

## PART 2A OF FORM ADV: FIRM BROCHURE

# Horsley Bridge Partners LLC

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March 31, 2017

This brochure provides information about the qualifications and business practices of Horsley Bridge Partners LLC (“HBP LLC”, “HBP”, “we”, “us” or “our”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Kate Murphy, at (415) 986-7733 or [kate@horsleybridge.com](mailto:kate@horsleybridge.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

We are a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”). Our registration under the Investment Advisers Act does not imply any level of skill or training.

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

## **ITEM 2**

### **MATERIAL CHANGES**

Item 2 requires that HBP LLC summarize material changes to our brochure that have occurred since our last filing of the brochure with the SEC. Material changes would include material changes to our policies, practices, or conflicts of interests.

There have been no material changes to our brochure since our last annual update filing with the SEC dated July 18, 2016.

### ITEM 3

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## ITEM 4

### ADVISORY BUSINESS

Horsley Bridge Partners LLC (“HBP LLC”, “HBP”, “we”, “us” or “our”) was founded in 1983. We are headquartered in San Francisco and have offices in London and Beijing. HBP LLC provides investment management services to and is the Managing General Partner of a series of fund-of-funds (the “Fund(s)” or “Client(s)”) formed to make investments in private equity partnerships (the “Partnership(s)”). These Funds are offered to investors on a private placement basis.

The Funds are private equity funds-of-funds. We invest primarily in early stage venture capital and small buyout partnerships. We do not invest in real estate, hedge, distressed debt, or energy funds.

The Funds’ Partnership investments include venture capital partnerships investing in seed and early-stage companies, partnerships investing in growth companies, and leveraged buyout partnerships investing in more mature companies. Investments made by these Partnerships may include both private and public companies in all types of industries. Investments may be made any place in the world, but are primarily concentrated in the United States (“U.S.”), Europe, Asia and Latin America. The Funds will directly hold companies to the extent that they have been distributed stock from the Partnerships. Cash is held at the Funds’ custodian banks and is held in either interest-bearing accounts or in money market funds.

HBP LLC provides investment management services to the Funds, which includes analyzing, selecting, monitoring and maintaining Partnership investments, managing the securities distributed by these Partnerships, and all duties necessary to carry on the ordinary affairs of the Funds.

Investors in the Funds are Limited Partners (“Limited Partners” or “Investors”). Our Limited Partners are generally institutional investors and include, but are not limited to, corporate pension plans, sovereign wealth entities, public pension plans, endowments, foundations and trusts.

The governing document for each Fund is the Limited Partnership Agreement (“LPA”). Subject to the terms of the LPA, HBP LLC has exclusive management and control over the affairs of the Funds. The LPA for each Fund governs any investment restrictions, which are discussed in Item 16 Investment Discretion.

As of December 31, 2016, HBP LLC is the Managing General Partner of 22 Funds. Nine of the Funds (Horsley Bridge Fund IV, L.P. – Horsley Bridge X Growth Buyout-A, L.P.) invest in Partnerships formed primarily to invest in the U.S. Five of the Funds (Horsley Bridge International I, L.P. – Horsley Bridge International V, L.P.) invest in Partnerships formed to

invest primarily outside the U.S. Horsley Bridge XI Venture, L.P., Horsley Bridge XI Growth Buyout, L.P. and Horsley Bridge XI Growth Buyout-A, L.P. are global funds, investing in Partnerships focused on investing in the U.S. and other core markets, including China and Europe. These funds are sometimes collectively referred to as the “main Funds”. The five remaining Funds were formed for special purposes to invest alongside the main Funds and invest exclusively in Partnerships that are held by the main Funds, but in different commitment amounts.

HBP LLC is the Managing General Partner to the following Funds:

Horsley Bridge Fund IV, L.P.
Horsley Bridge Fund V, L.P.
Horsley Bridge Fund VI, L.P.
Horsley Bridge VII, L.P.
Horsley Bridge VIII, L.P.
Horsley Bridge IX, L.P.
Horsley Bridge X Venture, L.P.
Horsley Bridge X Growth Buyout, L.P.
Horsley Bridge X Growth Buyout-A, L.P.
Horsley Bridge XI Venture, L.P.
Horsley Bridge XI Growth Buyout, L.P.
Horsley Bridge XI Growth Buyout-A, L.P.
Horsley Bridge International I, L.P.
Horsley Bridge International II, L.P.
Horsley Bridge International III, L.P.
Horsley Bridge International IV, L.P.
Horsley Bridge International V, L.P.
HB-PGGM II, L.P.
HB-PGGM III, L.P.
Horsley Bridge Netherlands VII, L.P.
Horsley Bridge Growth VIII, L.P.
Horsley Bridge Strategic Fund, L.P.
<i>as of December 31, 2016</i>

As of December 31, 2016, HBP LLC also acted as investment manager to two non-discretionary accounts holding private equity partnerships. HBP LLC manages these accounts on behalf of two pension plans which are also Limited Partners in the Funds. HBP LLC does not have discretionary authority to add Partnership investments to these accounts or make recommendations for new Partnership investments. HBP LLC provides instructions for the processing of transactions related to the contributions of capital and disposition of assets, places trades for the sale of securities distributed by the Partnerships, and directs the Trustees

with respect to the voting of investment assets and execution of consents and other related documents.

HBP LLC is wholly-owned by our Managing Directors. HBP LLC has no outside ownership of any kind. No individual Managing Director owns greater than 25% of HBP LLC as of December 31, 2016.

As of December 31, 2016, HBP LLC managed approximately \$11,172,245,562 in regulatory assets under management and approximately \$14B in committed capital on a discretionary basis, and \$29,413,495 on a non-discretionary basis through its two managed accounts.

## ITEM 5

### FEES AND COMPENSATION

HBP LLC receives a management fee from the Funds, which, with the exception of one Fund, is based on the capital committed to the Funds by the Limited Partners. The annual management fee is based on each Limited Partner's committed capital and ranges from .3% to 1.00% depending on the amount of capital committed. For Horsley Bridge Growth VIII, L.P., the management fee is based on the amount of capital committed to Partnerships, subject to a maximum based on Limited Partner committed capital. For certain Funds, HBP LLC or its affiliates may also receive performance-based compensation, assessed as a 5% carried interest on all net profits (see Item 6 for further discussion).

Management fees are paid by the Funds to HBP LLC in cash during the period from the commencement date of each Fund to the end of each Fund's term, and may be reduced during extension years, including to zero. Management fees are paid quarterly in advance and are deducted from the Funds' custodial accounts by HBP LLC. Management fees and performance fees are governed by a Fund's LPA, and all Limited Partners in a Fund are assessed fees according to the terms of the Fund's LPA. Once established in the LPA, fees are not negotiable.

In general, the Funds bear certain expenses in connection with their operations not otherwise paid by HBP LLC. These expenses generally could include, and may not be limited to, organization expenses of the funds and related general partner entities, custodian fees, accounting fees, administrator fees, audit fees, certain legal fees, taxes, tax preparation and filing fees, fund specific regulatory compliance costs in jurisdictions outside the U.S., interest expense, banking fees, brokerage commissions on the sale of stock distributed from Partnerships, insurance premiums and litigation costs, formation and administration expenses of any blocker entities, and any other costs incurred in receiving, holding and selling securities. Further information regarding the fees and expenses borne by the Funds can be found in each Fund's LPA.

In addition, the Funds are subject to the fees and expenses of the Partnership investments. The fees and expenses may vary for each Partnership, but typically may include management fees, performance fees, and operating and administrative expenses associated with fund administration, legal, accounting, audit and annual tax preparation and filings.

As of December 31, 2016, HBP LLC also acted as investment manager to two non-discretionary accounts as described in Item 4. The annual management fees on these accounts are based on net asset value and range from .25% to .3%, subject to maximum and minimum fees. The fees are paid quarterly in arrears. The contracts are terminable on 30 days' notice.

## **ITEM 6**

### **PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

With respect to certain Funds, HBP LLC may assess a performance fee in the form of carried interest on net profits of the Fund, as established in the Fund's LPA. Carried interest on certain Funds may create an incentive for HBP LLC to make investments that are more speculative than would be the case in the absence of performance-based compensation.

HBP LLC advises multiple Funds with different Investor bases and investment mandates, and with different fee structures. HBP LLC receives carried interest as compensation from some of the Funds, but other Funds are not charged a performance-based fee. This practice could present a conflict of interest because it may create an incentive for HBP LLC to favor Funds for which it receives a carried interest. HBP LLC addresses this potential conflict of interest by narrowly defining a Fund's investment purpose in the Fund's LPA. The Funds are structured into geographic and/or stage strategies, so that there is little room for discretion with respect to allocation. Additional information regarding HBP LLC's allocation methodology is described herein under "Item 10 – Other Financial Industry Activities and Affiliations". All allocation decisions are made by HBP LLC's investment committee in the same manner as investment decisions, and at all times on a fair and equitable basis consistent with and subject to HBP LLC's fiduciary and contractual duties.



## **ITEM 7**

### **TYPES OF CLIENTS**

As described in Item 4, HBP LLC is the Managing General Partner of Funds (or “Clients”) which make investments in private equity Partnerships. These Funds are Delaware limited partnerships and are offered to institutional investors and high net worth individuals (“Limited Partners” or “Investors”) on a private placement basis. Limited Partners are primarily institutional investors and include, but are not limited to, corporate pension plans, sovereign wealth entities, public pension plans, endowments, foundations and trusts.

HBP LLC also acts as investment manager to two non-discretionary accounts holding private equity Partnerships. HBP LLC manages these accounts on behalf of two pension plans which are also Limited Partners in the Funds.

HBP LLC requires Limited Partners of its Clients to be accredited investors as defined in Regulation D under the Securities Act of 1933, as amended, and qualified purchasers and if applicable, qualified clients, each as defined under the Investment Company Act of 1940, as amended. HBP LLC does not impose a specific contractual minimum dollar commitment on Limited Partners, but such Limited Partners generally commit at least \$10,000,000.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

HBP LLC's analysis of investment opportunities in Partnerships starts with selectivity. Our screening process is focused on a number of key criteria including: the operating and investing experience of the general partners to the Partnership, the investment strategy, a fund size appropriate for the market opportunity, a proactive approach to originating proprietary deal flow, a disciplined process for evaluating opportunities and making investment decisions, and historical and prospective investment performance.

We perform thorough due diligence using both quantitative and qualitative criteria. We are assisted in the quantitative analysis by our proprietary database, where we maintain information on prior Partnership investments, which provides historical industry data for comparison and determination of the factors that have contributed to investment performance. Our qualitative due diligence includes analysis of the backgrounds of the Partnership's team, interviews with the Partnership's general partners and team, and extensive reference checks. Reference checks are a key component of our due diligence process and will include reference checks to contacts provided by the Partnership and to contacts known to us through our network. Reference calls will focus on, among other things, firm and partner reputation, deal sourcing, post-investment activity, value-added involvement and capabilities, and portfolio company status updates.

All due diligence meetings, reference checks, and analytics are documented in writing and saved to HBP LLC's information system. We use no third-party consultants or advisors in our due diligence process.

Our Funds have historically been organized into two products – U.S. and international. Our U.S. Funds invested in Partnerships which invest principally in the U.S. Our international Funds invested in Partnerships which invest outside the U.S., generally in Europe, Asia, and Latin America. Our strategy was a combination of early stage venture and small-to-mid market growth buyout Partnership investments. Our earlier Funds sought to provide a balanced mix of venture capital and buyout Partnerships and achieved diversification through underlying investments in companies at various stages of development, industries, and geographic locations. In 2012, we moved to organizing our products by strategy, rather than geography. In 2012 and 2013, respectively, we launched Horsley Bridge X Venture, L.P. and Horsley Bridge X Growth Buyout, L.P., which together continue the strategy of the prior core Funds, but in a structure that affords more choice to Limited Partners between venture and buyout/growth equity strategies. Our most recent funds, Horsley Bridge XI Venture, L.P. and Horsley Bridge XI Growth Buyout, L.P. will invest globally, in either venture or buyout/growth equity strategies, respectively, providing clients with meaningful exposure to companies, wherever they originate.

All investments involve the risk of loss of capital. The investment programs of the Funds entail substantial risks and there can be no guarantee that a particular Fund's investment

program will be successful. Past performance is not necessarily predictive of future performance. There are specific risks involved with investing in our Funds that Investors should be aware of. These risks include but are not limited to:

- Partnership investments: The Funds' investments are in Partnerships which are managed by sponsors that are unrelated to HBP LLC. Identifying and selecting Partnership investments involves a high level of risk and uncertainty, and access to high-quality Partnerships may be limited. The Partnerships in which the Funds invest may not have commenced operations at the time of the investment and, accordingly, may have no operating history upon which HBP LLC may evaluate likely performance. Further, historical performance of Partnership sponsors is not a guarantee or prediction of their future performance. There can be no assurance that the Partnerships will be able to locate and complete attractive investments. HBP LLC does not have an active role in the day-to-day management of the Partnerships and we do not have an opportunity to evaluate the specific investments in companies made by the Partnerships. HBP LLC has no control over the timing of Partnership capital calls or distributions received from them. Accordingly, the returns of the Fund will depend on the performance of the sponsors of the Partnerships and will be adversely affected by their unfavorable performance.
- Portfolio company investments: The individual companies in which the Partnerships invest ("portfolio companies") may involve a high degree of business and financial risk. The portfolio companies, particularly those investments by venture capital Partnerships, may be in an early stage of development, may have operating losses or significant variations in operating results and may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence. Portfolio companies may also include companies that are experiencing or are expected to experience financial difficulties, which may never be overcome. In addition, they may require substantial additional capital to support their operations or may face intense competition from companies with greater financial resources. The ability of portfolio companies to respond to changing business and economic conditions may be limited.
- Illiquid Partnership investments, restrictions on redemption, and long-term nature of investment in our Funds: The Partnerships that the Funds invest in do not freely trade and are restricted from redemption. Our Funds are generally contractually prohibited from disposing of such investments. Likewise, an investment in our Funds is not freely tradable and cannot be redeemed, and requires a long-term commitment with no certainty of return. Investors also have no right or power to participate in the management or control of the business of the Funds and must rely solely upon the ability of HBP LLC to conduct the affairs of the Funds. Because of the nature of our investment programs, there can be no assurance that Clients or Investors will be able to realize returns on their investments in a timely manner or at all. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains are realized on successful investments. The return of capital and

realization of gains, if any, from an investment may not occur for a substantial period of time after investing with our Funds.

- Global investments and general market conditions: An investment in the Funds may be affected by general economic and market conditions, such as availability of credit or uncertainties in the financial markets, which may affect volatility, liquidity and security prices of securities held by the Funds and Partnerships. Additionally, the Funds invest in Partnerships which may be located outside the U.S. or which may in turn invest in companies outside the U.S. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. The legal and regulatory environment may also be different or uncertain, and financial accounting standards and practices may differ. Additional risks include possible adverse political and economic developments, possible seizure or nationalization of foreign investments, possible adoption of governmental restrictions which might adversely affect the ability to realize investments, and possible taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by our Funds from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by Funds will reduce its net income or return from such investments. While we will take these factors into consideration in making investment decisions for our Funds, no assurance can be given that we will be able to fully avoid these risks.
- Valuation of investments: As discussed above, the Partnership investments are not readily marketable. HBP LLC will value the Funds' investments based upon a good faith assessment of the fair value of the assets, relying upon information provided by the Partnership sponsors and available relevant market and other information. We use valuation procedures that we believe are fair and accurate. However, these procedures are subjective in nature, may not conform to any particular industry standards (if any such industry standards exist) and may not reflect actual values at which the investments are ultimately realized. Valuations may also fluctuate from period to period due to a number of factors. As an asset class, private equity has exhibited volatility in returns over different periods and it is likely that this will continue to be the case in the future. Such variability may cause results for a particular period not to be indicative of performance in a future period.
- Conflicts of Interest: Various conflicts of interest may arise in respect of HBP LLC's business, some of which are disclosed throughout this document. HBP LLC resolves all conflicts of interest using its good faith judgment and in accordance with its fiduciary duties. Additional conflicts may include competition among the Funds for investment opportunities, or the time and attention of HBP LLC principals. Conflicts may also exist among the investors as a result of their divergent tax, economic or other interests. Structuring, investment and other decisions are therefore made by HBP LLC in a manner determined to be in the best interests of a Fund's investors, taken as a

whole, even if the decision may be more beneficial for one investor than for another investor. Finally, managers of the Partnerships may also be subject to a variety of conflicts similar to or different from the ones discussed throughout this document in relation to the Partnerships they manage.

- Cybersecurity; Operational Risks: The Funds and their service providers, including their custodians, brokers, legal counsel and auditors, are subject to risks associated with a breach in cybersecurity. Any damage or interruptions to information technology systems may cause losses to the Funds or individual investors by interfering with the operations of HBP LLC and/or the Funds. The Funds may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose both the Funds and HBP LLC (which in turn may be indemnified by the Funds) to civil liability as well as regulatory inquiry and/or action. Similar types of cybersecurity risks also are present for issuers of securities in which the Funds invest, which could affect their business and financial performance, resulting in material adverse consequences for such issuers, and causing the Funds' investment in such securities to lose value. HBP LLC's ability to conduct its business effectively is subject to a variety of other operational risks and is dependent on the ability to process Partnership and investor transactions. If any of HBP LLC's financial controls, investment accounting or investment operations systems fail to operate properly or if there are other failures in HBP LLC's internal controls, HBP LLC could suffer business disruption, financial loss, or regulatory or reputational issues, notwithstanding the precautionary measures HBP LLC has in place.

Additional risks related to investments in the Funds are described in the applicable private offering memoranda.

## **ITEM 9**

### **DISCIPLINARY INFORMATION**

To the best of our knowledge, HBP LLC, our employees, and the employees of our wholly-owned subsidiaries described in Item 10 have not been involved in any legal or disciplinary events that would be material to an Investor's evaluation of us or our personnel.

## ITEM 10

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

We have three wholly-owned subsidiaries that provide consulting services to HBP LLC on international investments and serve as the legal entities for our offices in London and Beijing: (1) Horsley Bridge International Limited, a UK corporation, (2) Horsley Bridge International LLC, a Delaware LLC, and (3) HorsleyBridge (Beijing) Business Consulting Company Limited, a China corporation. The sole business purpose of these subsidiaries is to provide investment support services to HBP LLC. These entities are not Registered Investment Advisers. Compensation for these services is paid solely by HBP LLC and not by the Funds.

HBP LLC is the Managing General Partner of the Funds and as such has an equity interest in each of the Funds. For each Fund, HBP LLC creates a limited partnership that also serves as a General Partner to the Fund and has an equity interest. Collectively, these general partner entities own 1-3% of each Fund, depending on the Fund. Additionally, HBP Managing Directors invest personally as Limited Partners in the Funds, on the same terms as all other Limited Partners, including with respect to management fees.

Inherent conflicts of interest arise from the fact that HBP LLC and our affiliated entities, owners, and employees provide investment advisory services to, and have an equity interest in, multiple Funds which have similar strategies and which may invest in the same Partnership investments. We believe that conflicts due to allocation of investment opportunities are minimized by the structure of our business and our policies for managing allocation of investment opportunities amongst Funds. The Funds are structured into geographic and/or stage strategies and allocation amongst them is determined based on where the Partnership intends to principally invest and its strategy. As required by the Funds' LPAs, investment opportunities are generally allocated to the current Fund vehicles being invested, until at least 100% of such Fund's committed capital has been committed for investment. There may be limited instances where the Managing General Partner has discretion with respect to allocation decisions (e.g. as between a prior Fund and successor Fund with the same investment strategy), and in such cases the Managing General Partner will consider a variety of factors in making allocation decisions such as portfolio diversification and over-commitment limitations. From time to time we may have a side Fund that is formed to take excess investments in situations where HBP is allocated an investment opportunity that is larger than what we consider prudent for the main Fund. We manage any allocation issues in this instance by first determining the size of the commitment for the main Fund. Only if we are able to secure a commitment greater than our desired amount will the excess be allocated to the side Fund. Conflicts of interest may also arise if more than one Fund holds distributed stock in the same company. In the case of sales of stock held by more than one Fund in the same company, sales of shares will, to the extent practical and unless circumstances dictate otherwise, be made concurrently and allocated pro-rata to each Fund's holdings.

In all instances, HBP LLC exercises our best judgment in managing the Funds in a manner which we believe to be in the best interests of the Limited Partners.



## **ITEM 11**

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

We strive to foster and maintain a reputation for honesty, integrity and professionalism. HBP has a fiduciary duty to place the interests of our Clients and Investors first. We have adopted a Code of Ethics (the “Code”) to assist our employees in understanding their obligations as fiduciaries. The Code applies to all HBP Managing Directors, officers, employees, and any other person who may provide services on behalf of HBP and is subject to HBP’s supervision and control (collectively, “Employees”). Our Code of Ethics incorporates the following general principles that all Employees are expected to follow:

- The interests of our Clients and Investors always take precedence over personal interests.
- Employees should not engage in any activity or action that brings into question their independence or judgment, or that allows them or their family to profit from relationships with our Clients and Investors.
- All personal financial transactions must be conducted to avoid any conflicts with transactions done for our Clients and Investors.
- Information pertaining to HBP’s Partnership investments, Clients, and Investors must be kept confidential.

As explained in Item 10, HBP and its Managing Directors and employees serve as the general partners to the Funds and may also invest personally in the Funds as Limited Partners. Inherent conflicts of interest arise from the fact that HBP LLC and our affiliated entities, owners, and employees provide investment advisory services to, and have an equity interest in, multiple Funds which have similar strategies and which may invest in the same Partnership investments.

In all instances, HBP LLC exercises our best judgment in managing the Funds in a manner which we believe to be in the best interests of the Limited Partners.

Employee personal trades must be executed in a manner consistent with our fiduciary obligations and must be conducted to avoid any conflicts with transactions done for our Clients and Investors. HBP’s Code of Ethics places restrictions on personal trades by Employees, including requiring certain Employees to disclose their personal securities holdings and transactions to us on a periodic basis. HBP maintains a restricted list of all companies where (i) the company is currently held by a Fund, (ii) the company is an Investor in a Fund, (iii) an Employee is on the board of directors, or (iv) HBP considers itself to have material nonpublic information. No Employee may trade a financial instrument of a company on the restricted list without prior approval from HBP’s CCO or designee, but under no circumstance may an Employee trade a stock on the same day a transaction on that stock is executed for our Funds. Additionally, Employees may not participate in any IPO, invest in a

privately held company, or invest in a private fund without the prior approval of HBP's CCO or designee.

Employees receive annual training on HBP LLC's personal trading policies. On a quarterly basis, all Employees must certify that they have complied with HBP's Code of Ethics, including personal trading policies. Additionally, we utilize compliance software to assist our monitoring of employee personal trading. All employees are designated as Access Persons of HBP and must comply with our reporting obligations by providing the CCO with a listing of all securities transactions for all accounts where they have a beneficial interest. Annually, Access Persons must report all holdings. An Access Person may satisfy his/her reporting obligations either through our compliance software or by providing duplicate brokerage statements. The CCO or designee reviews all reporting to ensure compliance with the personal trading policies described.

HBP LLC will provide a copy of its Code of Ethics policy to any Limited Partner or prospective Limited Partner upon request.

## **ITEM 12**

### **BROKERAGE PRACTICES**

HBP LLC pays commissions to brokers to sell publicly-traded securities that are distributed to the Funds by the Partnerships. In selecting an appropriate broker to affect a trade, we take relevant factors into consideration, including, price quotes, the size of the transaction, the nature of the market for the security, the broker's expertise in the specific security, the broker's promptness of execution, the broker's financial stability, and the overall quality of service provided by the broker. Brokers are selected primarily for their ability to execute transactions. Currently, we do not have, and do not anticipate having, any third-party soft dollar arrangements.

In the case of sales of stock held by more than one Fund in the same company, sales of shares will, to the extent practical and unless circumstances dictate otherwise, be made concurrently and allocated pro-rata to each Fund's holdings.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

HBP LLC continually reviews the Funds' Partnership investments. The nature and frequency of the review of each Partnership investment will vary depending on the investment. Our efforts extend over the life of the Partnership, and include face-to-face updates with each group, attendance at advisory board and annual meetings, and thorough quantitative analysis of quarterly reports. These investments are long-term in nature, generally 10-12 years, and the nature of the reviews will depend in part on the maturity of the investment.

Partnerships generally issue reports to investors on a quarterly basis. We generally contractually require that all Partnerships are subject to an annual audit in accordance with U.S. GAAP or its international equivalent. We review all audited reports received from the Partnerships.

HBP LLC monitors the performance of publicly-traded securities which it has received from the Partnerships and holds directly or which are held by the Partnerships pending future distribution to the Funds.

All of the Managing Directors of HBP LLC are responsible for and/or perform the review activities described above. Each active Partnership is assigned a team of at least two Managing Directors who are responsible for ongoing review of the investment. HBP LLC's investment committee meets weekly, and the update meetings with Partnerships are tracked and discussed.

HBP LLC provides Limited Partners with quarterly reports detailing the financial performance of the Funds. HBP LLC provides audited financial statements for each Fund to the Limited Partners, generally within 120 days after the end of each fiscal year and no later than 180 days after the end of the fiscal year.

HBP LLC makes periodic visits to Limited Partners to discuss their investments in the Funds and the activities of Partnerships. HBP LLC holds an annual meeting of the Limited Partners at which HBP LLC discusses detailed portfolio activity.

**ITEM 14**  
**CLIENT REFERRALS AND COMPENSATION**

HBP LLC does not currently maintain any consulting or private placement arrangements.

## **ITEM 15**

### **CUSTODY**

HBP LLC maintains the Funds' assets with qualified custodians, but we are also deemed to have custody since HBP LLC or its Related Persons serve as the general partner to the Funds. We intend to comply with the exemptions for pooled investment vehicles and distribute the audited financials of each Fund to Limited Partners within the 180-day time period and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

The Funds receive monthly statements from the custodians, and these statements are subject to routine reconciliation and review procedures by appropriate HBP LLC personnel. Limited Partners in a Fund will not receive statements directly from the custodians.

## **ITEM 16**

### **INVESTMENT DISCRETION**

In general, HBP LLC has full discretionary authority to manage the Funds, including authority to make decisions with respect to Partnership investments, investments to be bought or sold, the amount and price of those investments. We exercise this discretion subject to the Funds' LPAs and our own internal policies.

The LPAs may place limitations on our investment authority, including, without limitation, designating types of permitted investments or prohibiting certain types of investments.

Additionally, as of December 31, 2016, HBP LLC acted as investment manager to two non-discretionary accounts holding private equity partnerships. HBP LLC provides instructions for the processing of transactions related to the contributions of capital and disposition of assets, and places trades for the sale of securities distributed by the Partnerships. HBP LLC does not make recommendations for new Partnership investments in these accounts.

For a complete discussion of our advisory business and the services we provide to our Funds and Limited Partners, please see Item 4 Advisory Business.

## ITEM 17

### VOTING CLIENT SECURITIES

HBP LLC has direct proxy voting authority for all of its Funds. We have adopted policies and procedures to comply with Rule 206(4)-6 of the Investment Advisers Act and with our fiduciary obligations. The general policy is to vote proxy proposals, amendments, consents or resolutions related to securities, including interests in Partnerships, in a manner that serves the best interests of the Funds, as determined by HBP LLC in its discretion. Generally, HBP LLC will vote in all matters for which shareholder action is required or solicited.

HBP LLC votes proxies for public stock on a very limited basis, because HBP LLC's Funds make investments exclusively in private partnerships and will hold public stock only when that stock has been distributed by an underlying private partnership and has not yet been sold by HBP LLC. For our two non-discretionary managed accounts, HBP LLC has the authority to direct the account Trustee with respect to the voting of assets and the execution of consents and other related documents. HBP LLC has the authority to execute proxies on behalf of the accounts, subject to guidelines these accounts may provide from time to time.

HBP LLC's CCO or designated Managing Director will consider whether HBP LLC is subject to any material conflict of interest in connection with each proxy vote. HBP LLC employees must notify the CCO if they are aware of any material conflict of interest associated with a proxy vote. If the CCO or designee determines that a material conflict of interest exists in connection with a proxy solicitation, HBP's CCO will present the proxy vote under consideration and the perceived conflict of interest to HBP LLC's Managing Directors, who will determine the appropriate course of action. In all instances, HBP LLC will vote proxies in a manner which we believe to be in the best interests of the Funds' Limited Partners.

A copy of our proxy policies and information regarding any proxies actually voted by the Adviser may be obtained by contacting our CCO.

From time to time, we may receive notices regarding class action lawsuits involving securities that are or were held by the Funds. As a matter of policy, we refrain from serving as the lead plaintiff in class action matters and also refrain from submitting proofs of claim where we believe that either the recovery amounts are likely to be negligible or we cannot be assured of confidential treatment of the data submitted in connection with the proof of claim.



## **ITEM 18**

### **FINANCIAL INFORMATION**

HBP LLC has never filed for bankruptcy and we are not aware of any financial condition that is expected to affect our ability to meet our contractual and fiduciary commitments to our Funds or Limited Partners.