

Part 2A of Form ADV: HEP Partners LLC - Brochure

March 29, 2019

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This Brochure provides information about the qualifications and business practices of HEP Partners LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (214) 615-2292. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

This Brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of applicable governing documents and other similar materials that contain a description of the material terms relating to such investment.

HEP Partners LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about HEP Partners LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

The date of the last annual updating amendment to our firm brochure was made on March 28, 2018. A summary of certain of the material changes that have been made to our firm brochure since the date of our last annual updating amendment is set forth below:

- Britton Brown was appointed Chief Compliance Officer as of 10/9/2018.

The information set forth herein is qualified in its entirety by the applicable governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing documents, such documents shall control.

We encourage all investors to carefully review this brochure in its entirety.

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Item 4 - Advisory Business

- A. HEP Partners, LLC (the “Adviser” or “we”, “our” or “us”) is a private equity firm located in Dallas, Texas. The Adviser provides investment advisory and supervisory services on a discretionary basis to affiliated private investment limited partnerships making privately negotiated equity and equity-related investments (each, a “Fund”, and together, the “Funds”). Our investment advice is provided in accordance with the investment objectives, strategies, guidelines, restrictions and limitations described in the applicable governing documents of each Fund including subscription documents, side letters, investment management agreements and capital call notices (the “Governing Documents”), and the information in this brochure is qualified in its entirety by the information set forth in such Governing Documents.

In connection with sponsoring a Fund, the general partner (the “General Partner”) of the Fund delegates to the Adviser responsibility for the management, operation, and control of the investment activities of the Fund, to the fullest extent permitted by law and the applicable Governing Documents, subject to the supervision and decision-making power of the General Partner.

The Adviser was formed in 2012 to serve as the investment advisory arm of Hicks Holdings LLC (“HH”), a Dallas-based firm controlled by Thomas O. Hicks (the “Principal”).

- B. Our investment advisory services include establishing each Fund's investment objective and selecting portfolio investments according to each Fund's specific investment strategy, as described in the applicable Fund's Governing Documents. The investment activity of the Adviser generally focuses on acquisitions with the following criteria: (i) an attractive valuation; (ii) situations in which the opportunity exists to form a strong operating partnership with a talented management team; (iii) situations where the Adviser believes it has a proprietary investment angle given its prior investments or relevant industry expertise; and (iv) a compelling growth story.

The Adviser seeks to identify acquisition opportunities in an area of the market known as “the middle market”. Although every firm defines the middle market differently, the Adviser is seeking transactions ranging in enterprise value from \$25 million to \$200 million or more. The Adviser believes that this segment of the private equity market is attractive given the fact that it is often overlooked by private equity firms with significant amounts of capital under management, which makes such middle market acquisitions of insufficient size. The Adviser also believes the middle market is an attractive segment into which to invest given the opportunities to: (i) recruit, using the Adviser's network, more qualified and talented operating executives; (ii) secure bank financing that such companies could not otherwise secure on their own; (iii) make acquisitions that target companies would otherwise be unable to make; and (iv) enhance target companies' business practices as it pertains to operating and financial initiatives.

- C. While each the Funds will follow the general strategy stated above, the Adviser may tailor the specific advisory services with respect to a Fund at the Adviser's discretion and based on the individual investment strategy of such Fund.
- D. As of December 31, 2018, the Adviser had approximately \$235,488,473 in regulatory assets under management, all of which were managed on a discretionary basis.

Item 5 - Fees and Compensation

- A. Below is a general overview of how the Adviser is compensated in connection with providing advisory services to a Fund. The Adviser may enter into different fee or compensation arrangements on a Fund by Fund basis in its sole discretion. As a result, investors should carefully review the applicable Governing Documents for a description of the fees and compensation applicable to a Fund.

Capital Commitments

Each Fund will seek capital commitments (“Commitments”) from investors in one or more closings up to an amount stated in the Fund’s Governing Documents. Capital calls may be required from time to time for a period stated in each Fund’s Governing Documents (the “Commitment Period”). Thereafter, the limited partners will be released from any further obligation with respect to their undrawn Commitments, except to the extent necessary to: (i) cover the expenses of the Fund, including any management fees and indemnification obligations; (ii) complete investments by the Fund in respect of transactions that were in process as of the end of the Commitment Period; (iii) make follow-on investments in portfolio companies in an aggregate amount of up to a stated percentage of the total Commitments; and (iv) fund portfolio company guarantees or pay loans that exist as of the end of the Commitment Period. In no event will a limited partner be required to make a capital contribution in an amount in excess of its unfunded Commitment. In most instances, the limited partners’ Commitment ends at the time of a Fund’s initial investment.

Commitments will be drawn down *pro rata* based on original Commitments on an as-needed basis to fund investments and pay Fund expenses.

Management Fees

Certain of the Funds pay their General Partner(s) annual management fees (the “Management Fee”) of up to two percent (2%) of total capital contributions, payable quarterly in advance from the date of the initial closing of a Fund until certain conditions are met as specified in such Fund’s Governing Documents. The General Partner may assign management fees to the Adviser and/or their affiliates.

Carried Interest

Net proceeds attributable to the disposition of an investment in a portfolio company, together with any dividends or interest income with respect to that investment (“Disposition Proceeds”), will be distributed to a Fund’s partners participating in that investment as set forth in such Fund’s Governing Documents. Generally, with respect to a Fund, the General Partner is entitled to receive a share of investment proceeds of up to twenty-five percent (25%) of the realized profits relating to the realized investments of such Fund, after: (i) a return of capital to the participating Fund investors equal to their capital committed to fund the investment and pay for fund expenses relating to that realized investment; and (ii) in some cases, the payment of a stated preferred return to these investors. These distributions to the General Partner are referred to as the “carried interest.”

Distributions

Distributions to the investors will be subject to certain adjustments and reserves as stated in more detail in each Fund's Governing Documents.

Upon the final liquidation of a Fund and distribution of its remaining assets, the General Partner may be required to restore amounts to the Fund for distribution to the limited partners (up to the amount of its cumulative net after-tax carried interest) to the extent, if any, that the amount previously distributed to the General Partner as its carried interest exceeds the aggregate amount due to the General Partner as its carried interest on a cumulative basis.

Management Fees and the carried interest generally are negotiable and the General Partners of the Funds have entered into and may in the future enter into side letters with certain investors pursuant to which the General Partners have agreed to reduce or waive the Management Fees and/or the carried interests applicable in connection with their investments in the Funds.

Transaction and Oversight Fees

In connection with the investments of certain Funds, various "Transaction Fees" and "Oversight Fees" may be paid to affiliates of the Adviser by a portfolio company or other third parties, as disclosed in the applicable Funds' Governing Documents.

Transaction Fees include any fees and reimbursement of expenses received in connection with the consummation, disposition or termination of an investment attributable to the Fund and/or any fees received from a portfolio company, such as break-up fees, commitment fees, investment banking fees, termination fees, portfolio company management fees, directors' fees, and other similar fees.

Oversight Fees may include fees paid in exchange for; assisting portfolio companies in the definition and implementation of business strategy; oversight of results; evaluation of business opportunities, such as acquisitions, mergers, or divestitures; and assistance with respect to financial matters, such as optimal capital structures and market knowledge.

The Adviser affiliates will not be required to share any such fees with the Funds, but, in some cases, such fees may result in an offset or reduction in the Management Fees or be received in lieu of Management Fees.

- B. Management Fees may be paid out of current income, Disposition Proceeds of the Fund, drawdowns of Commitments or any other assets of the Fund determined by the General Partner to be available for such purpose. Transaction Fees and Oversight Fees are not paid by the Funds but are paid by either the portfolio company or other third parties.
- C. The General Partner, the Adviser and affiliates will pay all of their respective ordinary administrative and overhead expenses, including salaries, benefits and rent.

Subject to the terms set forth in the applicable Governing Documents, each Fund will pay all other expenses attributable to the activities of the Fund including, without limitation: (i) all organizational expenses; (ii) all out-of-pocket costs of the administration of the Fund, including accounting, audit, annual financial statement, federal income tax and Form K-1s, tax return preparation, consulting and legal expenses, costs of holding any meetings of partners, costs of any liability insurance obtained on behalf of the Fund and/or the General Partner, costs

associated with the maintenance of books and records of the Fund, and costs associated with the preparation and dispatch to partners of checks, financial reports, and notices, and providing other information to existing and prospective investors; (iii) all expenses incurred in connection with the registration, qualification, or exemption of the Fund under any applicable laws; (iv) all expenses incurred in connection with the preparation of alterations and amendments to the Fund's Governing Documents; (v) subject to any applicable provisions of the Fund's Governing Documents, all expenses incurred in connection with any litigation involving the Fund (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith; (vi) subject to any applicable provisions of the Fund's Governing Documents, all expenses for indemnity or contribution payable by the Fund; (vii) all expenses incurred with administrative proceedings and/or audit relating to the Fund's tax matters; (viii) all expenses incurred in connection with the dissolution and liquidation of the Fund; (ix) all expenses incurred on account of taxes, fees, or other governmental charges of the Fund; (x) all expenses incurred in connection with the acquisition, holding, and disposition of investments and all third party expenses incurred in connection with transactions not consummated; and (xi) all expenses incurred in connection with monitoring of engaging any transactions with a portfolio company.

Portfolio companies may from time to time pay or reimburse the affiliates of the Adviser and their related persons including co-investors for various expenses and costs incurred in connection with providing services to portfolio companies. Such expenses may include, among other things, consulting fees or other compensation paid to affiliates of the Adviser, travel costs and expenses, (which may include first, business or coach class commercial travel or private charter travel, lodging, and meals), meals and entertainment expenses and other expenses associated with management and other services provided to such portfolio companies.

The Adviser does not maintain any trading accounts and does not use "soft" dollars. Please refer to Item 12, Brokerage Practices, for more information.

- D. The Adviser may be permitted to offer co-investment opportunities in its sole discretion. The Adviser is not expected to offer co-investment opportunities with respect to all client investments and may allocate any such opportunities in its sole discretion, including for example, on the basis of size of investor commitments to the Funds. In making such allocation decisions, the applicable General Partner will be entitled to consider any interests and factors as it desires, including placing its own interests ahead of the interests of any other person. The allocation of co-investment opportunities will in many or all cases involve a benefit to the Adviser including, without limitation, the receipt of fees or allocation of carried interest from the co-investment opportunity, and capital commitments to the Funds. The Adviser may or may not charge management fees, one-time funding fees and/or carried interest in respect of co-investments, as it determines in its sole discretion. While the Adviser generally expects that co-investment vehicles that invest alongside one or more of the Funds will be allocated or otherwise will bear their allocable share of applicable expenses, there may be situations or circumstances where such vehicles or co-investors will not bear or share in any or all applicable

expenses. Investing in a Fund may not give investors rights, entitlements or priority to co-investment opportunities.

- E. As stated above, any Management Fees are payable quarterly in advance. In the event that a Fund is terminated or dissolved, a proportionate share of any unearned Management Fees will be refunded to the applicable investors.
- F. Notwithstanding the foregoing, the Adviser may enter into side letter agreements or similar arrangements with one or more investors that alter, modify or change the terms of the interests held by those investors (including, without limitation, reductions or changes to fees, most favored nations status, information rights, transparency rights and various other preferential rights or terms).
- G. Other than as described above, neither the Adviser nor any of its supervised persons receives any compensation from the sale of securities or other investment products.

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

As stated in Item 5 above, the General Partners of the Funds (which are affiliates of the Adviser) generally receive performance-based fees in connection with any Disposition Proceeds that are distributed to partners relating to dispositions of investments in portfolio companies (as “carried interest” distributions). These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees (the carried interest), in general, may create an incentive for the Adviser and its affiliates to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee.

The Adviser may manage multiple Funds with similar or different investment strategies on a side-by-side basis. As a result of the foregoing, the Adviser and its affiliates and agents may have conflicts of interest in: (i) allocating their time and activity among the multiple Funds; (ii) allocating investments among the multiple Funds; and (iii) effecting transactions among the multiple Funds, including ones in which the Adviser, its principal(s), and/or affiliate(s) may have a greater financial interest. These conflicts of interest may create an incentive for the Adviser to favor a Fund in which the Adviser and/or affiliate(s) have a greater financial interest with respect to allocation of time and activity, limited investment opportunities, or investments that the Adviser regards as more attractive or better performing investments.

To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that all Funds receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

Item 7 - Types of Clients

As mentioned in Item 4, the Adviser provides investment supervisory services on a discretionary basis to affiliated pooled investment partnerships investing in private equity transactions.

Generally, there is no stated minimum for Commitments to a Fund. Each Fund's General Partner has the sole discretion to accept Commitments that it deems to be in the best interests of the Fund.

Each investor generally is required to represent that it is, among other things, an "accredited investor," as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser," as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

- A. The Adviser targets acquisitions, recapitalizations, buyouts, buy-and-builds, corporate divestitures and selected growth capital investments, typically investing \$15 million to \$100 million per portfolio company, in companies with enterprise values between \$25 million and \$200 million. The Adviser focuses on proactively originated investment opportunities that can be purchased at lower purchase multiples and lower financial leverage. Focus industries include specialty manufacturing, food and beverages, pay television and broadcasting, oil field services and oil and gas exploration and production.

Investment Process

The Adviser utilizes a proactive origination strategy in its deal origination. The Adviser focuses its outbound solicitation efforts on a select group of industries where it has developed domain expertise, management relationships, a demonstrated record of past investment success, or has performed extensive industry due diligence. Based upon its research, the Adviser develops targeted sub-sectors to thoroughly examine for investment opportunities. In other instances, potential transactions are brought to the Adviser by business owners, operating executives or investment banks given the Principal's reputation in the industry. The Adviser is constantly meeting with people regarding potential transaction opportunities, enabling it to see a wide range of transactions in any given year. Seeing a wide range of opportunities is believed to benefit the Adviser's judgment in its assessment of valuation, capital structure, the strength of the management team and the growth opportunity that is presented. Since the Adviser's relationship building process with business owners can often span years, these remaining companies continually form a portion of the Adviser's backlog of future investment opportunities.

The Adviser's origination strategy promotes a thorough and extensive due diligence process. Since the investment team devotes substantial time to the establishment of personal and professional relationships with business owners, it enjoys greater access to their future management partners and is able to track performance of target companies over longer periods of time than usually afforded through an auction process. While the Adviser may employ third party professionals to assist with certain due diligence matters, the Adviser believes that the ability to foster management relationships and monitor company performance over an extended period of time prior to an investment represents the critical foundation to the Adviser's due diligence process and investment discipline.

Post-Closing Value Creation

Subsequent to closing an investment, the investment team has historically taken an active role in the oversight and development of portfolio companies. Since these businesses are often entrepreneurially managed, the Adviser intends to devote a substantial amount of time in providing advice and direction to its management partners on how to transform portfolio companies into professionally managed businesses which are capable of exploiting incremental growth opportunities. This transformation typically entails hiring supplemental management resources, introducing budgeting and reporting tools for goals setting and performance measurement, implementing enhanced IT systems for stronger reporting and operational control, and creating incentive programs, including performance bonuses and stock option plans for management. Additionally, the Adviser provides ongoing capital support and strategic advice in evaluating growth strategies. As a result of these undertakings, portfolio

companies are often transformed into larger, more professionally managed enterprises that become marketable to a large universe of strategic and financial buyers. The Adviser has a wide network of relationships with investment bankers, consultants and operating executives. The Adviser uses this network to attempt to maximize value when it sells an investment.

Investing in securities including private equity portfolio companies involves the risk of loss, which investors should be prepared to bear.

- B. Investments by a Fund in portfolio companies involve a high degree of business and financial risk that can result in substantial losses. Some of these risks include, without limitation, the following: A portfolio company may be in an early stage of development, may not have a proven operating history, may have products that are not yet developed or ready to be marketed or that have no established market, may be reliant on developing unproven technology, may be operating at a loss or have significant fluctuations in operating results, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or may otherwise have a weak financial condition. A portfolio company may be highly leveraged and, as a consequence, subject to restrictive financial and operating covenants. The leverage may impair the ability of a portfolio company to finance its future operations and capital needs. As a result, a portfolio company may lack the flexibility to respond to changing business and economic conditions, or to take advantage of business opportunities.

A portfolio company may face intense competitive positioning, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a large number of qualified managerial and technical personnel. A portfolio company may also incur leverage that may have important adverse consequences. For example, a portfolio company may be subject to restrictive financial and operating covenants. As a result, a portfolio company may lack the flexibility to respond to changing business and economic conditions or to take advantage of business opportunities.

In addition, the Adviser's investment strategy includes certain other material risks, including risks of investing in privately held companies, risks of investing in junior securities of an issuer, potential investment concentration in one industry or one industry segment, possible lack of sufficient investment opportunities, risks associated with the use of leverage by a Fund, and the lack of a readily available market for Fund investments, among others.

Investing in securities involves risk of loss that prospective investors should be prepared to bear. There can be no assurance that a Fund's objective will be achieved or that the investment strategies a Fund employs will be successful. Investors must be prepared to lose all or substantially all of their investment in the Fund. The past performance of the Adviser or any Fund managed or sponsored by the Adviser or an affiliate is not necessarily indicative of future performance.

For a more complete description of the risks associated with investing in a Fund, investors should refer to the relevant Governing Documents for each Fund.

- C. See Item 8.B. above.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no staff of the Adviser are registered representatives of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. As described in Item 4, the Adviser and the General Partners have sponsored private investment limited partnerships that the Adviser manages. Certain of these private investment partnerships have affiliated and subsidiary entities that serve as holding companies for certain investments made by the Funds that the Adviser manages. Each General Partner also serves as the general partner to at least one of the Funds, and in some instances, more than one of the Funds. The General Partners are affiliated with the Adviser. The Funds do not have independent management, and although this arrangement may give the Adviser heightened control and discretion over the Funds, the Adviser manages any potential conflicts of interest by disclosing these relationships and adhering to the investment strategy in each Fund's Governing Documents.

Certain officers, members and/or affiliates of the Adviser serve (and may in the future serve) as directors, officers or committee members of the various portfolio companies of the Funds. Such persons could face conflicts of interest between discharging their duties as directors, officers or committee members, as the case may be, of such companies and acting in the best interest of the applicable Funds. Moreover, certain of the Adviser's affiliates or agents also may serve as directors of public companies and their activities on behalf of those other companies may present actual and/or potential conflicts of interest (including conflicting fiduciary duties). The Adviser and its affiliates may receive compensation from companies in their capacities as directors, officers or committee members and this compensation generally is not shared with the Funds or applied as an offset or reduction to the Management Fees.

- D. The Adviser does not recommend or select other investment advisers for the Funds.

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

- A. The Adviser has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act (the “Code”). The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's staff. The Code contains policies and procedures that ensure that all personal securities trading by staff of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser prohibits i) personal trading on certain securities or instruments; ii) requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; iii) requires periodic reporting of staff's personal securities transactions and holdings; and iv) requires prompt internal reporting of Code violations.

While the Adviser does not anticipate having access to non-public information related to public companies, as part of its Code, the Adviser has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non- public information, and, therefore, may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

- B. Affiliates of the Adviser serve as the General Partners to the Funds, which issue partnership interests to third party investors. Other than with respect to these structures, neither the Adviser nor any of its related persons recommend to the Funds, or buy or sell for Funds, investments in which the Adviser or any related persons have a material financial interest.
- C. The Principals and other members of the management team make significant capital Commitments in each Fund. Such amounts may be invested pro rata with the limited partners of each Fund in all Fund portfolio investments.

Item 12 - Brokerage Practices

- A. The Adviser's investment strategy involves making negotiated investments in privately held companies. As a result, the Adviser does not select or recommend broker-dealers for Fund transactions. In the event that the Adviser is called upon to select and/or recommend broker-dealers or other counterparties to clients in the future, the Adviser will implement and adopt policies and procedures reasonably designed to ensure that such brokers are selected in a fair and equitable manner and will promptly amend this brochure to disclose such policies and procedures.

The Adviser does not maintain any trading accounts and does not use "soft" dollars.

- B. Not Applicable.

Item 13 - Review of Accounts

- A. The Adviser generally conducts reviews of all portfolio company investments held in each Fund on at least an annual basis (or more frequently upon the occurrence of certain material events). Investment staff participate in the ongoing monitoring of Fund portfolios. The Principal is responsible for leading the reviews.

With respect to accounting matters, the Adviser has engaged an independent public accountant to conduct an annual audit of each of the Funds.

- B. Annually, each Fund will furnish all limited partners with (i) audited financial statements prepared in accordance with generally accepted accounting principles, accompanied by the report of its independent certified public accountants, and (ii) tax information necessary for the completion of tax returns. The Adviser may also provide other reports and statements to investors on a periodic basis. All such statements and reports are written.

Item 14 - Client Referrals and Other Compensation

- A. Except as otherwise disclosed herein, the Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds. Nevertheless, portfolio companies or other third parties may pay certain fees to the Adviser's affiliates or agents, including transaction fees and oversight fees. The Adviser's affiliates may also receive such fees and compensation in connection with a transaction that is not ultimately consummated.
- B. The Adviser does not utilize or engage third party placement agents or solicitors for referring or soliciting prospective investors in the Funds.

Item 15 - Custody

Due to the Adviser's affiliation with the General Partners, the Adviser may be deemed under Rule 206(4)-2 under the Advisers Act to have custody of the assets of the Funds. To the extent required pursuant to Rule 206(4)-2 under the Advisers Act, each Fund's cash and securities are maintained and held at one or more qualified custodians. The General Partners are responsible for selecting qualified custodians and they may change custodians at any time and from time to time. Qualified custodians do not provide account statements directly to investors. The Adviser has engaged an independent public accounting firm to conduct an annual audit of each of the Funds. Audited financial statements (prepared in accordance with generally accepted accounting principles) generally are provided to each investor in the Funds within 120 days after the end of each fiscal year.

Item 16 - Investment Discretion

The Adviser has discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of our clients. In connection with this discretionary authority, the Adviser selects portfolio company investments for each Fund.

Each investor in a Fund generally grants the general partner thereof a limited power of attorney to enable the General Partner to execute the applicable partnership agreement and perform certain other activities in connection therewith on its behalf.

Item 17 - Voting Client Securities

While the Adviser technically has proxy voting authority on behalf of the Funds, it generally does not expect to be called upon to vote proxies with respect to securities owned by the Funds, as the Funds do not acquire or hold publicly-traded securities. Nevertheless, in the event that the Adviser is called upon to vote proxies, it will vote such proxies in accordance with its proxy voting policy, which is reasonably designed to ensure that the Adviser votes proxies in a manner that furthers the best interests of each Fund. In general, proxy proposals, amendments, consents and/or resolutions are required to be voted in a manner that serves the best interests of the applicable Fund, as determined in the discretion of the Adviser.

The Adviser generally will attempt to identify actual or potential conflicts of interest that could compromise or be deemed to compromise the independence of the voting decisions when voting proxies on behalf of a Fund. In the event that a material conflict of interest is identified, the Adviser generally will attempt to resolve, mitigate or disclose such conflict before voting any proxy. To address or resolve a potential material conflict, the Adviser will follow the procedures outlined in its proxy voting policy. In some instances, the Adviser may determine that it is in a Fund's best interest for the Adviser to "abstain" from voting or not to vote at all, and will do so accordingly.

Proxy voting reports, identifying how proxies were voted in the past and the Adviser's proxy voting policy are available upon written request to HEP Partners LLC at the address set forth on the cover page to this firm brochure.

Item 18 - Financial Information

Not applicable.

General Information

We have adopted policies and procedures reasonably designed to protect various records and information of investors. Except as set forth in the applicable Governing Documents, the Adviser's privacy policies and procedures or as otherwise authorized by each investor, non-public, personal information about investors is disclosed only as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the services we provide.