of capital to long investments than short and are thus typically more correlated to equity markets than absolute return strategies. Equity hedge investments are frequently implemented by investments in hedge funds.

**Private Equity.** Private equity is generally a strategy that involves the purchase of illiquid equity interests (or in some cases, debt with equity components) in private companies. Categories of private equity strategies include buyout (generally acquisition-driven growth opportunities), growth (generally high growth opportunities) and venture capital (generally immature companies), as well as credit/distressed (generally opportunities created by a company’s financial or operational distress), and hybrid opportunities.

**Real Assets.** Real assets and related sectors include real estate, energy-related investments, timber and other hard assets.

**Opportunistic/Hybrid.** This includes investment opportunities that may not fit neatly within any of the above categories, either due to the structure or nature of the investments. Return expectations will correlate with the characteristic of the investment, lock-up period, and fee structure. Examples range from tactical (for example, credit opportunities) to hybrid (for example, a manager that invests in public equities, but is structured in the manner of an alternative asset manager with a longer lock-up and different fee structure).

**Methods of Analysis.** The Research Group, which includes the firm’s Chief Investment Officer, identifies, researches, and monitors underlying managers and the pooled investment vehicles (often private funds) or other strategies they manage. After firm approval, a private fund or other investment opportunity is eligible for inclusion in client portfolios or the HCP Pooled Vehicles.

Hall Capital's analysis of potential investments includes the performance of comprehensive due diligence on underlying managers and the private funds or other strategies they manage. The firm's due diligence process entails, among other matters, review of the following aspects of an underlying manager's management team and its investment process:

- The firm's key founders and principals, with reference checking;
- The organization of the firm -- its internal dynamics and disciplines, as well as its approach to investment and other key decisions;
- The firm's historical investment performance and the drivers of that performance;
- The depth and continuity of the firm's management team;
- The firm's overall investment process, including risk management policies;
- The firm's reputation for integrity and effectiveness;
- The firm's organizational stability and succession planning; and
- The investment terms and conditions, including fees and costs.

Additionally, Hall Capital's professionals generally perform onsite due diligence, obtain references, review audited financials, search Internet-based information, and at times work with a third-party professional to conduct operational and/or other diligence.

If a fund is viewed favorably after the initial due diligence process, the Research Group prepares a detailed written investment memorandum for discussion by the Investment Committee and decision by the Investment Review Committee ("Review Committee"). Upon approval, a recommended fund becomes eligible for investment by clients of the firm and the HCP Pooled Vehicles. The Investment Committee is a broad group of Hall Capital professionals that includes Research Group members, Portfolio Managers, all members of the Review Committee, and other senior investment professionals. The current members of the Review Committee are Kathryn A. Hall, John W. Buoymaster, Eric E. Alt, and Sarah E. Stein. Hall Capital's professionals also actively monitor recommended underlying managers and funds after client or fund investments are made with them.

## B. MATERIAL RISKS OF INVESTMENT STRATEGIES AND METHODS OF ANALYSIS

### 1. General

Although the firm works diligently to preserve clients' capital and achieve preservation and growth of client wealth, investing in securities by its nature involves risk of loss that clients should be prepared to bear. For any given investment, the possibility of a total or partial loss of client capital exists, and prospective clients and investors should not invest unless they can readily bear the consequences of such loss.

**No Assurance of Returns; Past Performance Results.** There can be no assurance that a portfolio or HCP Pooled Vehicle will perform well or achieve its investment objectives. Past performance is not indicative of future results. Similarly, the historical performance of any underlying manager is not a guarantee or prediction of the future performance of its portfolio funds.

**Reliance on Key Personnel.** While Hall Capital has significant depth and experience in investing, and specifically in private fund investing, the loss of Kathryn A. Hall, the firm's Chief Executive Officer and Chief Investment Officer, and Portfolio Manager of many HCP Pooled Vehicles, or John W. Buoymaster, the firm's Chairman, or other personnel, could adversely impact the firm's and funds' ability to successfully implement investment strategies.

**Reliance on Portfolio Fund Management.** Clients and the HCP Pooled Vehicles typically invest in portfolio funds and through separate accounts managed by underlying managers that will generally be unrelated to the General Partner. Returns could be substantially and adversely affected by the unfavorable performance of one or more such portfolio funds or separate accounts. Subjective decisions made by the underlying managers may cause the portfolio funds or separate accounts to incur losses or to miss profit opportunities on which they would otherwise have capitalized. Furthermore, underlying managers may have a substantial amount of discretion to change their investment approach, typically without notice to or approval by investors. Investors will have no right or power to participate in the management or control of the portfolio funds or separate accounts, and will not have an opportunity to evaluate the specific investments made by the underlying managers.

**Availability of Suitable Opportunities.** The success of a client portfolio or HCP Pooled Vehicle as a whole depends on the ability of the firm or its affiliates to identify and invest in underlying funds or other investments that meet the desired investment criteria. The identification of an attractive fund does not ensure that a client or HCP Pooled Vehicle will be able to invest capital in the particular fund, given the high level of investor demand some funds receive.

**Due Diligence Errors.** It is possible that the firm may miss or misinterpret information during its due diligence. The firm has established procedures to mitigate this risk, but there is no assurance it will be successful in any particular situation. An underlying manager could be engaged in wrongdoing that is not uncovered by the due diligence process.

**General Risks Relating to Underlying Managers and Other Financial Intermediaries.** In connection with investments in portfolio funds, clients and HCP Pooled Vehicles will be dependent upon underlying managers, which will have custody and control of client and HCP Pooled Vehicle assets invested in such underlying managers' portfolio funds. The failure of an underlying manager or financial intermediary to fulfill its obligations may have a material adverse effect on the related investment and overall performance. If any underlying manager, any other financial intermediary, or any of such underlying manager's or financial intermediary's counterparties becomes insolvent or files for bankruptcy, a client or HCP Pooled Vehicle could suffer complete or partial losses and increased illiquidity.

**Systemic and Counterparty Risk.** Credit risk or "systemic risk" may arise through a default by one of several large institutions that causes a series of defaults by other institutions, which may adversely affect financial intermediaries, such as clearing houses, banks, securities firms and exchanges, with which the underlying managers interact on a daily basis.

Certain underlying managers may be required to post collateral with counterparties to support the managers' obligations in connection with transactions involving forwards, swaps, futures, options, and other derivative instruments. There is risk of a counterparty default, which could result in collateral being lost or not recovered promptly.

Some of the markets in which an underlying manager may effect transactions are "over-the-counter" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. This may increase the potential for losses by the portfolio funds or separate accounts of the underlying managers.

**Non-U.S. Investments.** It is anticipated that where appropriate, clients or HCP Pooled Vehicles will invest directly or indirectly in investments outside the United States. Any investment in a foreign country involves risks, including: the risk of economic and financial instability in the foreign country, which in some cases may include a collapse in credit markets, stock prices, currencies and/or consumer spending; the risk of adverse social and political developments, including expropriation, nationalization,

confiscation without fair compensation, political and social instability, and war; the risk that the foreign country may impose restrictions on the repatriation of investment income or capital or on the ability of foreign persons to invest in certain types of companies, assets, or securities; risks related to the possible lack of availability of sufficient financial information as a result of corporate governance, accounting, auditing and financial disclosure standards that differ, in some cases significantly, from those in the United States; risks related to foreign laws and legal systems, including laws with respect to the rights of investors, which may not be as comprehensive or well developed as those in the United States; risks related to the fact that some investments may be denominated in foreign currencies and therefore will be subject to fluctuations in exchange rates; and risks related to applicable tax laws and regulations and tax treaties, possibly resulting in retroactive taxation and an unanticipated local tax liability.

**Emerging Markets.** It is anticipated that where appropriate, clients or HCP Pooled Vehicles will invest directly or indirectly in companies in one or more emerging markets (including, without limitation, in the People's Republic of China, India, other Southeast and South Asian countries, Africa, and South America). Investing in companies based in emerging markets, involves considerations including political and economic factors, such as greater risks of expropriation, nationalization, and general social, political and economic instability; the small size of the securities markets in emerging markets and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; inconsistencies among local, regional, and national laws; and certain government policies that may restrict investment opportunities. A portfolio fund or underlying manager, as a foreigner, may be subject to legal or regulatory constraints or prejudices that do not affect local investors. Less information may be available to investors, and there may be a lack of uniform accounting, auditing and financial reporting standards, inadequate settlement procedures and potential difficulties in enforcing contractual obligations.

**Foreign Exchange Risks.** In the case of investments in securities that are not denominated in U.S. dollars, any fluctuation in currency exchange rates will affect the value of such investments and the returns ultimately achieved. In addition, costs may be incurred in connection with conversions between various currencies.

## 2. Market Risk

**Status of Markets.** In recent times, economic markets have experienced a period of unprecedented stress. The availability, unavailability, or hindered operation of external credit markets, equity markets and other economic systems that the firm and investments may depend upon to achieve objectives may have a significant negative impact on private fund operations and profitability. There can be no assurance that such markets and economic systems will be available or will be available as anticipated or needed for investments or for private funds to operate successfully.

**Global Economic Conditions.** The outcome of any investment activity is determined to some degree by general economic conditions, which may affect the level and volatility of equity markets and interest rates and the extent and timing of investor participation in the equities and interest-rate markets.

The investment performance will be materially affected by conditions in the global financial markets and economic conditions generally. The global markets in recent years have been characterized by lack of liquidity, general uncertainty about economic activity levels, substantially increased volatility and short-selling and an overall reduction of investor and consumer confidence. There can be no assurance that these conditions will improve in the near term or at all. Changing economic conditions in the global economy or in specific regional economies may also impact the ability to reduce relative investment risk. The stability and sustainability of growth in global economies may be rapidly impacted by extrinsic



factors such as risks inherent in the financial system, economic intervention by governments, terrorism or acts of war.

**Highly Volatile Markets.** The prices of investments made by the underlying managers, and the net asset value of such investments, can be highly volatile. Price movements of futures contracts and other derivative contracts in which an underlying manager may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Government intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The non-U.S. investments made by the underlying managers also are subject to the risk of the failure of exchanges on which the positions trade or of their clearinghouses, and there may be a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls.

**Suspensions of Trading.** Securities, futures and commodities exchanges typically can suspend or limit trading in any instrument traded on the exchange. A suspension could render it impossible for an underlying manager to liquidate positions and expose clients or the HCP Pooled Vehicles to losses.

**Lack of Liquidity.** The markets for some instruments have limited liquidity and depth or may in the future experience periods of limited liquidity and depth. In addition, under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the underlying managers' portfolio positions may be further reduced and portfolio funds' or separate accounts' large positions with respect to a specific type of financial instrument may also reduce liquidity. This lack of liquidity could be a disadvantage to portfolio funds or separate accounts, both in the realization of the prices that are quoted and in the execution of orders at desired prices. Accordingly, portfolio funds or separate accounts may be required to hold investments for a longer period of time than desired or may be required to mark down the value of investments that are subject to such limited liquidity. Furthermore, if the portfolio fund or separate account incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, a portfolio fund's or separate account's counterparties could incur losses of their own, thereby weakening their financial condition and increasing such portfolio fund's or separate account's credit risk to them. Those would adversely affect the portfolio fund's or separate account's ability to rebalance its portfolios or to meet withdrawal requests.

**Legal, Tax and Regulatory Risks.** Legal, tax and regulatory changes could occur that may adversely affect the investments made by portfolio funds. For example, the regulatory environment for leveraged investors and for hedge funds generally is evolving, and changes in the direct or indirect regulation of leveraged investors or hedge funds, including tax regulation applicable thereto, may materially adversely affect the ability of the portfolio funds to pursue their investment objective or strategies.

### 3. Strategy, Portfolio and Investment Risk

**Multiple Asset Classes.** The underlying managers invest in multiple asset classes, including, but not limited to, investments in securities, debt instruments, derivatives, contracts and other assets. Investment in all these assets involves the risk of capital loss and no assurance can be given that the underlying managers' investment activities will be successful or that an investor will not suffer losses. In addition, the underlying managers may pursue a variety of investment strategies to improve returns, reduce the total portfolio risk or both, such as (i) buying and selling of puts and calls on both a covered and uncovered basis, (ii) buying and selling of derivatives, including swap contracts, futures contracts, forward contracts and custom derivative or synthetic instruments, (iii) securities borrowing and selling short, (iv) investing

borrowed funds secured by the underlying manager's investment portfolio, and (v) offsetting positions in various credit and/or equity instruments, including unsecured and secured debt, preferred stock, common stock and derivatives. Those investment strategies may instead increase adverse impacts of events and circumstances on the underlying managers' returns.

**Asset Class Categories and Inadvertent Concentration.** An important investment philosophy of the firm is the development of portfolio holdings in multiple asset classes, which affords expected diversification benefits. A number of portfolio funds or separate accounts may have overlapping strategies and could accumulate large positions in the same or related securities. The cumulative effect of all asset classifications, which are made subject to the foregoing inherent subjectivity, may result in risk of a skewed perception by the firm of the true risk and return characteristics of its overall portfolio. As a result, certain asset classes may be under- or over-weighted relative to the firm's preferred asset allocation targets and, accordingly, a client's portfolio may be over-allocated to certain asset classes or may be incurring concentration risks within the portfolio as a result. The firm's ability to avoid such concentration depends on the firm's ability to reallocate client capital among existing or new portfolio funds or separate accounts, which might not be feasible for several months until withdrawals and contributions are permitted. In addition, certain asset classes may be generally more difficult to value accurately, such as tactical/hedged equities, and inaccuracies in valuation may result in departures of the actual portfolio from intended asset allocation targets.

**Allocation Risk.** The firm will have the discretion to under- or over-weight allocations among funds of varied focuses. There is no assurance that its decisions in this regard will be effective in increasing investment returns or limiting relative risk. In addition, the firm may be limited in its ability to make changes to allocations due to the subscription and redemption provisions of the portfolio funds, including notice periods and limited subscription and redemption dates, the ability of the portfolio funds to suspend and postpone redemptions, and lock-ups on redemptions imposed by certain portfolio funds. In addition, asset allocation decisions made by the firm will be based largely on information previously provided by the portfolio funds or separate account managers and collected from third parties. If such information is inaccurate or incomplete, it is possible that the allocation to the asset classes from a risk/reward perspective may not reflect the firm's intended allocations. This could have a material adverse effect on the ability of the firm to implement the investment objectives of a client.

**Leverage (Borrowed Money).** Certain underlying managers may use leverage in their investing, which would increase the potential for loss as well as transaction expenses. The use of leverage will increase the volatility of such underlying managers' investments. Leverage increases returns to investors if the portfolio funds or separate accounts earn a greater return on leveraged investments than the cost of such leverage. However, the use of margin borrowing exposes the portfolio funds or separate accounts to additional levels of risk. In case of a sudden, precipitous drop in value of the portfolio funds' or separate accounts' assets, they might not be able to liquidate assets quickly enough to repay their borrowings, further magnifying the losses incurred.

In an unsettled credit environment, the underlying managers may find it difficult or impossible to obtain leverage. If leveraging is part of the investment strategy of the underlying managers, they may not be able to fully implement their strategies because of the difficulty of obtaining leverage. In addition, any leverage obtained, if terminated on short notice by the lender, could result in an underlying manager being forced to unwind positions quickly and at prices below fair value.

**Short Selling.** Some underlying managers may engage in short selling. Short selling involves selling securities which may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in securities. A short sale creates the risk of a theoretically unlimited loss,

in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase.

**Non-Marketable Securities.** Some portfolio funds may invest in non-marketable securities, which are generally difficult to liquidate and price.

**Derivatives.** Various portfolio funds may use derivatives, such as options, futures and swaps. These financial instruments derive their performance, at least in part, from the performance of an underlying asset, index or interest rate and generally involve a higher degree of risk. The derivatives market is, in general, a relatively new market and there are uncertainties as to how it will perform during periods of unusual price volatility or instability, market illiquidity, or credit distress. Substantial risks are also involved in borrowing and lending against derivatives. Derivatives prices can be volatile, market movements are difficult to predict, and financing sources and related interest rates are subject to rapid change. Certain derivatives also involve embedded leverage, and a relatively small price movement may result in substantial losses to the portfolio fund. To date, most of these instruments have not been traded on exchanges but rather through an informal network of banks and dealers that have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force an underlying manager to close out positions). The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid, and unpredictable changes in the prices of derivatives. In addition, some derivatives carry the risk of failure to perform by the counterparty to the transaction or the risk that the counterparty will default on its obligation to return collateral or other assets of the portfolio fund. Many unforeseeable events, such as government policies, can have significant effects on interest and exchange rates, which in turn can have large and sudden effects on prices of derivative instruments.

**Hedging and Other Trading Strategies.** The decision as to when and to what extent to hedge or follow other trading strategies depends on many factors. There can be no assurance that hedging or other trading strategies will be available or effective or that the performance of the hedge will correspond appropriately to that of the assets hedged.

**Fixed Income Securities.** Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, the rate of inflation, and general market liquidity (*i.e.*, market risk). In addition, MBS and ABS may also be subject to call risk and extension risk. For example, the duration of a security backed by home mortgages can either shorten (*i.e.*, call risk) or lengthen (*i.e.*, extension risk).

**High-Yield Debt; Distressed Debt.** High-yield bonds (commonly known as "junk bonds"), distressed debt instruments, and other debt securities in which portfolio funds may invest will typically be junior to the obligations of companies to senior creditors, trade creditors, and employees. The lower rating of high-yield debt reflects a greater possibility that adverse changes in the financial condition of the issuer or in general economic, financial, competitive, regulatory, or other conditions may impair the ability of the issuer to make payments of principal and interest. High-yield debt securities have historically experienced greater default rates than investment grade securities. The ability of holders of high-yield debt to influence a company's affairs will be substantially less than that of senior creditors.

The market for lower grade debt securities may be thinner and less active than for higher grade debt securities, and thus less liquid. This could result in a portfolio fund being unable to sell such securities for an extended period of time, if at all.

**Public Equity Securities.** Portfolio funds and underlying managers may invest long and short in publicly traded equity securities. The value of the stocks and other securities and instruments may decline over short or extended periods. The volatility of equity securities means that the value of an investment may increase or decrease.

**Small Capitalization Companies.** Portfolio funds and underlying managers may invest in securities of small capitalization companies and recently organized companies and, conversely, the portfolio funds may establish significant short positions in such securities. Historically, such securities have been more volatile in price, and less liquid, than those of larger, more highly capitalized, established companies and therefore may pose greater investment risks. Small capitalization companies may require substantial additional capital or borrowings. There is often less publicly available information concerning such companies, making them more difficult to value. Investments in companies with limited or no operating histories are more speculative and entail greater risk than do investments in companies with an established operating record.

**Growth Stock Risk.** Certain portfolio funds or underlying managers invest in “growth” stocks. Securities of growth companies may be more volatile since such companies usually reinvest a high portion of earnings in their businesses, and they may lack the dividends of value stocks that can cushion stock prices in a falling market. In addition, earnings disappointments often lead to sharply falling prices because investors buy growth stocks in anticipation of superior earnings growth.

**Value Stock Risk.** Certain portfolio funds or underlying managers invest in “value” stocks. A particular risk of a value approach is that some holdings may not recover and provide the capital growth anticipated or that a stock judged to be undervalued may actually be appropriately priced. Further, because the prices of value-oriented securities tend to correlate more closely with economic cycles than growth-oriented securities, they generally are more sensitive to changing economic conditions, such as changes in interest rates, corporate earnings, and industrial production. The market may not favor value-oriented stocks and may not favor equities at all. During those periods, relative performance may suffer.

**Global Equity/ Hedge.** The Global Equity/ Hedge strategy primarily involves investments in publicly traded equity instruments generally in developed countries. This strategy involves identifying securities that are mispriced relative to related securities, groups of securities, or the overall market. The strategy may rely on the use of derivatives, leverage and a number of assumptions about the intrinsic value of publicly traded equity instruments. There can be no assurance that such assumptions will prove to be correct or that the strategy will be implemented correctly.

**Real Estate Investing.** While real estate investing presents the potential for significant capital appreciation, such investments also involve a high degree of risk, including a significant degree of financial, operating, illiquidity, and competitive risk. Frequently, such funds structure their investments with the use of leverage. While the use of leverage will enhance the returns on a successful investment, a leveraged capital structure will be subject to increased exposure to extreme economic conditions, such as a significant rise in interest rates, or a severe downturn in the economy, increasing the risk of loss associated with the investment.

**Energy and Timber Investments.** Energy, timber, or other real asset opportunities are likely to be subject to the same or similar risks described in the preceding paragraph.

**Buyouts/Growth Capital.** Buyout and growth capital funds frequently structure their investments with the use of leverage. While the use of leverage may enhance the returns on a successful investment, a company with a leveraged capital structure will be subject to increased exposure to changing economic

conditions, such as a significant rise in interest rates, or a downturn in the economy or the company's industry, enhancing the risk of loss associated with the investment.

**Venture Capital.** It is anticipated that the portfolio companies of venture capital funds will confront a significant degree of financial, operating, illiquidity, and competitive risk. In addition, many of these companies, due to their limited revenues and history of operating losses, may need to rely on their ability to fund continuing operations via the private and public capital markets. Such continued funding may be curtailed as a result of a variety of factors which may include, but would not be limited to, rising interest rates, downturns in the economy or deterioration in the condition of the company or its industry.

**Distressed and Special Situations.** Significant risk exists that a turnaround effort for a company in a distressed financial condition will not be successful and that all or a significant portion of the capital invested in such situations may be lost. "Special situation" investments are opportunistic in nature. Such investments are likely to involve significant risks and illiquidity, and any returns from these investments will be subject to substantial uncertainty.

**Limited Liquidity.** There is no public market for interests in private funds, and it is not expected that a public market will develop. There will also be substantial restrictions upon the transferability of interests, including the requirement in a partnership agreement that most transfers be approved by the General Partner. There are also other contractual restrictions and restrictions imposed by applicable federal securities laws and the laws and the regulations of other jurisdictions, which may require an indefinite holding period with respect to private fund interests. A purchase of an interest in a private fund should be considered only by persons financially able to maintain their investment and also able to afford a loss of all or a substantial part of such investment. In addition, investors who invest through an offshore fund should be aware that an interest in the offshore fund may be less attractive to other investors that are not foreign or tax-exempt entities in the United States, and therefore an interest in an offshore fund may be even less liquid than a direct investment interest in an onshore fund. There is no assurance that any distribution will be made or that fund investments will be successful.

Many recommended private funds have lock-up provisions that prohibit an investor from withdrawing money for a certain period of time, for example 12 to 24 months or significantly longer. Some of these investments require advance notice should an investor seek a full or partial redemption, while other investments last until the fund ends. In addition, payment of a full cash redemption sometimes takes time.

**Illiquid Investments.** Investments in certain portfolio funds, including private equity and real assets, will be illiquid, entailing a high degree of risk. An investor in an illiquid portfolio fund may be expected to hold its investment in the portfolio fund for the entire life of the portfolio fund, which is typically seven to ten years or more.

The underlying investments of a portfolio fund, at any given time, may consist of significant amounts of securities and other financial instruments that are very thinly traded, or for which no market exists, or which are restricted as to their transferability under U.S. or state or non-U.S. securities laws. In some cases, portfolio funds may also be prohibited by contract from selling such securities for a period of time. In other cases, the types of investments made by portfolio funds may require a substantial length of time to liquidate. Consequently, there is a significant risk that the portfolio funds will be unable to realize their investment objectives by sale or other disposition of portfolio company securities at attractive prices, or will otherwise be unable to complete any exit strategy with respect to their portfolio companies. These risks can be further increased by changes in the financial condition or business prospects of the portfolio companies, changes in economic conditions and changes in law.

A portfolio fund may distribute its investments “in-kind”, which may be composed of illiquid securities. The HCP Pooled Vehicles may in turn make in-kind distributions of these investments. There can be no assurance that clients or investors would be able to dispose of these investments or that the value of these investments, as determined generally by an underlying portfolio fund, will ultimately be realized.

**Interest Rate Risk.** Changes in interest rates can affect the value of fixed-income debt securities such as bonds and notes. Increases in interest rates may cause the value of such investments to decline. Interest rate risk is generally higher with respect to lower rate securities, debt securities with longer maturities, debt securities paying no interest (such as zero-coupon securities), or debt securities paying non-cash interest in the form of other debt securities (pay-in-kind securities).

**Valuation of Investments.** Hall Capital and the HCP Pooled Vehicles ordinarily rely on valuations provided by underlying managers and other asset custodians. Certain securities may not have a readily ascertainable market price. In this regard, an underlying manager may face a conflict of interest in valuing the securities, as their value will affect the underlying manager’s compensation with respect to asset-based fees as well as performance-based fees and allocations. Such compensation may be based on an underlying manager’s calculations, without independent oversight, of realized and unrealized gains.

To the extent the values of the assets are determined inaccurately, clients and investors may be adversely affected in connection with the contribution of additional capital to, or the withdrawal or distribution of capital from, a portfolio fund or HCP Pooled Vehicle. If an investor contributes additional capital, such investor may be adversely affected if the value of the portfolio assets is overstated and the other pre-existing investors would be adversely affected if the value of the portfolio assets is understated. Similarly, an investor that is withdrawing capital is adversely affected if the value of the portfolio assets is understated, and the other non-withdrawing investors would be adversely affected if the value of the portfolio assets is overstated.

#### 4. Portfolio Funds and Manager Risk

**Unregistered Funds.** Many funds recommended by Hall Capital, including the HCP Pooled Vehicles, are private limited partnerships or similar structures sold in private placements, and are not registered investment companies under the Investment Company Act of 1940. Some of the underlying managers may not be registered as investment advisers under federal or state law. Interests in the HCP Pooled Vehicles have not been registered under the Securities Act of 1933. Consequently, clients will not be entitled to certain of the protections of the federal securities laws.

**Possible Misconduct by Underlying Managers.** Because clients invest through underlying managers or private funds that are separate from Hall Capital and over which Hall Capital does not have physical custody or control, an underlying manager could divert or abscond with a client’s assets, fail to follow its stated investment strategies, issue false reports, or engage in other misconduct.

**Effect of Carried Interest.** The existence of a carried interest payable to the underlying managers may create an incentive for such underlying managers to make riskier or more speculative investments on behalf of their portfolio funds than would be the case in the absence of this arrangement. In addition, underlying managers of certain portfolio funds may be permitted to take carried interest distributions prior to the time that such portfolio funds have returned capital to their investors, and this may result in lower returns and/or higher losses for the investors in such portfolio funds.

**Key Principals of the Underlying Managers.** Underlying managers are likely to be dependent on the services of one or a few key individuals. The loss for any reason of the services of a key individual could impair a portfolio fund’s ability to achieve its investment objective.

**Significant Increase or Decrease in Managed Assets.** Clients or the HCP Pooled Vehicles may invest with underlying managers who are experiencing a significant increase or decrease in the assets they manage, which may impair their ability to generate returns on a par with their historical results. In addition, an underlying manager faced with a significant increase or decrease in assets to invest may divert from stated strategies into strategies or markets with which it may have little or no experience. This could result in losses to the portfolio fund, and thus the client or HCP Pooled Vehicle.

**Conflicts Related to Multiple Portfolio Fund Managers.** Because the underlying managers make their trading decisions independently, it is theoretically possible that one or more of such underlying manager may, at any time, take investment positions that are opposite of positions taken by other underlying managers. It is also possible that the portfolio funds or separate accounts may on occasion be competing with each other for similar positions at the same time.

**New Strategies.** Strategies used by portfolio funds may not have been in use during periods of major market stress, disruption, or decline. As a result, it is not known how these strategies will perform in these periods.

**Access to Information.** Hall Capital generally requests information from each underlying manager regarding the portfolio fund manager's historical performance and investment strategy, as well as portfolio information on the underlying portfolio fund on a continuing basis. However, Hall Capital may not always be provided with such information because certain of this information may be considered proprietary information or a confidential trade secret by the particular underlying manager. This lack of access to information may make it more difficult to select, allocate among, and evaluate underlying managers.

Furthermore, Hall Capital may be restricted from providing clients or investors in an HCP Pooled Vehicle with information in its possession regarding an underlying portfolio fund. This may make it more difficult for clients or investors in an HCP Pooled Vehicle to evaluate the performance of their investments in such HCP Pooled Vehicle.

## 5. Direct Investments

Direct investments may involve taking positions in the equity or debt securities of private companies. Often, little or no secondary market exists for such securities of private companies, and many of the direct investments could involve placing investor capital at risk for longer periods than for investments in portfolio funds. Direct investments in private and public companies may entail a higher than normal level of volatility. There can be no assurance that the future performance of direct investments will be positive or result in rates of return that are consistent with historical performance. The markets for securities of private companies have limited liquidity and depth.

## 6. Tax Considerations

Hall Capital and the HCP Pooled Vehicles endeavor to furnish tax information as soon as practicable following the end of each year. However, in order to furnish such tax information, the firm must first receive corresponding tax information from all portfolio funds and other investments. Clients and HCP Pooled Vehicle investors may be required to file extensions for any given year, particularly as a result of illiquid investments. The tax liability with respect to income and gains of a portfolio fund or HCP Pooled Vehicle for a year may exceed the cash withdrawn by or distributed to the investor in respect of such year.

Investing in private funds may involve complex tax issues for particular clients. Hall Capital is not a tax accounting firm, and in some situations clients may need to consult their own tax advisors.

**Please also refer to disclosures elsewhere in this Brochure. Specific risks with respect to specific investments can be found in the Private Placement Memoranda or other disclosure documents relating to those investments.**

## Item 9. Disciplinary Information

Hall Capital and its personnel have no reportable disciplinary history.

## Item 10. Other Financial Industry Activities and Affiliations

### A. KHALL LLC – RELYING ADVISER

Kathryn A. Hall, Chief Executive Officer and Chief Investment Officer of Hall Capital, also controls KHALL LLC (“KHALL”), which recently registered as an investment adviser with the SEC, relying upon Hall Capital’s registration. This change will not reduce the amount of time Ms. Hall spends on the business of Hall Capital clients. For many years, Ms. Hall has served as managing general partner of a limited partnership, which is not a Hall Capital client but which is a substantial investor in an HCP Pooled Vehicle. The limited partnership is the only client of KHALL LLC.

KHALL is under common control with Hall Capital, is subject to Hall Capital’s regulatory oversight and compliance policies and procedures (pursuant to the requirements of the Investment Advisers Act of 1940), and has adopted Hall Capital’s Code of Ethics. Helane L. Morrison serves as Chief Compliance Officer of Hall Capital and KHALL. Where applicable to KHALL, this Brochure provides combined information about Hall Capital and KHALL.

### B. SIGNIFICANT RELATIONSHIPS

**HCP Pooled Vehicles.** Hall Capital or an affiliate acts as a general partner or manager of the HCP Pooled Vehicles. Both clients and other investors invest in the HCP Pooled Vehicles. Generally, clients who invest in the HCP Pooled Vehicles receive an offset to their advisory fee. *See* Item 5.A and Item 10.C.

**Farallon.** Thomas F. Steyer is a member and client of Hall Capital in his individual capacity and managing member of HCP Investors, LLC (a member of Hall Capital that along with others has certain rights, including to elect certain directors to the firm’s Board). Mr. Steyer is also a Senior Managing Member and Co-Managing Partner of Farallon Partners, LLC, the general partner of a number of funds, which are listed (along with other funds) in the Form ADV of Farallon Capital Management, L.L.C., an SEC-registered investment adviser. Some of the firm’s clients invest in Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Offshore Investors, Inc., FCOI II Holdings, L.P., and possibly others (the “Farallon Funds”). The Farallon Funds are private funds that invest pursuant to a broad and flexible investment program using investment strategies such as value, credit, merger arbitrage, and real estate. The other members of HCP Investors, L.L.C. were senior personnel of Farallon Partners, LLC at the time of HCP Investors, LLC’s initial investment in Hall Capital. Hall Capital does not recommend HCP Investors, LLC to its clients. In addition to his role with the Farallon Funds, Mr. Steyer serves as a Managing Director of Hellman & Friedman LLC and as a member of Hellman & Friedman LLC’s Investment Committee.

**Hellman & Friedman.** Matthew R. Barger, a director and client of Hall Capital, and Marco Hellman, a board observer and client of Hall Capital, are Senior Advisors to Hellman & Friedman LLC. Hellman & Friedman LLC, and other of its affiliates, serve as general partners to Hellman & Friedman Capital Partners II, L.P.,



Hellman & Friedman Capital Partners IV, L.P., Hellman & Friedman Capital Partners V, L.P., Hellman & Friedman Capital Partners VI, L.P. and Hellman & Friedman Capital Partners VII, L.P. (together with their respective affiliated partnerships and alternative investment vehicles, the “H&F Funds”), all of which are investment partnerships in which some of the firm’s clients invest. The H&F Funds are private equity funds that invest or will invest in public or private companies.

Mr. Barger also serves as Managing Member of Frog & Peach Investors LLC (“Frog and Peach”), a member of Hall Capital that along with others has certain rights, including the right to elect certain directors of the firm’s Board. Many of the other members of Frog & Peach are current or former senior personnel of Hellman & Friedman LLC. Hall Capital does not recommend Frog & Peach to its clients. In addition to Frog & Peach, Mr. Barger serves as Managing Member or Partner of several entities or family limited partnerships. None of these entities are currently open for investment.

### C. POTENTIAL OR ACTUAL CONFLICTS IN INVESTMENT RECOMMENDATIONS

The firm may recommend to certain clients investments managed by (or related to) Hall Capital affiliates, Farallon or its principals, Hellman & Friedman or its principals, firm clients, outside members, directors, or referral sources. Generally, the firm may recommend:

- a. Investment advisers of which the firm’s other clients, outside members, directors, or persons or entities with which the firm has a relationship (“Benefited Persons”) may be control persons or in which Benefited Persons or their related persons may have a financial interest (“Benefited Investment Advisers”);
- b. Investment funds of which Benefited Persons may be the general partner, manager, investment adviser and/or control person, or in which Benefited Persons or their related persons may have a financial interest (including the Farallon Funds and H&F Funds) (“Benefited Investment Funds”);
- c. The HCP Pooled Vehicles, from which the firm or its affiliate receives management fees and/or incentive compensation or in which the firm’s personnel have financial interests; and
- d. Investment advisers that have, from time to time, referred people to the firm who ultimately became clients of the firm.

Management fees and/or incentive compensation that a client pays to a Benefited Investment Adviser or Benefited Investment Fund confer a benefit on the applicable Benefited Person, which potentially conflicts with the firm’s duty to treat each client equitably and make recommendations that are in each client’s best interest. *See also* Item 11.

### D. MITIGATION OF POTENTIAL CONFLICTS IN INVESTMENT RECOMMENDATIONS

The firm mitigates potential or actual conflicts, including in the following ways. *See also* Item 11.

**Equitable Allocation of Investment Opportunities.** To the extent that demand for a particular investment opportunity recommended by the firm exceeds the capacity allocated to the firm’s clients, the firm undertakes an allocation process designed to allocate the investment opportunity among clients (including the HCP Pooled Vehicles) in an impartial manner such that investment opportunities are allocated over a period of time on a fair and equitable basis taking into account each client’s investment objectives, restrictions, or policies. Generally, allocations are made *pro rata* to each client indicating an interest in the opportunity. Where *pro rata* allocations are not feasible, the firm may use other methods, including participation by random selection. In some cases, the underlying manager of the investment opportunity makes the allocation decision, and the firm has little or no input into the manager’s decision. The type of fee paid by a client and the size of the fee are not factors considered. Due to manager-imposed minimums, entities requesting lower amounts may receive a higher percentage of their requested amounts. The final allocation decision resides with the Chief

Investment Officer, although the Chairman, President, Director of Research, Co-Directors of Portfolio Management, and other Hall Capital personnel may provide input into the allocation process.

**Compensation Policies.** The firm pays its personnel a set salary, and a bonus based on overall firm performance and individual contributions. Personnel do not receive commissions. Compensation is not based on the size of clients, their fee structure, or any particular investment recommendation.

**Advisory Fee Offset for Investments in HCP Pooled Vehicles.** For assets invested in the HCP Pooled Vehicles on which a client pays a management fee as well as advisory fees to the firm or its affiliates, the firm reduces the advisory fee paid by the client directly by the amount of the management fee paid with respect to the HCP Pooled Vehicles, except that in certain cases this reduction will not reduce the advisory fee below an agreed upon minimum annual fee and generally the advisory fee will not be reduced below zero. Certain fee arrangements as agreed to by clients do not involve an offset. As the firm does not receive compensation from Benefited Investment Advisers or Benefited Investment Funds, no such reduction applies concerning client investments with or in such entities.

**No Payment for Referrals.** The firm does not pay or receive any compensation for receiving referrals from, or making referrals to, investment advisers, Benefited Persons or their related persons or entities. The firm recommends an investment to a client only if the firm believes the recommendation is appropriate for the client and is in the client's best interest.

**Investment Due Diligence, Decision-Making, and Monitoring.** The firm recommends investments with investment advisers and in investment funds (including Benefited Investment Advisers and Benefited Investment Funds) only after the firm's Research Group recommends such investments after undertaking its diligence process, the Investment Committee discusses the recommendation, and the firm's Investment Review Committee approves such investments. Following approval, the Research Group continues to actively monitor recommended funds. Importantly, no Benefited Person or other adviser participates in the recommendation and review processes, even though certain Benefited Persons and their related persons may be members or directors of the firm, as the firm does not bring investment recommendations to the firm's members or directors.

**Fairness to Clients.** The firm attempts to resolve all potential or actual conflicts in a manner that is generally fair to all of its clients.

**Best Interests of Clients.** The firm recommends an investment to a client only if the firm believes the recommendation is appropriate for the client and is in the client's best interest.

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

### A. CODE OF ETHICS

The firm endeavors to operate in conformity with applicable law and to conduct its business in an ethical and professional manner. The firm has adopted procedures reasonably necessary to prevent violations of the federal securities laws. The firm's Code of Ethics contains principles and conduct to which personnel are held. The Code of Ethics includes requirements for preclearance of personal trades, reporting of securities holdings and transactions, and establishes a Restricted List, pursuant to which the firm may restrict personnel from trading in certain securities for certain periods. The Code of Ethics also requires confidential treatment of information relating to clients and fund investors, and contains political contributions and gift policies,

among other items. The Code of Ethics is an exhibit to the firm's Compliance Manual, which contains, among other items, policies and procedures relating to securities transactions for clients, allocation of investment opportunities, proxy voting, anti-money laundering, and prohibition of insider trading.

Annually, all personnel are required to certify that they have complied with the provisions of the Compliance Manual, including the Code of Ethics, and submit other compliance-related certifications. The firm's Chief Compliance Officer or delegate actively monitors and tests compliance with the Compliance Manual and the Code of Ethics.

Hall Capital reviews the Code of Ethics and its requirements with each new employee and provides periodic training on compliance issues. The firm requires adherence to the Code of Ethics as a condition of employment. Hall Capital's Chief Compliance Officer is responsible for overseeing compliance with the Code of Ethics and recommending sanctions as deemed appropriate for violations.

The firm will provide a copy of its Code of Ethics to any client or prospective client upon request. Requests should be directed to:

Helene Morrison, General Counsel and Chief Compliance Officer  
Hall Capital Partners LLC  
One Maritime Plaza, 5<sup>th</sup> Floor  
San Francisco, California 94111  
Telephone: 415-288-0544

## B. POTENTIAL OR ACTUAL CONFLICTS

The firm may give advice and take action with respect to any of its clients that differs from advice given or the timing or nature of action recommended with respect to any other particular client. The firm is not obligated to acquire for any client account any security or investment that the firm or its personnel may acquire for its or their own accounts or for the account of any other client if, in the absolute discretion of the firm, it is not practical or desirable to acquire a position in such security for that account. The firm and its personnel may invest personally in securities of the same classes as are purchased for clients and may own securities of issuers whose securities are purchased for clients. The firm and its personnel may buy or sell securities for their own accounts based on personal investment considerations that the firm does not deem appropriate to buy or sell for clients or recommend to clients. In addition, Hall Capital personnel may invest (i) in pooled investment vehicles that invest in certain of the HCP Pooled Vehicles or (ii) directly in an HCP Pooled Vehicle.

Kathryn A. Hall, Chief Executive Officer and Chief Investment Officer of Hall Capital, also controls KHALL, which recently registered as an investment adviser with the SEC, relying upon Hall Capital's registration. This change will not reduce the amount of time Ms. Hall spends on the business of Hall Capital clients. For many years, Ms. Hall has served as managing general partner of a limited partnership, which is not a Hall Capital client but which is a substantial investor in an HCP Pooled Vehicle. The limited partnership is the only client of KHALL LLC.

Ms. Hall has discretion to invest the limited partnership's assets in similar types of instruments as those in which the firm's clients invest, including stocks, bonds, investment partnerships, direct investments and non-marketable securities. At times, the limited partnership is offered investment opportunities that may also be appropriate for the firm's clients. Potential conflicts between the firm's clients and KHALL's client are mitigated including by Ms. Hall providing information to Hall Capital's Chief Compliance Officer and receiving preclearance for the limited partnership's securities trades, investments, and redemptions from private funds, who will review for potential conflicts of interest pursuant to policies and/or procedures.

The firm may recommend to certain clients investments managed by (or related to) Hall Capital affiliates, Farallon or its principals, Hellman & Friedman or its principals, Hall Capital clients, outside members, directors or referral sources. *See* Item 10.

Personnel of the firm may also serve as directors, officers, or consultants of companies that issue securities whose shares may be held directly or indirectly in client accounts. Such service as board members, officers, or consultants may, from time to time, result in restrictions on the firm's trading (as well as trading by some or all of the firm's personnel) in securities of such issuers. Personnel of the firm may serve on advisory boards of private funds in which clients or HCP Pooled Vehicles invest.

There may be conflicts of interest over the firm's time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by the firm.

### C. MITIGATION OF POTENTIAL OR ACTUAL CONFLICTS

The firm mitigates potential or actual conflicts, including in the following ways. *See also* Item 10.

**Fairness to Clients.** The firm attempts to resolve all potential conflicts or conflicts in a manner that is generally fair to all of its clients.

**Best Interests of Clients.** The firm recommends an investment to a client only if the firm believes the recommendation is appropriate for the client and is in the client's best interest.

**Equitable Allocation of Investment Opportunities.** To the extent that demand for a particular investment opportunity recommended by the firm exceeds the capacity allocated to the firm's clients, the firm undertakes an allocation process designed to allocate the investment opportunity among clients (including the HCP Pooled Vehicles) in an impartial manner such that investment opportunities are allocated over a period of time on a fair and equitable basis taking into account each client's investment objectives, restrictions, or policies. Generally, allocations are made *pro rata* to each client indicating an interest in the opportunity. Where *pro rata* allocations are not feasible, the firm may use other methods, including participation by random selection. In some cases, the underlying manager of the investment opportunity makes the allocation decision, and the firm has little or no input into the manager's decision. The type of fee paid by a client and the size of the fee are not factors considered. Due to manager-imposed minimums, entities requesting lower amounts may receive a higher percentage of their requested amounts. The final allocation decision resides with the Chief Investment Officer, although the Chairman, President, Director of Research, Co-Directors of Portfolio Management, and other Hall Capital personnel may provide input into the allocation process.

**Compensation Policies.** The firm pays its personnel a set salary, and a bonus based on overall firm performance and individual contributions. Personnel do not receive commissions. Compensation is not based on the size of clients or their fee structure, or any particular investment recommendation.

**Trades by Hall Capital Personnel.** The Code of Ethics requires preclearance of personal trades in both public and private securities. The firm maintains a Restricted List, pursuant to which the firm may restrict personnel from trading in certain securities for certain periods. In addition, no single individual determines whether an investment will be recommended by the firm. If a portfolio fund is viewed favorably after the comprehensive initial due diligence process, the Research Group prepares a detailed written investment memorandum for discussion by the Investment Committee and consideration by the Investment Review Committee. Review Committee approval is required for an investment to be recommended by the firm.

## Item 12. Brokerage Practices

Hall Capital provides investment advice and portfolio management services to clients, including the HCP Pooled Vehicles, which often invest in portfolio funds. Hall Capital is generally not involved in the execution of securities transactions for client accounts through brokers. However, at times the firm will recommend or, where the firm has discretionary authority, select a broker for client accounts, and assist in effecting securities transactions.

In selecting or recommending brokers, Hall Capital will seek best execution, which involves a number of quantitative and qualitative factors. In seeking best execution, Hall Capital need not solicit competitive bids and does not have an obligation to seek or pay the lowest available commission cost. The firm does not negotiate “execution only” commission rates. In selecting a broker, the firm may take into account, among other things, the broker’s commission rate, execution capabilities, actual experience, efficiency, promptness, financial stability, reputation, confidentiality, and research services provided by the broker.

The firm receives research from brokers through which the firm and/or its clients effect transactions as well as possibly other brokers. Research services furnished by brokers may be used in servicing all of Hall Capital’s accounts. Not all of these services may be used by Hall Capital in connection with accounts that paid commissions to the brokers providing such services.

Research received from brokers is generally developed by the brokerage firm, rather than by third-parties. When Hall Capital obtains research from brokers, it receives a benefit because it does not have to produce or pay for the research. The firm may have an incentive to select or recommend a broker based on the firm’s interest in receiving research or other products or services, rather than on a client’s interest in receiving most favorable execution.

Hall Capital may direct a client account to pay a brokerage commission in excess of that which another broker might charge for effecting the same transaction, in recognition of the value of the brokerage, research and other services that broker provides. In such a case, the firm determines in good faith that the commission is reasonable in relation to the value of such brokerage, research and other services, viewed in terms of either the specific transaction or Hall Capital’s overall responsibilities to its clients. An account may, therefore, pay higher brokerage commissions than are otherwise available.

In the situation where a client directs Hall Capital to use a specific broker and the firm has not negotiated the terms and conditions (including, but not limited to, commission rates), Hall Capital does not have any responsibility for obtaining the best prices or particular commission rates. Clients who direct Hall Capital to use a specific broker may pay higher commission rates or receive less favorable execution transactions than non-directing clients.

Since Hall Capital only infrequently executes securities transactions for clients, it rarely has opportunities to aggregate trades for client accounts.

## Item 13. Review of Accounts

Hall Capital generally reviews all client accounts approximately quarterly and provides clients with detailed quarterly reports about their accounts.

**Account Reviews.** The firm generally reviews all accounts approximately quarterly or more frequently as deemed appropriate. The review generally includes reconciling current balances with the balances from prior periods,

analyzing performance and assessing the appropriateness of each portfolio or investment account in light of the client's investment objectives, and recommending changes to each portfolio as deemed appropriate.

Senior Portfolio Managers, each of whom is a Managing Director, are responsible for review of their respective clients. The reviewers are: Kathryn A. Hall, Chief Executive Officer and Chief Investment Officer; John W. Buoymaster, Chairman; Eric E. Alt, Director of Research; Simon C. Krinsky, Co-Director of Portfolio Management; Paul W. Muller, Managing Director; Kurt D. Rieke, Co-Director of Portfolio Management; and Sarah E. Stein, President, each assisted by other personnel.

The firm's Portfolio Assessment and Review Committee, chaired by Mr. Buoymaster, reviews new client policies, guidelines and portfolios. Thereafter, the Committee conducts annual or biannual reviews of all portfolios with Portfolio Managers in a peer-review process, discussing overall asset allocation and adherence to guidelines.

Commencing in 2010, the firm began conducting semi-annual Chief Investment Officer/Research Reviews for client portfolios. Ms. Hall, Mr. Buoymaster and Mr. Alt review portfolios to ensure that important themes, investment ideas, and risk mitigation strategies are represented in portfolios, as deemed appropriate.

**Client Reports.** Generally quarterly, Hall Capital provides clients with detailed written performance evaluation reports and financial statements. Portfolio Managers conduct formal meetings with clients generally quarterly to review investment performance and strategy. Additional meetings, telephone calls, and correspondence occur as necessary to address other questions or issues as they develop. The reviewers listed above supervise the preparation of these reports by personnel performing research and reporting functions.

## Item 14. Client Referrals and Other Compensation

Hall Capital does not compensate people outside of the firm for client referrals. Hall Capital does not receive payment from persons unconnected with a client relationship for providing services to clients.

## Item 15. Custody

Hall Capital's practice is not to have physical custody of client assets. However, Hall Capital may meet the legal definition of having custody over certain client accounts. For example, in some circumstances certain Managing Directors of Hall Capital may serve as trustee or hold a power of attorney for a client account. In those situations, generally clients will receive account statements directly from a qualified custodian such as a broker-dealer or bank, and should carefully review those statements. Hall Capital's reports to clients are prepared using statements from underlying managers and/or custodians. Hall Capital encourages clients to compare the reports from Hall Capital with the statements received from qualified custodians. In addition, the firm or its affiliates are general partners or managers of the HCP Pooled Vehicles, and are deemed to have custody of the assets of the HCP Pooled Vehicles. In accordance with the SEC's custody rule, certain accounts over which Hall Capital is deemed to have custody are subject to an annual surprise audit.

## Item 16. Investment Discretion

The firm works on either a non-discretionary or a discretionary basis. In a non-discretionary relationship, the firm leads the investment decision-making process with the client as the final decision-maker; whereas in a discretionary relationship, the firm makes the investment decisions.

Generally, the firm's investment management services contracts reflect whether the authority granted to Hall Capital is non-discretionary or discretionary. Discretionary relationships may have the following attributes or limits. In some instances, a Managing Director of Hall Capital may hold a full power of attorney with respect to a client account, while in other instances a Managing Director may hold a limited power of attorney, primarily enabling the firm to meet capital calls, transfer funds to a client's bank account, or otherwise facilitate logistics involved with a client's investments. A Managing Director also may serve as trustee for a client account or sub-account. Generally, these types of authority are documented in writing by a client before they are initially exercised. A client may impose limits different from, or in addition to, those mentioned here.

The firm or its affiliates are general partners or managers of the HCP Pooled Vehicles, and in those roles, exercise discretionary investment authority over the HCP Pooled Vehicles.

## Item 17. Voting Client Securities

### A. BACKGROUND

Generally, the types of investments recommended by Hall Capital do not solicit proxies from shareholders, and Hall Capital generally does not vote proxies on behalf of its clients. However, if and when the firm has the responsibility to vote proxies, it will do so in accordance with the following policies and procedures.

### B. GENERAL VOTING POLICIES

**Client's Best Interest.** Proxies are voted with the paramount aim of furthering the best economic interest of clients over the long term ("best interest of clients"), which often includes promoting good corporate governance and promoting adequate disclosure of company policies, activities and returns, including the fair and equal treatment of shareholders.

**Case-by-Case Basis.** These policies and procedures are guidelines. Each vote is ultimately cast on a case-by-case basis, taking into consideration the best interest of clients, the contractual obligations under Hall Capital's advisory agreement or other document, as applicable, and all other relevant facts and circumstances at the time of the vote. Such action may be based on fundamental, social, environmental, or human rights grounds if they are in accordance with the best interest of clients. Hall Capital's general philosophy is to support existing management on votes on routine issues such as the financial statements of a company or the appointment of independent auditors.

**Individualized.** To the extent that clients have adopted their own procedures, and Hall Capital is asked to vote proxies in accordance with those procedures, the firm may vote the same securities differently depending upon those clients' directions.

**Sources of Information.** Hall Capital may conduct research internally or use the services of an independent research consultant or independent service provider. Hall Capital may consider any information it deems relevant, including, without limitation, legislative materials, studies of corporate governance and other proxy voting issues, or analyses of shareholder and management proposals by a certain sector of companies, *e.g.*, Fortune 500 companies.

**Limitations.** Under certain circumstances, Hall Capital may take a limited role in voting proxies, or not vote proxies, including: if Hall Capital does not learn about or receive materials about a proxy vote in a timely manner, if the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant, or if costs are unjustifiably high (*e.g.*, non-U.S. securities). If a client requests in writing that Hall Capital vote its proxy in a manner inconsistent with the firm's obligations under its advisory contract or similar document, Hall Capital will decide on a course of action at that time.

**Delegation to Sub-Advisers.** Where sub-advisers manage all or portions of a client's portfolio, Hall Capital generally delegates proxy voting responsibility to the sub-advisers for the appropriate portion of the entity's portfolio. In these cases, Hall Capital does not vote proxies.

#### C. MATERIAL CONFLICTS OF INTEREST

Material conflicts of interest are resolved in the best interest of clients. If Hall Capital determines there is, or may be, a material conflict of interest in voting proxies between Hall Capital's interests and those of the client, Hall Capital may choose among the following options, or others, to address the conflict: (1) vote in accordance with the recommendations of an independent service provider; (2) "echo vote" or "mirror vote" the proxies in the same proportion as the votes of other proxy holders that are not Hall Capital's clients; (3) if possible, erect information barriers around the person or persons making voting decisions sufficient to insulate the decision from the conflict; (4) if practical, notify affected clients of the conflict of interest and seek a waiver of the conflict; or (5) if agreed upon with the client, forward the proxies to affected clients allowing them to vote their own proxies. "Material conflict of interest" includes circumstances when Hall Capital knowingly does business with a proxy issuer or an entity under common control with such an issuer, which creates an actual or apparent material conflict between the interests of Hall Capital and the interests of one or more clients in how proxies of that issuer should be voted.

#### D. CLIENT PROXY VOTES

If and when the firm does not have the responsibility to vote proxies, clients may receive their proxies or solicitations directly from others or from the firm, depending on the situation. Clients with questions should contact the team working with them or Helane Morrison, General Counsel and Chief Compliance Officer, whose contact information is below.

#### E. AVAILABILITY OF PROXY POLICIES AND VOTING RECORD

If Hall Capital has proxy voting responsibility for a client, upon request, it will provide a record of how the client's shares were voted and a current copy of the proxy voting policies and procedures.

Clients should direct their requests in writing to:

Helane Morrison  
General Counsel and Chief Compliance Officer  
Hall Capital Partners LLC  
One Maritime Plaza, 5th Floor  
San Francisco, CA 94111  
Telephone: 415-288-0544

## Item 18. Financial Information

Hall Capital does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.