

INVESTMENT ADVISER BROCHURE

PART 2A OF FORM ADV

HCI EQUITY MANAGEMENT, L.P.

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of HCI Equity Management, L.P. (“HCI”). If you have any questions about the contents of this Brochure, please contact Lisa Costello at (202) 371-0150 and/or lcostello@hciequity.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

HCI 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 HCI is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

HCI filed its most recent Form ADV Part 2A on March 28, 2013. This annual amendment updates certain descriptions to include information related to a new private investment fund advised by the Advisers (as defined herein).

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ADVISORY BUSINESS

HCI Equity Partners is a private investment management firm, including HCI Equity Management, L.P. (“HCI”), a registered investment adviser, its affiliated investment advisers and other organizations affiliated with HCI Equity Partners (collectively, “HCI Equity Partners”).

HCI, a Delaware limited partnership, was formed in November 2010 and commenced operations in May 2011 when it assumed the management of certain private investment funds previously managed by Thayer | Hidden Creek and its affiliates (collectively, “Thayer | Hidden Creek”), a private investment management firm with which certain employees, principals and owners of HCI Equity Partners were formerly affiliated. HCI and its affiliated investment advisers, HC Equity Partners IV, L.L.C. (“HC Equity IV”), HC Equity Partners V, L.L.C. (“HC Equity V”), HCI Management III, L.P. (“HCI Management III”) and HCI Management IV, L.P. (“HCI Management IV” and together with HC Equity IV, HC Equity V, HCI Management III and HCI, the “Advisers”) were formed to provide “investment supervisory services” to their clients, which consist of private investment-related funds.

HC Equity IV is the general partner of Thayer Equity Investors IV, L.P. (“Thayer IV”), HC Equity V is the general partner of Thayer Equity Investors V, L.P. (“Thayer V”), HCI Management III is the general partner of HCI Equity Partners III, L.P. (“HCI III”) and HCI Management IV is the general partner of HCI Equity Partners IV, L.P. (“HCI IV” and together with Thayer IV, Thayer V, HCI III and HCI IV, the “Funds,” and together with any future private investment fund, “Private Investment Funds”). HC Equity IV, HC Equity V, HCI Management III and HCI Management IV (each a “General Partner,” and collectively the “General Partners”) each has the authority to make all investment decisions for Thayer IV, Thayer V, HCI III and HCI IV, respectively, and has advisory responsibilities for the operations of the relevant Fund. Pursuant to the applicable Fund Partnership Agreement (as defined below) and management agreement (and certain assignments and amendments thereof with respect to agreements relating to Thayer IV, Thayer V and HCI III), the advisory responsibilities with respect to Thayer IV, Thayer V, HCI III and HCI IV have been assigned, or delegated, to HCI.

HCI also serves as the managing member and investment adviser of TC Co-Investors IV, L.L.C. (“TC Co-Investors IV”), the sole manager and investment adviser of TC Co-Investors V, L.L.C. (“TC Co-Investors V”). HCI Management III and HCI are the general partner and the investment adviser, respectively, of HCI Co-Investors III, L.P. (“Co-Investors III”), and HCI Management IV and HCI are the general partner and the investment adviser, respectively, of HCI Co-Investors IV, L.P. (“Co-Investors IV”) (each, a Delaware limited partnership or Delaware limited liability company, and collectively, the “Co-Invest Funds”). The Co-Invest Funds are formed to invest in excess investment opportunities in portfolio companies of a specific Private Investment Fund. The Co-Invest Funds typically invest and dispose of their investments in the applicable portfolio company at substantially the same time and on substantially the same terms as the Private Investment Fund making the investment. Each General Partner listed above is registered under the Advisers Act pursuant to HCI’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with HCI.

The Funds are private equity funds and invest through negotiated transactions in operating entities. Because the investment advisory services provided to Thayer IV, Thayer V and HCI III have remained substantially the same over time, the disclosures contained herein are generally written as though HCI and the other Advisers have always provided investment advisory services to Thayer IV, Thayer V and HCI III even though they only assumed management of them in May 2011.

HCI's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments, partnering with management teams of portfolio companies to execute growth strategies and achieving dispositions for such investments. Each Fund makes investments predominantly in non-public companies, although each Fund may invest in public companies subject to any limits set forth in the Fund's governing documents. In addition, a Fund may hold public company investments as a result of a sale of all or a part of such Fund's investment in a portfolio company, such as when a portfolio company goes public or is sold to a public company for stock. When investing in portfolio companies, the senior principals or other personnel of HCI or its affiliates serve on such portfolio companies' respective boards of directors or otherwise act to influence the management of portfolio companies held by a Fund, generally until the Fund exits the investment.

HCI's advisory services for the Funds are detailed in the applicable private placement memoranda, management agreements and limited partnership or limited liability company agreements and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. The Funds or the Advisers may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund's Partnership Agreement, including provisions relating to the Management Fee (as defined below) and distributions.

Additionally, from time to time, the Advisers may provide (or agree to provide) certain investors or other persons the opportunity to participate in the Co-Invest Funds or other co-invest vehicles that will invest in certain portfolio companies alongside a Private Investment Fund. Such co-invest vehicles typically invest and dispose of their investments in the applicable portfolio company at substantially the same time and on substantially the same terms as the Private Investment Fund making the investment.

As of December 31, 2013, HCI managed \$989.5 million in client assets on a discretionary basis. HCI's principal owners are Daniel M. Dickinson, Scott D. Rued and Douglas P. McCormick and its general partner is HCI Equity Partners, L.L.C., a Delaware limited liability company. HCI Equity Partners, L.L.C. is managed by a Board of Directors whose members are Daniel M. Dickinson, Scott D. Rued, and Douglas P. McCormick.

FEES AND COMPENSATION

In general, HCI receives an annual management fee (a "Management Fee") in connection with advisory services it provides to the Funds. The General Partners of the Funds receive a

carried interest. For each Fund, the carried interest distributed to a General Partner is subject to a potential giveback at the end of the Fund's life if the General Partner has received excess cumulative distributions. For HCI III, HCI Management III is also subject to an interim giveback on the 7th anniversary of its initial closing, the 10th anniversary of its initial closing and upon a key person event (see HCI III's Partnership Agreement for details). For HCI IV, HCI Management IV is also subject to an interim giveback on the 6th anniversary of its initial closing, the 10th anniversary of its initial closing and upon a cessation event (see HCI IV's Partnership Agreement for details). With respect to Thayer IV, Thayer V and HCI III, the Advisers will be responsible for any such givebacks even though they only became entitled to receive carried interest beginning in May 2011 when they assumed management of the Funds.

The Co-Invest Funds do not pay management fees or carried interest. Principals or other employees of the General Partners may receive a portion of the performance fees or carried interest received by the General Partners or their affiliates. HCI or other HCI Equity Partners entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Private Investment Funds and such additional compensation is generally documented in a management services agreement entered into with the applicable portfolio company. Such compensation may offset a portion of the management fees otherwise payable to HCI, but the Advisers generally retain a portion of such compensation, as described in the applicable Fund Partnership Agreements. While the Advisers' ability to negotiate and receive such compensation may be deemed to give rise to conflicts of interest between the Private Investment Funds and the Advisers, the Advisers believe any such potential conflicts are mitigated by the management fee offset mechanism and by the Advisers' significant ownership interests in the Private Investment Funds. In addition, certain employees, partners or other affiliates of the Advisers may receive compensation for serving as an employee of or providing certain ordinary course services to (or with respect to) certain portfolio companies in which one or more Funds invest, and such compensation will generally not result in additional offsets to the Management Fee. Investors in the Private Investment Funds bear certain fund expenses, as described below. HCI bears certain expenses of the Co-Invest Funds, but the Co-Invest Funds are subject to certain administrative expenses (e.g., audit, tax preparation and certain filing fees). Investors should review each Fund's partnership agreement (each, a "Partnership Agreement") for details regarding the fee structures summarized below.

Management Fees and Carried Interest

HCI IV

The Management Fee is a maximum of 2.0% of aggregate investor capital commitments payable semi-annually, partially in arrears and partially in advance, (subject to potential reductions due to offsets under certain circumstances) and commences from the Fund's initial closing. Beginning the earlier of (i) the sixth anniversary of the initial closing date, or (ii) the commencement of a Private Investment Fund formed by the General Partner or its principals whose primary investment criteria is substantially similar to the Funds (as more fully described in the Partnership Agreement), or (iii) following certain events limiting capital calls for new investments in the Partnership Agreement, the Management Fee shall be no greater than 2.0% of all invested capital commitments less distributions of capital and any permanent writedowns and write-offs of portfolio investments and shall be reduced by 0.20% each year to a minimum of 1%

(e.g., to 1.8%, 1.6%, 1.4% etc). The Management Fee will generally be as described in the foregoing sentences and payable until all portfolio investments are distributed or until HCI's relationship with the Fund is terminated for other reasons (as described in the Partnership Agreement); provided that if the Fund has not made a final distribution of assets as of the second anniversary of the expiration of its term, including any extensions, the Management Fee shall be reasonably determined by the Advisory Committee but shall be no higher than it would otherwise be in the absence of any determination by the Advisory Committee. In addition, the General Partner will receive a carried interest or performance fee from investors in the Fund equal to 20% of all realized or distributed capital appreciation above a threshold level (as more fully described in the Partnership Agreement).

It is expected that any future Private Investment Funds (if any) will have a similar fee structure.

HCI III

Effective January 1, 2014, pursuant to Section 5.2(b)(ii) of the Fund's Partnership Agreement in connection with HCI IV's effectiveness, HCI III's Management Fee was reduced to 2% of invested capital commitments less distributions of capital, any write-offs and 50% of any permanent writedowns of any portfolio investments.

The Management Fee is payable semi-annually, partially in arrears and partially in advance, (subject to potential reductions due to offsets under certain circumstances) and commences from the Fund's initial closing (whether or not an investor was admitted at an initial or subsequent closing). Pursuant to HCI III's Partnership Agreement, prior to January 1, 2014, the Management Fee was a maximum of 2.0% of aggregate investor capital commitments. Beginning the earlier of (i) the sixth anniversary of the initial closing date, or (ii) the commencement of a Private Investment Fund formed by the General Partner or its principals whose primary investment criteria is substantially similar to the Funds (as more fully described in the Partnership Agreement), or (iii) following certain events limiting capital calls for new investments in the Partnership Agreement, the Management Fee was reduced to be no greater than 2.0% of all invested capital commitments less distributions of capital and a portion of any writedowns and write-offs of portfolio investments and shall be reduced by 0.20% each year to a minimum of 1% (e.g., to 1.8%, 1.6%, 1.4% etc). The Management Fee will be payable until all portfolio investments are distributed or until HCI's relationship with the Fund is terminated for other reasons (as described in the Partnership Agreement). In addition, the General Partner will receive a carried interest or performance fee from investors in the Fund equal to 20% of all realized or distributed capital appreciation above a threshold level (as more fully described in the Partnership Agreement).

Thayer V and Thayer IV

Effective January 1, 2013, Thayer V's post-commitment period Management Fee was reduced to 1% of invested capital commitments less distributions of capital and any write-offs of portfolio investments.

Effective May 20, 2011 when Thayer IV's term extension ended, Thayer IV ceased calling management fees from limited partners.

Thayer V's Management Fees are (and Thayer IV's Management Fees were) paid semi-annually, partially in arrears and partially in advance, (subject to potential reductions due to waivers and offsets under certain circumstances) and commenced from the Fund's initial closing (whether or not an investor was admitted at an initial or subsequent closing). Per Thayer V & Thayer IV's Partnership Agreements, Management Fee was initially a maximum of 2.0% of aggregate investor capital commitments for the first \$500 million of such commitments (note: Thayer V's total commitments were \$218 million) and 1.50% for commitments in excess of \$500 million payable. Beginning the earlier of (i) the fifth anniversary of the final closing date, or (ii) the date the first capital call is received by a Private Investment Fund with aggregate commitments of at least \$300 million formed by the General Partner or its principals whose primary investment criteria is substantially similar to the Fund's (as more fully described in the Partnership Agreement), or (iii) following certain events limiting capital calls for new investments in the Partnership Agreement, the Management Fee was reduced to be 2.0% of all invested capital commitments less distributions of capital and any write-offs of portfolio investments and shall be reduced by 0.20% each year to a minimum of 1% (e.g., to 1.8%, 1.6%, 1.4%, etc.). The Management Fee will be payable until all portfolio investments are distributed or until the General Partner's relationship with the Fund is terminated for other reasons (as described in the Partnership Agreement). The Fund's organizational documents permit the Management Fee to be waived and for the General Partner to receive a credit against capital contributions otherwise owed. In addition, the General Partner will receive a carried interest or performance fee from investors in the Fund equal to 20% of all realized or distributed capital appreciation above a threshold level (as more fully described in the Partnership Agreement).

The following information supplements the description of the Thayer IV information above:

Pursuant to Amendment No. 2 to Thayer IV's Partnership Agreement, dated August 1, 2003, Thayer IV's General Partner agreed to defer a portion of the management fees otherwise payable in July 2003 and January 2004 to be paid each year beginning January 2005 through January 2007 as more fully described in the Partnership Agreement. In addition, Thayer IV's General Partner agreed to certain reductions in the management fee with respect to two Thayer IV portfolio companies.

On November 1, 2004, Amendment No. 3 to Thayer IV's Partnership Agreement was ratified. The Amendment provided for the early repayment by Thayer IV's General Partner of its giveback obligation and the early release of carried interest held in escrow. As a result, \$946,000 was distributed to Thayer IV's partners on November 24, 2004, and there are no remaining amounts due with respect to the General Partner's giveback obligation.

On March 4, 2009, Thayer IV's General Partner and the majority of limited partners consented to and approved a two-year extension to the term of Thayer IV (*i.e.*, through May 20, 2011).

On March 31, 2009, Thayer IV's General Partner issued Amendment No. 4 to Thayer IV's Partnership Agreement which states that effective July 1, 2009, the annual management fee shall be the lesser of (a) the post-commitment management fee percentage multiplied by the net invested amount and (b) two percent (2.0%) of the fair market value of Thayer IV's assets, each as of the first day of each semi-annual period with respect to which the management fee is payable.

Other Information

Each Fund invests on a long-term basis. Accordingly, investment advisory and other fees are paid during the term of the Fund, and investors generally are not permitted to withdraw or redeem interests in the Fund.

Certain Private Investment Funds managed by the General Partners and/or their affiliates may exempt certain persons from payment of Management Fees and/or carried interest, or not charge any such fees or carried interest, and may include as investors personnel or owners of the General Partners or their affiliates, persons with family or other relationships with the General Partners or their affiliates, service providers for the General Partners or their affiliates, or other unaffiliated parties. For example, HCI serves as investment adviser to TC Co-Investors IV, Co-TC Investors V, Co-Investors III and Co-Investors IV, and does not charge these funds investment advisory fees or performance fees. For a discussion of potential conflicts of interest that may exist, please see "Participation or Interest in Client Transactions" herein.

In addition, participants in the General Partners effectively do not pay Management Fees or carried interest on their indirect interests in the Private Investment Funds.

In addition to the Management Fee and carried interest, each Fund bears certain expenses. As set forth in the applicable Partnership Agreement, the Funds generally bear all expenses to the extent not paid by portfolio companies, including investment, legal, accounting, travel, consulting, brokerage, finder's fees, custody, registration, insurance, advisory board, interest, taxes, extraordinary expense and other similar fees and expenses, but not HCI expenses in connection with maintaining and operating its offices (such as compensation of its employees, rent, utilities and general office expenses.). Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices." The Co-Invest Funds also bear certain administrative expenses (e.g., audit, tax preparation and certain filing fees). Any such expenses are allocated on a case-by-case basis as further described in such Co-Invest Fund's governing documents.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "Fees and Compensation," the Advisers receive a carried interest allocation on certain realized profits in Thayer IV, Thayer V, HCI III and HCI IV. The Co-Invest Funds are not charged a performance-based fee. While this practice could present a conflict of interest, the Advisers do not believe this arrangement poses a conflict of interest in practice because the Co-Invest Funds coinvest alongside the Funds only to the extent there is an excess investment opportunity that can be allocated to the Co-Invest Funds in accordance with the relevant Partnership Agreements and the Advisers' investment allocation policy.

TYPES OF CLIENTS

The Advisers provide investment advice to Private Investment Funds. Private Investment 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. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of the Advisers and their affiliates. The Advisers may also act as an adviser to certain co-investment vehicles, including the Co-Invest Funds, that invest side-by-side with the Private Investment Funds.

Thayer IV and Thayer V generally had minimum investments of \$10 million, HCI III and HCI IV generally had a minimum investment of \$5 million, in each case, which could be waived by its General Partner. The Co-Invest Funds' minimum investment amounts are determined on a case-by-case basis in accordance with the Advisers' investment allocation policy. Thayer IV, Thayer V, HCI III and HCI IV interests were offered and sold solely to accredited investors and qualified purchasers (or qualified knowledgeable HCI Equity Partners personnel). Each of the Funds is closed, and they are not accepting new investors.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Each General Partner has selected HCI to provide day-to-day investment advisory services to the Funds, under the supervision of the applicable General Partner. The Advisers share common owners and personnel.

The investment strategy of the Advisers is to seek to increase the value of, and to find desirable exit opportunities for, the investments in Private Investment Funds. This strategy may involve the use of information generated by individuals or entities not affiliated with the Advisers. Sources of such information include, but are not limited to, research provided by institutions and the brokerage community, internally and externally generated analysis of potential opportunities, specialized consultants, industry experts, industry and trade publications, as well as direct contact with management of potential portfolio companies and related due diligence.

The Advisers focus on investing in industrial growth companies in the lower middle market. The Advisers expect to focus on making investments in industries in which they have management relationships and substantial operating experience. The Advisers believe that lower middle market companies are attractive investment opportunities because they generally have potential for organic and acquisition-driven growth, opportunities for improving operating performance and limited access to public and private equity or debt. While the Advisers focus on lower middle market companies, they may invest in companies that have enterprise values outside of that range.

With respect to HCI III and HCI IV, the Advisers generally focus on making investments in lower middle market companies (with revenue ranges between \$20 and \$200 million and EBITDA between \$5 and \$20 million) in the industrial products and services industry.

Thayer IV and Thayer V's investment periods have ended so the Advisers will primarily focus on managing Thayer V's existing portfolio companies and completing the liquidation of Thayer IV. The investments in Thayer V consist of companies in the industrial products and services sectors.

The Advisers generally follow an investment process which seeks to: (i) generate a continuous flow of quality, proprietary deal leads; (ii) subject potential transactions to a multi-stage screening process with certain hurdles at each stage; (iii) institute the appropriate controls and monitoring mechanisms to facilitate the ability of the Advisers' professionals to add value to portfolio companies; and (iv) maximize the value of investments upon exit.

There can be no assurance that the Advisers will achieve the investment objectives of each Fund and a loss of investment may be possible.

Risks of Investment

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Investors should review each Fund's private placement memorandum for information regarding risks specific to each Fund. In general, the risks involved with the Advisers' investment strategy and an investment in each Fund include, but are not limited to:

Business Risks. The Fund's investment portfolio will consist primarily of securities issued by privately held companies, 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.

Future and Past Performance. The performance of the Principals' prior investments is not necessarily indicative of the Fund's future results. While the General Partner intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Investment in Junior Securities. The securities in which the Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

Concentration of Investments. The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return.

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 and structuring private equity transactions is highly competitive and involves a high

degree of uncertainty. However, limited partners will be required to pay annual management fees during the Fund's investment period based upon the entire amount of their commitments.

Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as illiquid. 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 not generally expected that this will 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 the Fund (including the annual management fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital.

Leveraged Investments. The Fund may make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company. 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, which state is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be tight at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund will invest generally will not be rated by a credit rating agency.

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. Certain investments may be distributed in kind to the Partners.

Reliance on the General Partner and Portfolio Company Management. Any newly formed Private Investment Funds will have no operating history and will be entirely dependent on the General Partner. Control over the operation of the Fund will be vested entirely with the General Partner, and the Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss of service of one or more of the Principals could have an adverse effect on the Fund's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund will depend entirely on the actions of the General Partner. Although the General Partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the

portfolio company on a day-to-day basis. Although the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

Projections. Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company 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 effect on the reliability of projections.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Fund will make follow-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 follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Fund to increase its participation in a successful operation.

Non-U.S. Investments. Each Fund may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions, subject to the limitations set forth in its Partnership Agreement. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to crossborder 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.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Public Company Holdings. The Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the Principals, and increased costs associated with each of the aforementioned risks.

Director Liability. The Fund will typically obtain the right to appoint a representative(s) to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, is currently restricted. This may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the portfolio companies in which the Fund makes investments.

Conflict of Interest. In general, during a Fund's investment period, the Principals will pursue all appropriate investment opportunities exclusively through that Fund, subject to certain limited exceptions. However, the Principals manage other investment funds with similar investments, and may, in the future, direct certain relevant investment opportunities to one or more Private Investment Funds. Each Adviser attempts to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by HCI's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the Funds, other Private Investment Funds and such investment vehicles in a fair and equitable manner. Where necessary, the Advisers consult and receive consent to conflicts from an advisory committee consisting of limited partners of the Fund and such other investment vehicles. The Principals and the General Partner's investment staff will continue to manage and monitor such investment funds and investments. The significant investment of the Principals in the Fund, as well as the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the Partners, although the Principals have economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests. Such other investment funds and investments that the Principals may control may compete with the Fund or companies acquired by the Fund. Following the investment period, the Principals may focus their investment activities on other opportunities and areas unrelated to the Fund's investments.

Because a General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for the General Partner to cause a Fund to make riskier or more speculative investments than would otherwise be the case. However, HCI believes that the carried interest does not create a conflict of interest with respect to the Funds and instead operates to align the interests of HCI with that of the Funds.

Since the General Partners are permitted to retain certain fees (as described under “Fees and Compensation”) in connection with Fund investments, HCI could have a conflict of interest in connection with approving transactions. HCI manages such conflicts by offsetting the Management Fee by a specified percentage of such fees and by a General Partner’s interest in the carried interest of a Fund. In addition, the potential conflict is further mitigated by the fact that such fees generally are negotiated with the applicable portfolio company’s management team.

As a result of the Private Investment Funds’ controlling interests in portfolio companies, HCI and/or its affiliates typically have the right to appoint board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to HCI and/or its affiliates. HCI and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Private Investment Funds or other investment vehicles advised by HCI and/or its affiliates. In addition, portfolio companies may from time to time pay certain fees to third parties (including consultants introduced or arranged by HCI and/or its affiliates that may regularly provide services to one or more Private Investment Fund portfolio companies), and such fees will not offset the Management Fee as described herein. Any of these situations subjects the HCI and/or its affiliates to potential conflicts of interest.

DISCIPLINARY INFORMATION

HCI 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

HCI is affiliated with other investment advisers that are registered with the SEC under the Advisers Act pursuant to HCI’s registration in accordance with applicable SEC guidance. These advisers are HC Equity Partners IV, L.L.C., HC Equity Partners V, L.L.C., HCI Management III, L.P. and HCI Management IV, L.P. These affiliated investment advisers operate as a single advisory business together with HCI and serve as General Partners of the Funds and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the “Code”) that sets forth standards of conduct that are expected of the Advisers’ principals and employees and addresses conflicts that arise from personal trading. The Code requires all of the Advisers’ personnel to report their personal securities transactions and to obtain approval from the Advisers’ Chief Compliance Officer prior to acquiring, directly or indirectly, beneficial ownership of securities in an initial public offering or in a limited offering. A copy of the Code will be provided to any existing or prospective client (or Fund investor) upon request to the Chief Compliance Officer at (202) 371-0150. Personal securities transactions by

employees who manage client accounts are required to be conducted in a manner that assures that the interests of the clients take precedence.

The Advisers and their affiliated persons may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their 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 the Advisers.

Accordingly, if the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers 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 the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in the Private Investment Funds, including through the Co-Invest Funds. To the extent that co-investment vehicles exist, such vehicles may invest side-by-side in one or more of the same portfolio companies as the Private Investment Funds. As discussed above under "Methods of Analysis, Investment Strategies and Risk of Loss," each Adviser attempts to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by HCI's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the Funds, other Private Investment Funds and such investment vehicles in a fair and equitable manner. The Funds or HCI may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund's Partnership Agreement, including provisions relating to the Management Fee (as defined below) and distributions.

The Advisers may recommend the purchase or sale of securities for client accounts in which one or more of their members, officers, directors, employees (and members of their families) or affiliates ("affiliated persons"), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the clients of the Advisers or the Fund. HC Equity IV, HC Equity V, HCI Management III and HCI Management IV have agreed to commit \$20 million, \$7.5 million, \$7.7 million, and \$15 million respectively, to Thayer IV, Thayer V, HCI III and HCI IV, respectively.

BROKERAGE PRACTICES

The Advisers focus on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in Funds or sell such securities, including through using a broker-dealer, if

a public trading market exists. Although HCI does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Advisers sell publicly traded securities for the Funds, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. The Advisers select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) prompt execution of orders, (ii) the reliability, integrity, financial condition and execution capability of the firm being considered for effecting transactions in light of the size and difficulty of executing the order, (iii) the price and (iv) the capabilities of firms to supply research services.

The Advisers have 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 minimize the expenses incurred for effecting client transaction to the extent consistent with the interests and policies of the accounts. Although the Advisers generally seek competitive commission rates, they will 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 the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them. As a general matter, any research provided by these brokers may be shared between the Advisers and their affiliates and may be used to service one or more of the Private Investment Funds regardless of which Private Investment Fund paid the brokerage commissions being applied towards payment for such research services. There is no agreement or formula for the allocation of brokerage business on the basis of research services.

From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several Private Investment Funds at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Advisers is favored over any other Private Investment Fund.

REVIEW OF ACCOUNTS

The investments made by the Private Investment 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. However, the Advisers closely monitor companies in which their clients invest and generally will maintain an ongoing oversight position in such companies (including representation on the board of directors of such companies). The Advisers’ Chief Compliance Officer periodically reviews each Fund’s investments to confirm that the Fund is invested in accordance with its stated objectives as set forth in its governing documents.

Each Fund generally provides to its limited partners: (i) annual audited financial statements, (ii) annual tax information necessary for each limited partner's tax return, and (iii) quarterly unaudited financial and other information. Each Co-Invest Fund generally provides to its members or limited partners, as applicable: (i) annual audited financial statements, (ii) annual tax information necessary for such member or limited partner's tax return, and (iii) the audited financial statements and quarterly reports provided to the limited partners of the Fund to which the Co-Invest Fund relates.

CLIENT REFERRALS AND OTHER COMPENSATION

From time to time, the Advisers may enter into solicitation arrangements pursuant to which the Advisers compensate persons for client referrals that result in a potential investor becoming a limited partner in a Private Investment Fund. Any fees payable to any such placement agents will be borne by HCI or the applicable General Partner indirectly through an offset against the Management Fee or otherwise.

UBS Securities LLC ("UBS") was retained to solicit investors for HCI IV. HCI IV reimbursed UBS for out of pocket expenses during the fundraising period (now ended) and HCI and HCI Management IV paid, directly or indirectly, UBS a fee based on a percentage of the commitments to HCI IV attributable to UBS's solicitation efforts.

BerchWood Partners LLC ("BerchWood") was retained to solicit investors for HCI III. BerchWood received a monthly retainer during the fundraising period (now ended) and earned a fee based on a percentage of the commitments to HCI III attributable to BerchWood's solicitation efforts. Those obligations have been fulfilled, but HCI and HCI Management III are required to pay BerchWood additional amounts in connection with certain HCI IV investors that BerchWood solicited in connection with HCI III.

The Advisers and/or their affiliates may provide various management and financial analysis services to companies in a Private Investment Fund's portfolio and may receive compensation from these companies in connection with such services. This compensation may, in many cases, offset a portion of the Management Fees paid by a Private Investment Fund as further described in a Private Investment Fund's partnership agreement. See "Fees and Compensation."

CUSTODY

The Advisers maintain custody of the Funds' assets held in each respective Fund's name with Wells Fargo Bank, NA., 1753 Pinnacle drive, McLean, VA 22102, JP Morgan, 4 New York Plaza, 21st Floor, New York, NY 10004, and American Stock Transfer & Trust Company, 6201 15th Avenue, Brooklyn, NY 11219, each a qualified custodian.

INVESTMENT DISCRETION

HCI has discretionary authority to manage investments on behalf of the Funds and the Co-Invest Funds pursuant to their respective governing documents and the management agreements described under "Advisory Business." As a general policy, the Advisers do not allow clients to place limitations on this authority. Pursuant to each Partnership Agreement,

however, the General Partner may enter into “side letter” arrangements with certain limited partners whereby the terms applicable to such limited partner’s investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

VOTING CLIENT SECURITIES

In accordance with SEC rules the Advisers have adopted Proxy Voting Policies and Procedures (the “Proxy Policy”) to address how they vote proxies for the Funds’ portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including when there may be material conflicts of interest in voting proxies. The General Partners and their affiliates generally believe their interests are aligned with the Funds’ investors through the General Partners’ ownership interest in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event, however, there is or may be a conflict of interest between an Adviser and a Fund in voting proxies, the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the Fund’s advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. The Advisers do not consider their personnel’s service on portfolio company boards or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines the Advisers follow when voting proxies on behalf of the Funds. Existing or prospective clients (or Fund investors) may request, free of charge, a copy of the Advisers’ complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, by contacting the Advisers’ Chief Compliance Officer at 202-371-0150.

FINANCIAL INFORMATION

HCI does not have any other events requiring disclosure under this item of the Brochure.