

**INVESTMENT ADVISER BROCHURE**

**HILCO INVESTMENT ADVISORS, LLC**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Hilco Investment Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at (847) 509-1100. 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 authority.**

Hilco Investment Advisors, LLC 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 regarding Hilco is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **MATERIAL CHANGES**

This Brochure describes the business practices of Hilco Investment Advisors, LLC and its affiliated investment advisers and is being filed in connection with Hilco Investment Advisors, LLC's initial registration. This Brochure will be amended annually or as necessary to reflect future material changes.

## ADVISORY BUSINESS

Hilco Investment Advisors, LLC, a Delaware limited liability company and a registered investment adviser (the “Adviser”), and its affiliated investment advisers provide investment advisory services to single-investor funds privately offered to qualified investors. The Adviser commenced operations in February 2019.

The Adviser’s clients include the following (each, a “Fund,” and together with any future private investment fund to which the Adviser or its affiliates provide investment advisory services, the “Funds”):

- Hilco Receivables Fund, L.P.

The following general partner entities are affiliated with the Adviser:

- Hilco Receivables Advisor, LLC

(each, a “General Partner” and together with the Adviser and their affiliated entities “Hilco”).

Each General Partner is subject to the Advisers Act pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Adviser.

The Fund invests through negotiated transactions primarily in charged-off and/or performing consumer receivable pools. Funds formed in the future may invest in other assets, including without limitation patents and/or intellectual property-related assets, real estate and/or similar assets. Hilco’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. As described further below, affiliates of Hilco are expected to provide certain services to the assets of the Funds.

Hilco’s advisory services to the Funds are detailed in the applicable investment management agreements and limited partnership or other operating agreements or governing documents (each, a “Partnership Agreement”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” An investor in the Funds participates in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement.

As described further below, an affiliate of Hilco, which makes investments in charged-off and/or performing consumer receivable pools that are generally appropriate investments for the Fund, will invest in, or together with, the Fund and/or other vehicles or assets into which the Fund invests. As described in the applicable Partnership Agreement, any affiliate of Hilco will not pay management fees, acquisition fees or carried interest, though such affiliate will generally be expected to pay its *pro rata* share of certain other Partnership expenses.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, Hilco expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, Hilco's personnel and/or certain other persons associated with Hilco and/or its affiliates (*e.g.*, a vehicle formed by Hilco's principals to co-invest an annually specified percentage alongside a particular Fund's transactions). Such co-investments typically involve investment and disposal of interests in the applicable asset at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the asset (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in Hilco's sole discretion, Hilco is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As of the date of this Brochure, Hilco did not manage any client assets. The Adviser is submitting this Form ADV Part 2 and associated Form ADV Part 1 in reliance on Advisers Act Rule 203A-2(c) because as of the date of this Brochure, it expects to have a level of regulatory assets under management that would make it eligible for SEC registration within 120 days. The Adviser is wholly owned by Hilco Trading, LLC, which is principally owned by Jeffrey B. Hecktman and CDPQ Investments (U.S.) Inc. ("CDPQ").

## **FEES AND COMPENSATION**

In general, the Adviser will receive a management fee and a carried interest in connection with advisory services. The Adviser or other Hilco entities or affiliates will receive additional compensation in connection with management and other services performed for assets owned by the Funds, and any such compensation will not be shared with the applicable Fund or applied to offset management or other fees paid by such Fund. In addition, in certain circumstances, Hilco will receive compensation for management and other services performed in connection with co-investments made in assets of the Funds, and any such compensation will not be shared with any Fund or applied to offset management or other fees paid by any Fund. Investors in a Fund also bear certain expenses.

### **Management Fees**

The Funds will pay the Adviser, quarterly in advance, a management fee (the "Management Fee") equal to no less than 1.0% on an annual basis of aggregate investor capital contributions with respect to certain Fund investments that have not been disposed of or written off ("Contributions"). The Management Fee will be payable until all investments with respect to which the Management Fee is payable are no longer held by the Fund, or until the Adviser's relationship with the Fund is terminated for other reasons (as described in the relevant Partnership

Agreement). Installments of the Management Fee payable for any period other than a full three-month period are adjusted on *pro rata* basis according to the actual number of days in such period.

### **Acquisition Fees**

The Funds will pay the Adviser or an affiliate an acquisition fee with respect to certain assets (the “Acquisition Fee”) payable on the closing date of any particular investment in which the Fund invests. The amount of each Acquisition Fee will be negotiated on a deal-by-deal basis.

### **Carried Interest**

Hilco is entitled to receive a carried interest with respect to the Funds in an amount that varies depending on the compound preferred return earned by the investor in a Fund, as more fully described in the Partnership Agreement. The carried interest distributed to Hilco is subject to a potential giveback as set forth in the Partnership Agreement if Hilco has received excess cumulative distributions.

It is expected that any future Funds will have a similar fee structure.

Where a Fund or vehicle through which the Fund invests has formed a joint venture with one or more third parties in order to acquire an interest in charged-off and/or performing consumer receivable pools, Hilco or an affiliate is, in certain instances, entitled to receive carried interest payments from such third parties.

### **Other Information**

It is expected that Hilco or its affiliate(s) will invest in or alongside the Funds. In instances where a Hilco professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) and Hilco generally will be exempt from payment of the Management Fee, Acquisition Fees and carried interest with respect to such Fund.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the relevant Fund.

Principals or other current or former employees of Hilco or its affiliates generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, Acquisition Fees, carried interest or other compensation received by Hilco or its affiliates. It is expected that the Adviser will enter into an agreement with certain of Hilco’s affiliates, pursuant to which personnel from such affiliates will provide advisory and other services to Hilco, the Funds and/or the investments held by the Funds.

In addition to the Management Fee, Acquisition Fees and carried interest payable to Hilco or its affiliates, each Fund bears certain expenses. As set forth more fully in the applicable Memorandum and/or Partnership Agreement of each Fund, a Fund bears (either directly or through a reimbursement to Hilco or its affiliates) all expenses, fees, costs and liabilities incurred in the conduct of the business of Hilco or its affiliates in respect of the Funds (which may include the Funds’ allocable portion of fees, expenses, costs and liabilities incurred on behalf of the applicable

Fund and other Funds (or investment vehicles), including all out-of-pocket fees, expenses, costs and liabilities incurred in connection with the operation of the Fund and its investments and the performance by Hilco or its affiliates of their obligations under the applicable Partnership Agreement and investment management agreement, including (i) the organization of any alternative investment vehicles, (ii) to the extent an investment has been consummated, those incurred in connection with the identification, structuring, negotiation, making, sourcing, researching, holding, monitoring, development, ownership, operation, management, financing, sale, restructuring, proposed sale or restructuring, other disposition or valuation of investments (actually consummated or considered, including due diligence in connection therewith), including, but not limited to, legal, accounting, audit, consulting, appraisal, travel (not exceed the cost of business class travel on a commercial airline), lodging, transportation, meals, entertainment, hedging and other expenses (to the extent not subject to reimbursement) and expenses and costs not reimbursed by a third party, including expenses and costs that would have been allocable to co-investors had a proposed transaction or investment been consummated if the amount allocable to such co-investors is not paid by such parties, (iii) those incurred in connection with litigation, investigations, settlements or reviews of the Fund, or other extraordinary events, the Fund's allocable share of D&O liability and other insurance and indemnity expenses, including the amount of any judgments or settlements, (iv) those related to governmental or regulatory charges payable by the Fund, (v) those incurred by the General Partner or its designee in its capacity as the Fund's "tax matters representative," (vi) those incidental to the transfer, servicing and accounting for the Fund's cash and securities, (vii) those incurred in connection with any restructuring, amendments to the constituent documents of the Fund and related entities to the extent necessary to implement a restructuring or amendment to the Fund documents, (viii) to the extent an investment has been consummated, brokerage commissions, custodial expenses, appraisal fees and other investment fees, costs and expenses actually incurred in connection with actual or proposed investments, (ix) those incurred in connection with the winding up and liquidation of the Fund and its subsidiaries or any alternative investment vehicles, (x) those related to the administration of the Fund or its subsidiaries, including, but not limited to, fees, expenses and costs incurred in connection with the preparation and circulation of funding notices and distribution notices (including, without limitation, fees, expenses and costs of service providers), the maintenance of the Fund's books of account and the preparation of audited or unaudited financial statements required to implement the provisions of the applicable Partnership Agreement or by any governmental authority with jurisdiction over the Fund (including those of independent auditors, accountants and counsel, those of preparing and circulating certain reports as set forth in the applicable Partnership Agreement (including, without limitation, Schedules K-1 or other similar schedules), and any fees or imposts of a governmental authority imposed in connection with such books and records and statements) and other routine administrative fees, costs and expenses of the Fund or its subsidiaries, including, but not limited to, those relating to the preparation of tax returns, cash management expenses and insurance and legal expenses, (xi) those relating to anti-money laundering or "know your customer" compliance, tax diligence expenses and/or related procedures, (xii) those incurred in connection with governmental or regulatory filings in respect of the Fund, including Form PF, (xiii) those of any depositary, custodian, paying agent or transfer agent, (xiv) those incurred by a fund administrator and (xv) all legal, accounting, audit, consulting, appraisal and other expenses (to the extent not subject to reimbursement) incurred by the Fund in respect of its operation and affairs.

The Funds also bear expenses indirectly to the extent an asset of the Fund pays expenses, including expenses of Hilco and/or its affiliates, as well as their share of expenses (including, without limitation, rent, personnel costs and corporate expenses) relating to fund administrative and similar services performed by a Fund's subsidiaries or other entities maintained by the Fund, the General Partner or their respective affiliates in connection with certain local jurisdictional requirements. Excluded from Fund expenses are ordinary administrative and overhead expenses of the General Partners incurred in connection with managing, originating and monitoring investments, including employees' salaries, rent, utilities and other similar expenses specified in the Partnership Agreement. As is typical for privately offered funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in certain assets alongside one or more Funds, subject to Hilco's related policies and the relevant Partnership Agreement(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including where Hilco also invests directly, such as a transaction for which a co-investment was believed by the General Partner to be necessary in order to consummate such transaction or is perceived by the General Partner to be beneficial, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction generally will be borne by the Fund(s), but, in certain instances, may be borne also by potential co-investors that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.

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

As described under "Fees and Compensation," Hilco receives a carried interest allocation on certain realized profits in the Funds. Hilco does not advise Funds not subject to a carried interest.

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Hilco generally considers performance-based compensation to better align its interests with those of its investors and commits significant capital to invest in the same investments.

#### **TYPES OF CLIENTS**

Hilco provides investment advice to the Funds. The 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 of 1940, as amended. Each Fund has a single outside investor, and such investor is a non-U.S. pension plan. In addition, certain affiliates of Hilco, which invest in assets that are similar to those targeted by the applicable Fund, invest in or alongside the applicable Fund. Certain principals or other employees of Hilco and/or



its affiliates (including owners with respect to Hilco or its affiliates) are expected to participate in or alongside the Fund through their ownership in Hilco and/or its affiliates.

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

The Funds generally have a minimum investment amount of \$10,000,000 for third-party investors, and Fund interests are offered and sold solely to qualified purchasers.

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

### **General**

Hilco is a private investment firm focused on investing in a variety of assets, including without limitation accounts receivable pools, real estate and real estate-related assets, patents and/or intellectual property-related assets or similar assets. Hilco's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments.

Hilco focuses on investments that require equity capital of approximately \$1 million to \$100 million, although the required capital may be greater or less than such amounts. When evaluating potential investments, Hilco conducts due diligence, analyzing, as applicable a variety of factors, including but not limited to the value of the receivable pools, including cash flow performance history and projected future performance.

There can be no assurance that Hilco will achieve the investment objectives of any Fund and a loss of investment is possible.

### **Investment and Operating Strategy**

With respect to Hilco Receivables Fund, L.P., Hilco focuses primarily on investments in charged-off and/or performing consumer receivable pools in the United States. Each investment made by Hilco is approved by an investment committee.

Hilco's managers have experience in sourcing and pricing charged-off consumer receivable pools. In addition, Hilco has experience in managing the collection process, including seeking to maximize recoveries through placing accounts with regulatory-compliant collection agencies. In addition, on an opportunistic basis, Hilco sources opportunities to purchase performing consumer receivable pools typically in wind-down or other distressed situations.

### **Risks of Investment**

Each Fund and its investors bear the risk of loss that Hilco's investment strategy entails. The following discussion relates primarily to Hilco's first Fund -- Hilco Receivables Fund, L.P.

The risks involved with Hilco's investment strategy and an investment in the Fund include, but are not limited to:

*Business Risks.* The Fund's investment portfolio is expected to consist primarily of charged-off and/or performing consumer receivable pools, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. Indeed, investments in charged-off or performing consumer receivable pools involve a higher degree of risk than other investments.

*Risks of Receivable Recovery Values.* Receivable recovery values historically have experienced significant fluctuation. The recovery value of the Fund's receivable pools will depend on several factors, including but not limited to (i) changes in macroeconomic conditions, (ii) changes in interest rates, (iii) promulgation and enforcement of governmental regulations relating to consumer protection laws, (iv) availability of financing to debtors, (v) financial condition of debtors, (vi) changes in statutory or case law that limits or restricts the Fund's ability to engage in such business and (vii) the Fund's reliance on third-party service providers to service receivables.

*Investments in Distressed Assets or Non-Performing Debt.* The Fund may make investments in non-performing or other distressed assets which involve a high degree of financial and other risks and are experiencing or are expected to experience severe financial or other difficulties, which may never be overcome. Consumer receivables are essentially unsecured consumer loans for which collection is difficult and not assured. Increased regulation on both a federal and state level has resulted in changes to consumer protection laws, which may impede collection efforts, increase costs of collection, alter timing and amount of collections and reduce the yield on credit card receivables. Practices with respect to revolving credit card accounts that do not comply with consumer protection laws may result in certain credit card receivables not being valid or enforceable in accordance with the terms of such accounts against the obligors of those credit card receivables. Federal and state consumer protection laws regulate the creation and enforcement of consumer loans, including credit card and other consumer receivables. The Credit Card Accountability Responsibility and Disclosure Act of 2009, as modified by a series of implementing rules, amended the Truth in Lending Act by mandating various new and additional standards and practices with respect to the marketing, underwriting, pricing, billing and other aspects of the consumer credit card business. If a cardholder sought protection under federal or state bankruptcy or debtor relief laws, a court could reduce or discharge completely the cardholder's obligations to repay amounts due on the cardholder's credit card account and, as a result, the related credit card receivables arising in that credit card account would be uncollectible.

*Concentration of Investments.* The Fund will participate in a limited number of investments and, as a consequence, the aggregate return of the Fund may be materially affected by the performance of a single investment.

*Lack of Sufficient Investment Opportunities.* It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing consumer receivable transactions is highly competitive and involves a high degree of uncertainty.

*Dynamic Investment Strategy.* While the General Partner generally intends to seek attractive returns for the Fund through the investment strategy and methods described herein, the General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant Partnership Agreement(s). The General Partner may pursue investments outside of the industries and sectors in which Hilco has previously made investments or has internal operational experience. As an investor in the Fund, investors agree that additional Funds may be formed under the same commitment for interests in other non-receivables areas of Hilco's investment focus, which may involve different risks related to those assets. However, the general risks described herein will also apply to any such Fund.

*Illiquidity; Lack of Current Distributions.* An investment in the Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including any Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Contributions.

*Leveraged Investments.* The Fund may make use of leverage by incurring or having a deal-related entity incur debt to finance a portion of its investment in an asset. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on an asset, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of an investment will increase the exposure of the Fund's investments to any deterioration in such asset's condition or industry, competitive pressures, an adverse economic environment or rising interest rates (which recently have been at or near historic lows) and could accelerate and magnify declines in the value of the Fund's investments in the leveraged assets in a down market. In the event any asset cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in the asset, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of an asset, the Fund may not achieve a price for such asset consistent with its forecasts.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of the Fund's investments and hence, most of the Fund's investments will be difficult to value.

*Non-U.S. Investments.* The Fund may invest in properties or other assets that are organized or located outside of the United States, its territories and possessions. Such investments may be subject to certain additional risks due, among other things, to potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates and capital repatriation regulations (as such regulations may be given effect during the term of the Fund) and the application of complex tax rules to cross border investments, possible imposition of non-U.S. taxes on the Fund and/or the partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the partners.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire real estate or real estate-related assets, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund to execute its strategies and to receive an attractive price on the disposition of assets. This may slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's assets.

*Projections.* Projected operating results of an asset in which a Fund invests normally will be based primarily on financial projections prepared by third parties, with adjustments to such projections made by Hilco in its discretion. In all cases, projections are only estimates of future results that are based upon information received from third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

*Need for Follow-On Investments.* Following its initial investment in a given asset, Hilco may decide to provide additional funds to such asset (for additional development or otherwise). There is no assurance that the Fund will make add-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make add-on investments or its inability to make such investments may have a substantial negative impact on an asset in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for such Fund to increase its participation in a successful asset.

*Hedging Arrangements; Related Regulations.* The General Partner may (but is not obligated to) endeavor to manage the Fund's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an

economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of the Fund to hedge its exposures becomes limited by such requirements.

*Valuation of Investments.* The Fund's investments will not have publicly available valuations. As such, the General Partner will determine the value of the Fund's investments in accordance with its valuation policy. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the Fund's investment portfolios and risks, and may also affect the diversification and management of the Fund's portfolio of investments.

*Litigation.* Consumer finance is extremely litigious and, therefore, the Fund or affiliates of the Fund may in the future be named as defendants in litigation, including individual and class actions under consumer credit, consumer protection, theft, privacy, data security, the use of automated dialing equipment, debt collections, employment or other laws. In addition, the Fund and its affiliates may become subject to regulatory investigations, inquiries and other actions relating to consumer finance activities. Given the complex and ever changing regulatory regime in the consumer finance industry, legal precedents have not been clearly established in many areas applicable to this strategy.

*Regulation of Fund Strategies.* The complex regulatory environment and change in government administrations may directly or indirectly affect the Funds and their investment strategies. In addition, the Funds will be required to expend time and resources to ensure the Funds are and remain aware of applicable legal and regulatory requirements and, to the extent able, confirm compliance by the Funds and their third-party service providers with such regulatory changes. These practices could cause an increase in the operating expenses of the Funds, which could adversely affect any returns to the investors in the Funds.

*Cybersecurity Risks.* Investment advisers, including the Adviser, must rely in part on digital and network technologies ("cyber networks") to maintain substantial computerized data about activities for client accounts and otherwise conduct their business. Such cyber networks might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data

or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data or cause operational disruption. Despite reasonable precautions employed by Hilco, the risk remains that cybersecurity incidents could potentially occur, and such incidents, in some circumstances, might result in unauthorized access to sensitive information about the Adviser or its clients or their investors, and/or cause damage to client accounts or the Adviser's activities for clients or their investors.

## **Conflicts of Interest**

Hilco and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and may act for the account of other Funds, providing transaction-related, legal, management and other services to Funds and providing brokerage, advisory, valuation and other services to other customers of Hilco affiliates. Each affiliate of Hilco that invests in or alongside a Fund (and certain affiliates that do not invest in the Fund) will continue to make investments in assets that are similar to those targeted by the Fund and, in cases authorized in, or consistent with, Fund governing documents, will not offer such investment opportunities to the Fund. Hilco will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Hilco conducting its activities, the interests of a Fund may conflict with the interests of Hilco, one or more other Funds or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, Hilco will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion.

The officers and employees of Hilco's affiliates that are involved in the investment activities of Hilco may spend a significant portion of their time on matters other than, or only tangentially related to, a Fund's investment program. Conflicts of interest may arise in allocating management time, services or other resources to and among the Funds and other investments and projects.

In certain instances, affiliates of Hilco may be entitled to receive fees from the Funds and/or vehicles through which the Funds invest in consideration for providing certain deal sourcing services, i.e., in situations where an employee from an affiliate of Hilco refers an investment opportunity to the Adviser for consideration by the Fund, such person generally will be entitled to receive a fee upon consummation of the transaction by the Fund. Further, the opportunity to earn sourcing fees creates a potential conflict of interest between Hilco and/or its affiliates, on the one hand, and each Fund on the other hand, because the amount of fees may be substantial and the Funds generally do not have an interest in the affiliates receiving such fees.

During the commitment period of a Fund, any investment opportunity in respect of which Hilco or its affiliates intends to solicit third party capital in order to make the relevant investment will be offered first to the applicable Fund, unless prior approval has been obtained from the Fund's investor. For the avoidance of doubt, Hilco and its affiliates may pursue any investment opportunity, including those that are suitable for a Fund, solely from their own accounts and are not obligated to offer such opportunity to the Fund.

Without limitation, Hilco's affiliates currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and will direct certain relevant opportunities to those investments. Hilco's affiliates and Hilco's investment staff will continue to manage and monitor such investments until their realization, and will continue to pursue investment opportunities for Hilco's affiliates' accounts. Such other investments that Hilco's affiliates may control or manage may potentially compete with assets acquired by a Fund. Following the commitment period of a Fund, Hilco's affiliates may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, Hilco will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by Hilco or advisory affiliates of Hilco. In determining which investment vehicles should participate in such investment opportunities, Hilco and its affiliates are subject to conflicts of interest among the investors in such investment vehicles.

Hilco must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Hilco generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant client's Partnership Agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant factors. Hilco will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with Hilco's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Hilco will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Partnership Agreements and Hilco's procedures regarding allocation. Hilco's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Hilco's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair Hilco's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether Hilco believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Funds, Hilco and/or its affiliates. The Adviser may grant certain third-party

investors the opportunity to evaluate specified amounts of prospective co-investments in Fund investments or otherwise to have priority in co-investment opportunities.

Decisions regarding whether and to whom to offer co-investment opportunities may be made by Hilco or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor or joint venture partner. There can be no assurance that an investor in a Fund will be offered co-investment opportunities arising out of investments made in connection with Hilco's or its affiliates' investment activities outside of the Fund. When and to the extent that employees and related persons of Hilco and its affiliates make capital investments in or alongside certain Funds, Hilco and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Hilco's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While Hilco will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which Hilco may be subject, discussed herein, did not exist.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, Hilco will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Hilco may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by Hilco or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size.

Hilco generally exercises its discretion to engage services providers with respect to a particular investment. Whether or not Hilco has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Because certain expenses are paid for by a Fund and/or its investments or, if incurred by Hilco, are reimbursed by a Fund and/or its investments, Hilco will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its investments to incur) such expenses.



Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when Hilco may not otherwise have done so.

CDPQ owns a minority interest in the owner of Hilco. CDPQ does not have authority over the day-to-day operations of investment decisions of Hilco as they relate to the Funds, although it has negotiated certain minority protection and consent rights in connection with its investment in Hilco. Although it intends to maintain operations, strategy and investment decisions separate from CDPQ, Hilco generally will have incentives to conduct operations in a manner that benefits CDPQ.

Any of these situations subjects Hilco and/or its affiliates to potential conflicts of interest. Hilco attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Hilco's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, Hilco will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Hilco may consult with the investor in each Fund.

#### **DISCIPLINARY INFORMATION**

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

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Adviser is affiliated with other Hilco investment advisers registered with the SEC under the Advisers Act pursuant to Hilco's registration in accordance with SEC guidance, including Hilco Receivables Advisor, LLC. Certain affiliates of Hilco will provide services to the Adviser and other Hilco entities under a services agreement and/or be compensated by the Adviser for one or more of their personnel providing such services. The Hilco investment advisory entities operate as a single advisory business together with Hilco and serve as managers or general partners of Funds and other vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Hilco is also affiliated with Hilco Corporate Finance, LLC, a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority ("Hilco Broker-Dealer") and Hilco Real Estate, LLC ("Hilco Real Estate"), which engages in certain real estate brokerage and related activities. Hilco does not expect to engage Hilco Broker-Dealer to effect securities transactions on behalf of the Funds or otherwise provide services to the Funds.

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

The Adviser has adopted the Hilco Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of Hilco

principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Hilco personnel to report their personal securities transactions, prohibits or requires pre-clearance for Hilco personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Hilco personnel from directly or indirectly acquiring beneficial ownership of securities with certain exceptions, without first obtaining approval from the Hilco Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to Eric W. Kaup, the Hilco Chief Compliance Officer, at (847) 849-2966. 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.

Hilco and its affiliated persons may come into possession, from time to time, of material non-public 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, Hilco 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 Hilco.

Accordingly, should Hilco or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, Hilco generally would be prohibited from communicating such information to clients, and Hilco 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 Hilco personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of Hilco and its affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles and/or vehicles that invest alongside the Funds. To the extent that co-invest vehicles exist, such vehicles may invest in one or more of the same assets as a Fund. Co-invest opportunities may also be presented to certain affiliates of Hilco, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular asset. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

Hilco and its affiliates, principals and employees are expected to carry on investment activities for their own account and may also carry on investment activities for family members, friends or others who do not invest in a Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

## **BROKERAGE PRACTICES**

To the extent Hilco enters into a transaction on behalf of a Fund to acquire securities, it will generally do so through privately negotiated transactions in which the services of a securities broker-dealer are unlikely to be retained.

If Hilco sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Hilco. In such event, Hilco will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Hilco may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

Hilco has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although Hilco generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with Hilco seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Hilco generally does not make use of such services at the current time and has not made use of such services since its inception.

## **REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities or other assets. However, Hilco monitors assets in which the Funds invest, and the Hilco Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner’s tax return, (iii) annual reports providing a narrative summary of the status of each Fund investment and (iv) with respect to certain investments, a formal valuation report prepared by an external valuation firm.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

As discussed in Conflicts of Interest, above, Hilco and/or its affiliates may provide certain services to assets in a Fund’s portfolio and may receive compensation from these companies in

connection with such services, which compensation will not be shared with any Fund or applied to offset management, acquisition, carried interest or other fees payable by such Fund.

### **CUSTODY**

As of the date of this filing, Hilco does not have custody of client assets and therefore has not selected a qualified custodian. However, as of the date on which Hilco has custody of client funds or securities, Hilco will have selected at least one qualified custodian.

### **INVESTMENT DISCRETION**

Hilco generally has discretionary authority to manage investments on behalf of a Fund; provided that Hilco must seek the consent of the investor in the Fund with respect to certain investments. Pursuant to the terms of the Partnership Agreement, however, the investor in the Funds has the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Hilco assumes this authority pursuant to the terms of the investment management agreement and powers of attorney executed by the limited partner in the applicable Fund.

### **VOTING CLIENT SECURITIES**

Although Hilco's investment strategies generally do not require Hilco to vote proxies on behalf of a Fund, the Adviser has adopted the Hilco Proxy Voting Policies and Procedures (the "Proxy Policy") to address how it would vote proxies, should such a situation arise. The Proxy Policy seeks to ensure that Hilco votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Hilco generally believes its interests are aligned with those of each Fund's investors, for example, through the principals' beneficial ownership interests in such Fund 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 Hilco may address the conflict using several alternatives, including by seeking the approval of a Fund's investor or through other alternatives set forth in the Proxy Policy. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Hilco when voting proxies on behalf of a Fund. Clients or investors that would like a copy of Hilco's complete Proxy Policy or information regarding how Hilco voted proxies (to the extent applicable) may contact Eric W. Kaup, the Hilco Chief Compliance Officer, at (847) 849-2966, and it will be provided at no charge.

### **FINANCIAL INFORMATION**

Hilco does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.