

# **INVESTMENT ADVISER BROCHURE**

## **Heartland Industrial Group, LLC**

**(“Heartland”)**

177 Broad Street, 10<sup>th</sup> Floor

Stamford, CT 06901

203-327-1202

[www.heartlandindustrialpartners.com](http://www.heartlandindustrialpartners.com)

February 14, 2012

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Heartland Industrial Group, LLC (the “Adviser” or “Heartland”). If you have any questions about the contents of this Brochure, please contact us at 203-327-1202. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**The Adviser is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.**

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

**Item 2. Material Changes**

Not Applicable

### Item 3. Table of Contents

	<u>Page</u>
Item 2. Material Changes .....	i
Item 3. Table of Contents .....	ii
Item 4. Advisory Business .....	1
Item 5. Fees and Compensation .....	2
Item 6. Performance-Based Fees and Side-by-Side Management.....	4
Item 7. Types of Clients.....	4
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Item 9. Disciplinary Information.....	8
Item 10. Other Financial Industry Activities and Affiliations.....	8
Item 12. Brokerage Practices .....	10
Item 13. Review of Accounts.....	11
Item 14. Client Referrals and Other Compensation .....	11
Item 15. Custody .....	11
Item 16. Investment Discretion .....	11
Item 17. Voting Client Securities .....	12
Item 18. Financial Information.....	12

#### **Item 4. Advisory Business**

Heartland, a Delaware limited liability company and a registered investment adviser, and its affiliated investment advisers, provide investment advisory services to private investment funds. Heartland has its principal place of business in Stamford, CT.

Heartland commenced operations in 1999. Heartland is controlled by Daniel P. Tredwell.

Heartland's clients include the following (each, an "HIG Fund," and together with any future private investment fund to which Heartland or its affiliates provide investment advisory services, the "Private Funds"):

- Heartland Industrial Partners, L.P. ("HIPLP")
- Heartland Industrial Partners (FF), L.P. ("HIPFF")
- Heartland Industrial Partners (C1), L.P. ("HIPC1")
- HIP Side-by-Side Partners, L.P. ("HIPSXS")
- HIP Side-by-Side Partners I-A, L.L.C. ("HIPIA")

The HIG Funds are not registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The investors in the HIG Funds are all "qualified purchasers", as defined in the Investment Company Act, and may include, among others, high net worth individuals, banks, insurance companies, pension and profit sharing plans, trusts, estates, charitable organizations, limited partnerships, limited liability companies and corporations.

Heartland or an affiliate thereof may from time to time also establish, on a transaction-by-transaction basis, certain Private Funds through which certain persons may invest alongside one or more HIG Funds in a particular investment opportunity (each such Private Fund, a "Co-Investment Vehicle"). Generally, each Co-Investment Vehicle is contractually required, as a condition of its investment, to invest and dispose of its investments in the particular investment opportunity at the same time and on the same terms as the applicable HIG Fund.

The HIG Funds are private equity funds that, during their investment periods, sought to invest in industrial corporations. Heartland's investment advisory services to the HIG Funds consists of identifying and evaluating investment opportunities and participation in the acquisition, management, monitoring and disposition of investments for each HIG Fund. Heartland primarily provides investment advisory services related to private equity investments in various industries, including leveraged acquisitions and recapitalizations, turnarounds, traditional buyouts and investments in growth companies. Such private equity investments take the form of privately-negotiated investment instruments, including unregistered equity securities of both U.S. and non-U.S. issuers.

Heartland's advisory services for Private Funds are detailed in the applicable private placement memoranda, Advisory Agreements (defined below) and limited partnership (or other similar)

agreements of the Private Funds and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Particularly, Heartland generally provides investment advisory services to each HIG Fund pursuant to a separate advisory agreement (each, an “Advisory Agreement”).

Heartland or Heartland Industrial Associates L.L.C., as the general partner of the HIG Funds (the “General Partner”), or a Private Fund may enter and has entered into side letters or other similar agreements with certain investors in the HIG Funds that have the effect of establishing rights under, or supplementing or altering the terms of, the applicable limited partnership agreements and subscription agreements relating to such funds with respect to such investors.

As of December 31, 2011, Heartland managed approximately \$206,852,816 of client assets, all of which is managed on a discretionary basis. The Adviser is controlled by Daniel P. Tredwell. The Adviser’s principal owner is Daniel P. Tredwell.

## **Item 5. Fees and Compensation**

### ***Management Fees***

Heartland receives a management fee (the “Management Fee”) from HIPLP, HIPC1 and HIPIA. Each Management Fee is generally payable quarterly in advance and is prorated for the actual number of days in such period for periods of less than a full quarter at the beginning or end of Heartland’s provision of investment advisory services. Heartland does not currently receive a Management Fee from HIPFF or HIPSXS.

HIPLP and HIPC1 each pay Heartland, quarterly in advance, a Management Fee equal to 1.0% per annum (.25% per fiscal quarter) of capital contributions made with respect to investments that have not been subject to a disposition as of the first day of such period (including any amounts reserved for specific follow-on investments). HIPIA pays Heartland, quarterly in advance, a flat fee as reimbursement for certain overhead expenses of Heartland (the “HIPIA Fee”).

Heartland or an affiliate thereof may also receive customary monitoring fees, termination fees, financing, divestment and other similar transaction fees, as well as commitment fees, director fees and other fees from portfolio companies of the HIG Funds. The aggregate Management Fee payable by HIPLP and HIPC1 in any fiscal year will be reduced by 50% of any fees earned by the active senior members, directors and officers of Heartland, the General Partner or any of their respective affiliates in connection with portfolio investments and from such funds’ unconsummated transactions (to the extent that such fees exceed the reasonable out-of-pocket expenses of Heartland, the General Partner or their respective affiliates in connection with portfolio investments and from such funds’ consummated and unconsummated transactions), including break-up and topping fees, monitoring and directors’ fees, organization fees, set-up fees, advisory fees, consulting fees, management fees, investment banking fees, closing and transaction fees and other similar fees. With respect to certain investors in these funds who so elected pursuant to an amendment to the governing agreements of HIPLP and HIPC1, the percentage used in calculating their pro rata share of the offset amounts is 75% rather than 50%.

As noted above, Heartland currently does not receive a Management Fee from HIPFF or HIPSXS and HIPIA is charged a flat quarterly fee which is not offset by the portfolio company related fees described above. In addition to the foregoing, Heartland and its affiliates are prohibited from receiving (i) monitoring fees in excess of \$4 million per annum and (ii) other fees in excess of \$10 million in the aggregate, respectively, from each portfolio company for the period from January 1, 2006 and the end of the term of the applicable fund.

### ***Carried Interest***

An affiliate of Heartland will receive a carried interest with respect to each HIG Fund equal to 15% of all realized profits, subject to a 6% compounded preferred return, as more fully described in the governing agreement of the applicable HIG Fund.

### ***Other Information***

Certain employees of the General Partner and its affiliates, or entities in which substantially all of the equity is held by such persons or their family members, will not be charged a Management Fee, and will not be subject to the carried interest, to the extent agreed in writing by the General Partner.

In addition to the Management Fees, the HIPIA Fee in the case of HIPIA and the carried interest payable to an affiliate of Heartland, the HIG Funds bear certain expenses. As set forth in the governing agreement of the applicable HIG Fund, the HIG Funds bear all expenses to the extent not paid by portfolio companies, including fees and expenses for tax advisors, attorneys, consultants and auditors; all out-of-pocket costs and expenses, if any, incurred in developing, negotiating, evaluating, structuring, and disposing of actual portfolio investments, including without limitation any financing, legal, accounting, advisory and consulting expenses in connection therewith; all out-of-pocket costs and expenses, if any, incurred by or on behalf of the funds in developing, negotiating, evaluating and structuring prospective or potential portfolio investments that are not ultimately made, including without limitation any legal, accounting, advisory, financing and consulting costs and expenses in connection therewith; brokerage commissions, custodial expenses and other investment costs actually incurred in connection with actual portfolio investments; interest on and fees and expenses arising out of all borrowings made by the funds, including, but not limited to, the arranging thereof; the costs of any litigation, D&O liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the funds; expenses of liquidating the funds; any taxes, fees or other governmental charges levied against the funds and all expenses incurred in connection with any tax audit, investigation, settlement or review of the funds; and, with respect to each HIG Fund where this is applicable, the expenses of the limited partner advisory committee.

A description of the brokerage and other transaction costs that will be borne by the funds and separate accounts are described in more detail in Item 12 (Brokerage Practices) in this Brochure.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

As described under “Fees and Compensation,” an affiliate of Heartland receives a carried interest allocation on certain net realized profits in the HIG Funds. We do not advise any clients that do not pay performance-based compensation, although we may waive carried interest with respect to certain affiliated investors as described under “Fees and Compensation”.

The entitlement to a carried interest may create an incentive for Heartland and the General Partner to take risks in managing the HIG Funds that it would not otherwise take in the absence of such arrangements.

## **Item 7. Types of Clients**

Heartland provides investment advice to Private Funds, including the HIG Funds. Private Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act. The investors participating in the Private Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Heartland and its affiliates.

Each Private Fund generally has a minimum investment amount for third-party investors, and interests in the Private Funds are offered and sold solely to qualified purchasers (or qualified knowledgeable personnel). Such minimum investment amount may be waived by Heartland or an affiliate thereof.

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

### ***Investment Strategies***

The HIG Funds are fully invested and can no longer acquire further investments and currently hold three portfolio investments (with the exception of HIPIA, which currently holds no portfolio investments). Initially, the HIG Funds were established to acquire and expand industrial companies in sectors believed to be ripe for consolidation and growth at the time of formation of the HIG Funds. The HIG Funds initially anticipated investing in up to a half dozen company platforms where Heartland could sponsor a sustained buildup of value-creating strategic, operating and financial initiatives. Known as an “industrial platform scaleup”, this differentiated investment model was expected to target sectors of the American manufacturing economy where industry conditions were conducive to buildup strategies, such as aerospace components and materials, automotive suppliers, capital goods, chemicals, plastics conversion and metal working.

The investment strategy initially adopted by Heartland represented an extension and refinement of then-developing trends in the private equity business. These trends included sector specialization instead of a general buyout fund approach and investing in multi-stage buildups and consolidation plays. This investment model also emphasized growth, operating leverage, and the funding of asset and technology upgrades as sources of equity value creation rather than purely financial engineering and debt paydown.

### ***Risks Associated with the Investment Strategy***

The investment strategies described above involve a substantial degree of risk, and the HIG Funds may lose all or a substantial portion of the value of their investments. In addition, material risks relating to the investment strategies and methods of analysis described above include the following, each of which is described in more detail in the applicable HIG Fund's offering document.

***No Assurance of Investment Return.*** There is no assurance that any Private Fund will be able to generate returns for its investors or that returns will be commensurate with the risks of investing in the type of companies and transactions that such Private Fund invests in. An investment in any Private Fund should only be considered by persons who can afford a loss of their entire investment. Past performance of investment entities associated with the principals of Heartland is not necessarily indicative of future results. There can be no assurance that any Private Fund's investment objective will be achieved, or that an investor will receive a return of its capital.

***Use of Leverage.*** While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. A Private Fund's portfolio investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks (as well as particular risks associated with investing in the heavy industry sector) may have a more pronounced effect on the profitability or survival of such companies. Moreover, rising interest rates may significantly increase a portfolio company's interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the applicable Private Fund may suffer a partial or total loss of capital invested in the portfolio company.

***Investment in Restructurings.*** A Private Fund may hold portfolio investments in restructurings which involve portfolio companies that are experiencing or are expected to experience financial difficulties, which may never be overcome. Such portfolio investments could, in certain circumstances, subject such fund to certain additional potential liabilities which may exceed the value of such fund's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to such fund and distributions by such fund to the investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

***Risk of Limited Number of Investments; Diversification.*** A Private Fund may participate in a limited number of portfolio investments and, as a consequence, the aggregate return of such fund may be substantially adversely affected by the unfavorable performance of even a single investment. The HIG Funds' portfolio companies were initially concentrated in heavy industry in the United States. Concentration in a single sector may involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns.



***Competition for Investments.*** Each Private Fund expects to encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Some of these competitors may have more relevant experience, greater financial resources and more personnel than the Private Funds, the General Partner or its affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Private Funds and adversely affecting the terms upon which portfolio investments can be made. There can be no assurance that the Private Funds will be able to identify or consummate portfolio investments satisfying their investment criteria or that such portfolio investments will satisfy the applicable Private Fund's rate of return objectives. Likewise, there can be no assurance that such Private Fund will be able to realize upon the value of its portfolio investments or that it will be able to invest its committed capital. To the extent that the Private Funds encounter competition for investments, returns to investors may decrease.

***Market Conditions.*** An HIG Fund will be materially affected by conditions in the financial markets and economic conditions, including interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade regulations, commodity prices, currency exchange rates, national and international political circumstances, and such conditions may adversely affect performance. General fluctuations in the market prices of securities may affect the value of the portfolio investments held by the applicable HIG Fund. Instability in the securities markets may also increase the risks inherent in such funds' portfolio investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise, which has been difficult in the recent past given the turmoil in the market.

During the recent past, world financial markets experienced extraordinary market conditions, including, among other things, extreme losses and volatility in securities markets and the failure of credit markets to function. In reaction to these events, regulators in the U.S. and several other countries undertook unprecedented regulatory actions. Since late 2009 fears of a sovereign debt crisis developed concerning rising government debt levels across Europe together with a wave of downgrading of government debt of certain European states. During 2011, the credit rating agency Standard & Poor's ("S&P") downgraded its credit rating of the United States federal government from AAA to AA+. This was the first time the government was given a rating below AAA. Since then, S&P took similar steps with respect to a number of Western European countries. A fund may be materially adversely affected by the foregoing events.

In the future there may be significant events which change the functioning of capital markets, and there is the possibility that a severe worldwide economic downturn could continue for a period of years. Consequently, Heartland may not be capable of, or successful at, preserving the value of fund assets, generating positive investment returns or effectively managing fund risks and dispose of investments.

***Risks Associated with Publicly-Traded Securities.*** An HIG Fund may invest in publicly-traded securities, and may hold publicly-traded securities following a partial exit from an investment.

Investments in securities of publicly-traded companies may be sensitive to movements in the stock market and trends in the overall economy.

***Material, Non-Public Information.*** By reason of their responsibilities in connection with their other activities, certain principals of Heartland may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The HIG Funds will not be free to act upon such information. Due to these restrictions, the HIG Funds may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold.

***Non-US Investments.*** An HIG Fund may make investments outside of the United States. Investments in the securities of foreign issuers may be restricted or controlled to varying degrees, and require consideration of certain risks not associated with investing in US securities, including, among other things, potential price volatility in, and relative illiquidity of, some non-US securities markets, imposition of exchange control regulation by the US or foreign governments. Foreign or other withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, and political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations. Certain countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. Additionally, fund investments in other countries will likely be denominated in the currencies of such countries, and a change in the value of those currencies may adversely affect the value of those investments.

***Liabilities Associated with Holding a Controlling Interest.*** Because of its equity ownership, representation on the board of directors and/or contractual rights, a Private Fund may often be considered to control, participate in the management of or influence the conduct of portfolio companies. The exercise of control over a company may impose additional risks of liability for which the limited liability generally afforded to investors may be ignored. If these liabilities were to arise, a fund may suffer a significant loss.

### ***Conflicts of Interest***

***Carried Interest.*** The existence of the carried interest (described above) may create an incentive for the General Partner to make riskier or more speculative investments on behalf of the HIG Funds than would be the case in the absence of this arrangement. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property (as determined by the General Partner).

***Fees.*** The General Partner and its affiliates may receive certain fees from the HIG Funds' portfolio companies in connection with the purchase, monitoring or disposition of investments or in connection with unconsummated transactions (e.g., transaction, directors', consulting, management, investment banking, advisory, closing, topping, break-up and other similar fees). Except as set forth in "Fees and Compensation" above, investors will receive no benefit from such fees.

***Time Commitments.*** The existence of multiple investment vehicles, including the activities of CVCG (defined below), the advisory business of CVA (defined below), and a variety of clients may create conflicts as to time and resource commitments on the part of Heartland's personnel. Heartland may retain additional personnel as deemed necessary. We believe that any time commitment conflicts that may arise are mitigated by the fact that the HIP Funds may no longer make any new portfolio investments (other than follow-on investments) under the terms of their governing agreements.

## **Item 9. Disciplinary Information**

Heartland and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

***CoveView Advisors LLC.*** Heartland shares the use of its employees and office space with CoveView Advisors LLC ("CVA") an advisory firm providing corporate finance advisory services to corporations, private equity firms, financial institutions and investors. CVA provides only advice as it relates to specific transactions or strategic and operational advice to improve the operations or capital structure of its clients and does not manage any assets for its clients or provide investment advice.

The controlling member of Heartland, Daniel P. Tredwell owns a significant equity interest in CVA and is a Managing Partner of CVA. For the use of its employees and facilities, CVA has a services agreement with Heartland, which provides for payment by CVA for these services in an amount equal to the estimated cost of providing these employees and facilities to CVA.

In its capacity as an advisor, CVA may enter into agreements with clients whereby a client will use the services of a licensed broker-dealer to perform broker-dealer services. CVA has an exclusive relationship with Source Capital Group, Inc. ("Source") (CRD #36719) to provide such broker-dealer services to its clients. Certain employees of Heartland are licensed registered representatives of Source and as such receive compensation directly from Source for performing their services. As registered representatives of Source, these Heartland employees are also subject to supervision by personnel of Source. Neither of the two officers of Heartland, Daniel P. Tredwell or Steven J. Lamb are registered representatives of Source. CVA does not manage any assets for its clients.

***CoveView Capital I, LLC.*** Daniel P. Tredwell, the controlling member of Heartland, is also the Managing Member and majority owner of CoveView Capital I, LLC. ("CVCI"). "CVCI" is a vehicle through which employees, former employees and spouses of employees of Heartland pool their capital in order to make investments in publicly traded debt and equity securities. Neither CVCI nor Heartland receives any fees or other compensation in connection with the foregoing activities.

***CoveView Capital Group, LLC.*** Mr. Tredwell is also a Managing Member and a principal owner of CoveView Capital Group, LLC ("CVCG"). CVCG was formed in September 2011, to

pursue potential investment opportunities in the debt and equity securities of private and public companies. As of the date hereof, CVCG has not commenced operations and performed no advisory services and received no compensation as an investment adviser or in any other capacity.

Personnel of Heartland and/or its affiliates may invest in or maintain working relationships of various kinds with other financial institutions, including managers of private funds, banks and brokers, some of which will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services to, the HIG Funds or other investment vehicles advised by Heartland and/or its affiliates.

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

### ***Code of Ethics***

Heartland has adopted the firm's Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of firm principals and employees and addresses conflicts that arise from personal trading. The Code requires certain personnel to report their personal securities transactions, prohibits or requires pre-clearance for personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Chief Compliance Officer. A copy of the Code will be provided to any investor or prospective investor upon request to the Chief Compliance Officer, at 203-327-1202. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments. Heartland and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Heartland and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Heartland.

Accordingly, should Heartland or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, Heartland would be prohibited from communicating such information to clients, and Heartland will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of personnel serving as directors of public companies and may restrict trading on behalf of clients, including the HIG Funds.

Principals and employees of Heartland and its affiliates were permitted to participate in the investments of the HIG Funds or certain co-investment vehicles through an investment in a pooled employee vehicle that itself became a limited partner in an HIG Fund.

## **Item 12. Brokerage Practices**

The Adviser focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may or may not be retained. However, the Adviser may also distribute securities to investors in a Private Fund or sell such securities, including through using a broker-dealer, if a public trading market exists.

If the Adviser sells publicly traded securities for a Private Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including: (i) pricing terms; (ii) the size of the transaction; (iii) the nature of the market for the security; (iv) the amount of commission to be paid to the broker-dealer; (v) the timing of the transaction, taking into account market practices and trends; (vi) the reputation, experience and financial stability of the broker-dealer; (vii) the quality of service rendered by the broker-dealer in prior transactions; and (viii) other business a broker-dealer may have done with the Adviser, such as identifying investment opportunities and performing investment banking services. The Adviser has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction. Although the Adviser generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent.

Consistent with the Adviser seeking best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Adviser generally does not make use of such services at the current time. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Private Funds. However, each and every research service may not be used for the benefit of each and every Private Fund managed by the Adviser, and brokerage commissions paid by one Private Fund may apply towards payment for research services that might not be used in the service of such Private Fund. The Adviser may, in its discretion, cause the Private Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Adviser has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received.

The Adviser may cause multiple Private Funds to purchase and sell publicly traded securities through broker-dealers. If the Adviser has determined to purchase or sell a publicly traded security for more than one Private Fund at the same time, the Adviser will generally place combined orders for each Private Fund when assigning pre-order allocations. In general, the Adviser aggregates trade orders for publicly traded securities to ensure that each participating Private Fund will receive the average price for each transaction.

## **Item 13. Review of Accounts**

### ***Review of Accounts***

The investment portfolios of the HIG Funds are generally private, illiquid and long-term in nature; accordingly, Heartland's review of them is not directed toward a short-term decision to dispose of securities. However, Heartland closely monitors the portfolio companies of the HIG Funds to confirm that each HIG Fund is maintained in accordance with its stated objectives. Heartland also generally maintains an ongoing oversight position in the HIG Funds' portfolio companies.

### ***Reporting***

Each HIG Fund provides to its limited partners audited financial statements on an annual basis and, in addition, provides an analysis of the portfolio as well as unaudited financial data on a quarterly basis.

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

Heartland currently has no arrangements for client referrals.

However, Heartland and/or its affiliates may provide certain business or consulting services to companies in the HIG Funds' portfolio and may receive compensation from these companies in connection with such services. As described in the governing agreement of the applicable HIG Fund and above in "Fees and Compensation", this compensation may, in many cases, offset a portion of the Management Fees paid by the applicable HIG Fund.

## **Item 15. Custody**

Heartland maintains custody of the HIG Funds' assets held in the HIG Funds' names with the following qualified custodians:

- JP Morgan Chase Bank NA  
270 Park Avenue  
New York, NY 10017
- Credit Suisse Securities (USA), LLC  
11 Madison Avenue 3rd floor  
New York, NY 10010
- Itaú Unibanco S.A.  
Praça Alfredo Egydio de Souza Aranha, 100  
Torre Olavo Setubal  
04344-902 São Paulo - SP.

## **Item 16. Investment Discretion**

Heartland and its affiliates have discretionary authority to manage investments on behalf of the HIG Funds. As a general policy, Heartland does not allow clients to place limitations on this authority. Pursuant to the terms of the applicable governing agreement of the HIG Funds, however, such HIG Fund or the General Partner may enter into “side letters” or other similar agreements with certain investors whereby the terms applicable to such investor’s investment in the applicable HIG Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Heartland and its affiliates assumes this discretionary authority pursuant to the terms of the governing agreement of the applicable HIG Fund and the advisory agreement between the applicable HIG Fund and Heartland and powers of attorney executed by the investors of the applicable HIG Fund.

## **Item 17. Voting Client Securities**

Heartland has adopted the Heartland Proxy Voting Policies and Procedures (the “Proxy Policy”) to address how it will vote proxies, as applicable, for the HIG Funds’ portfolio investments. The Proxy Policy seeks to ensure that Heartland votes proxies (or similar instruments) in the best interest of the applicable HIG Fund, including where there may be material conflicts of interest in voting proxies. Heartland generally believes its interests are aligned with those of the HIG Funds’ investors through the principals’ beneficial ownership interests in the HIG Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Heartland may address the conflict using several alternatives, including by seeking the approval or concurrence of the HIG Funds’ limited partner advisory committee on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the HIG Funds’ limited partner advisory committee may approve Heartland’s vote in a particular solicitation. Heartland does not consider service on portfolio company boards by Heartland personnel or Heartland’s receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Heartland when voting proxies on behalf of the HIG Funds. If you would like a copy of Heartland’s complete Proxy Policy or information regarding how Heartland voted proxies for particular portfolio companies, please contact Steven Lamb, the Chief Compliance Officer, at (203) 327-1202, and it will be provided to you at no charge.

## **Item 18. Financial Information**

We do not require or solicit prepayment of more than \$1,200 in fees from the funds, six months or more in advance, or have any other events requiring disclosure under this item of the Brochure.