

**PART 2A OF FORM ADV**

**FIRM BROCHURE**



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**March 14, 2013**

**This Brochure provides information about the qualifications and business practices of Gold Hill Capital Management, LLC (“Gold Hill”). If you have any questions about the contents of this Brochure, please contact Sean Lynden at 408-200-7845 or by email at [slynden@goldhillcapital.com](mailto:slynden@goldhillcapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority, and references in this Brochure to Gold Hill as a “registered investment adviser” are not intended to imply a certain level of skill or training.**

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

## **ITEM 2 – MATERIAL CHANGES**

There have been no material changes to this Brochure since the last annual update filed on March 30, 2012.

In the future, this section will discuss specific material changes that have been made to the Brochure since the last annual update and provide clients with a summary of those changes.

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## **ITEM 4 – ADVISORY BUSINESS**

### **A. Overview of Gold Hill Capital Management, LLC**

Gold Hill Capital Management, LLC (“Gold Hill”) is a private venture firm primarily focused on providing debt and equity capital to companies within the technology and life science industries. Gold Hill is a Delaware limited liability company that was formed in April 2004. Gold Hill is owned by Tim Waterson, David Booth Fischer, John Frank Tower III, John Ross Lynden IV and Robert Martin Helm (the “Principals”).

Gold Hill provides discretionary investment advisory services to a number of private pooled investment vehicles (the “Funds”) which are typically organized as limited partnerships in the U.S. The Funds are currently organized into two main investment programs: Gold Hill Venture Lending 03 (“GHVL”) and Gold Hill Capital 2008 (“GHC ‘08”). GHVL and GHC ‘08 have substantially similar investment programs (as described in detail in Item 4.B. below). At present, the only advisory clients of Gold Hill are the Funds.

#### **i. The Funds**

Each Fund is governed by a limited partnership agreement (each, a “Fund Agreement”) that specifies the specific investment guidelines and investment restrictions applicable to the Fund. In addition, investors in each Fund were provided with offering documents prior to their investment, which also contain information regarding the intended investment program for such Fund. Gold Hill together with the Affiliated General Partners (as defined below) provide investment management and administrative services to the Funds in accordance with the applicable Fund Agreements and offering materials. Each Affiliated General Partner retains management authority over the business and affairs, including investment decisions, of the Funds for which it serves as general partner.

Affiliates of Gold Hill serve as the general partners of the Funds (the “Affiliated General Partners”). Each of the Affiliated General Partners is a related person of Gold Hill and is under common control with Gold Hill.

The investors in the Funds (“Investors”) are primarily “qualified purchasers” (as defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”)), and may include, among others, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, limited partnerships and limited liability companies. The Funds are not registered under the Investment Company Act, and the securities of the Funds are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

#### **a. GHVL**

Investors in GHVL invest directly in private investment funds that operate as parallel funds (“Parallel Funds”), or indirectly through a feeder fund that invests in a master fund

(“GHVL Master Fund”). The Parallel Funds and the GHVL Master Fund collectively hold the investments that comprise GHVL.

**b. GHC ‘08**

Investors in GHC ‘08 invest directly in a private investment fund (“Stand-Alone Fund”), or indirectly through a feeder fund that invests in a master fund (“GHC Master Fund”). The Stand-Alone Fund and the GHC Master Fund collectively hold the investments that comprise GHC ‘08.

**B. Advisory Services**

Gold Hill offers advice solely with respect to the investments made by the Funds, which generally consist of private company securities and venture loans, by identifying investment opportunities and participating in the acquisition, management, monitoring and disposition of investments for each Fund.

Gold Hill generally has broad and flexible investment authority with respect to the Funds. Each Fund’s investment objective and strategy is set forth in the relevant Fund Agreement and offering documents. All Investors in the Funds are provided with a confidential memorandum and are urged to carefully review those documents.

Gold Hill’s investment strategy primarily focuses on making loans, typically coupled with warrants or other equity securities, in venture backed companies, and to a lesser degree, making direct equity investments in venture capital-backed technology and to a lesser extent life sciences companies (the “Portfolio Companies”). Gold Hill generally provides services to each Fund and/or its Affiliated General Partner pursuant to a separate investment advisory and management services agreement (the “Management Agreements”) which sets forth the terms of the services to be provided by Gold Hill.

As noted above, the clients of Gold Hill are the Funds. Gold Hill tailors its investment advice to each Fund in accordance with the Fund’s investment objectives and strategy as set forth in the relevant Fund Agreement and confidential private placement memorandum. Gold Hill does not tailor its advisory services to the individual needs of Investors. Gold Hill has complete discretion to manage the investment program of each Fund, subject to the investment guidelines and restrictions set forth in the investment management agreement between Gold Hill and each of the Funds.

The Investors in each Fund are able to negotiate the terms of the applicable Fund Agreement in connection with their investments in such Fund. In certain cases, the Affiliated General Partners may, and have, entered into side letter agreements with certain Investors in a Fund establishing rights under, or supplementing or altering the terms of, the applicable Fund Agreement (including without limitation, “most favored nations” rights, transparency rights, reporting rights, capacity rights, approval rights and certain other protections and the right to

receive certain special allocations). Once invested in a Fund, Investors generally cannot impose additional investment guidelines or restrictions on such Fund.

### **C. Assets Under Management**

As of September 30, 2012, Gold Hill manages \$213,175,919 of client assets on a discretionary basis. Gold Hill does not currently manage any client assets on a non-discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

### A. Fees

Gold Hill is compensated through the payment of management fees and performance fees by the Funds. The specific terms relating to the fees paid by each Fund, summarized below, are negotiated by the Investors in such Fund at the time of its formation and, as such, vary from Fund to Fund.

All Investors in the Funds are accredited investors within the meaning of Regulation D of the U.S. Securities Act and qualified purchasers within the meaning of Section 2(a)(51) of the U.S. Investment Company Act .

Following formation of a Fund, the fees paid by the Funds are not negotiable.

Gold Hill (indirectly or directly) receives a management fee from each Fund that is paid in cash quarterly in advance, with fees for any period shorter than a full quarter being prorated for such quarter. In general, the annual amount payable by a Fund to Gold Hill a percentage (generally ranging from 1.5% to 2%) of the total capital commitments to such Fund. Following the end of a Fund's investment period, the fee generally transitions to a percentage (typically 1%) of the Fund's outstanding investments.

Gold Hill, or the Affiliated General Partners, deducts fees applicable to the Funds directly from the Fund's assets. Clients do not have the ability to choose to be billed directly for fees incurred.

In general, in accordance with each Fund Agreement, Gold Hill receives a management fee based on a fixed percentage of each Fund's committed capital, or in later years, a fixed percentage of each Fund's investments outstanding. In addition, the Affiliated General Partners may receive a performance allocation with respect to the Funds, based on, among other factors, net aggregate profits earned by a Fund (pursuant to the detailed terms as described in each Fund's governing documents). The management fee is payable quarterly in advance and the performance fees are generally paid to the relevant Affiliated General Partner pursuant to the detailed terms as described in each Fund's governing documents.

In addition, Gold Hill or the Affiliated General Partners or their members, employees or other affiliates may receive certain transaction fees, advisory fees, director's fees, break-up fees or other similar fees in connection with portfolio investments of the Funds as compensation for financial advisory and similar services provided to the Funds' portfolio companies. The management fees payable by the Funds may be offset (typically on a dollar for dollar basis) of such fees pursuant to the terms of the applicable Fund Agreement.

## **B. Fund Expenses**

The normal day-to-day operating expenses of the Funds are paid by Gold Hill or the Affiliated General Partner from the management fee, including the salaries of the Gold Hill employees (including the Principals), rent, communications, travel, consulting, other expenses incurred in investigating, evaluating or managing investments or investment opportunities including the cost of servicing and administering any loans made to Portfolio Companies. Placement agent fees relating to the raising of capital for the Funds, if any, are typically borne by the applicable Fund, but are considered a management fee offset the quarter after which they are paid.

The Funds are responsible for all other expenses of the Funds including: (i) legal, accounting, audit and custodial fees and expenses; (ii) brokerage, broker-dealer, registration, qualification, depository and similar fees or commissions; (iii) transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or otherwise disposing of the respective Funds' assets, including repossessed collateral for any loan; (iv) costs of investor meetings, financial statements and other reports; and (v) the costs of organizing the respective Fund, provided that such organizational costs will not exceed the minimum stated in the respective Funds' documents.

Please refer to Item 12 of this Brochure for information regarding Gold Hill MFV's brokerage practices.

## **C. Pre-payment of Fees**

The Management Fees applicable to each Fund are paid quarterly in advance to Gold Hill pursuant to the Management Agreements and relevant Fund Agreements.

Investors may not withdraw from a Fund prior to dissolution, and may not transfer any of their interests in the Fund without the prior written consent of Gold Hill or the applicable Affiliated General Partner, as applicable.

The management fee obligation of a Fund may be terminated only in connection with the dissolution of that Fund. Pursuant to the Management Agreements and Fund Agreements, in the event of an early termination of a Fund mid-quarter, a pro-rated portion of the management fees paid in advance of the fiscal quarter in which such termination occurs would be returned to the applicable Fund.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5.B. above, each Affiliated General Partner receives performance-based compensation from the Fund for which it serves as a general partner. In general, the Funds allocate a portion of their net aggregate investment profits (generally 20%) to their Affiliated General Partners, which are related persons to Gold Hill, pursuant to each Fund's applicable Fund Agreement (such profit allocation is commonly referred to as a "carried interest"). The foregoing performance-based carried interests are generally subject to the achievement of an 8% annual rate of return on the amount of the unreturned capital contributions of Investors as of the date of determination.

It should be noted that the possibility an Affiliated General Partner may receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Gold Hill to make investments that are riskier or more speculative than in the absence of such performance-based fees. Investors are provided with clear disclosure in the relevant Fund Agreement and private placement memoranda as to how performance-based compensation is charged with respect to a particular Fund and the risks associated with such performance-based compensation prior to making an investment.

In limited cases more than one Fund may invest in a given portfolio company. This may cause a conflict of interest in that Gold Hill may have an incentive to allocate particularly attractive investment opportunities to the Fund that is expected to generate carried interest or to permit that Fund to exit investments at a time that would maximize its returns, potentially to the detriment of the other Fund. The Fund Agreements provide a detailed explanation as how Gold Hill will manage such potential conflict.

## **ITEM 7 – TYPES OF CLIENTS**

Gold Hill provides investment advisory services solely to the Funds, as described in Item 4, above. The Funds invest capital contributed to them by one or more high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, pooled investment vehicles, and other entity investors that are “accredited investors” (as defined in Regulation D under the Securities Act), qualified clients under Rule 205-3 of the Investment Advisers Act and qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act. In addition, the Funds require a significant minimum capital commitment. The minimum capital commitment may be waived at the discretion of Gold Hill or the Affiliated General Partner, as the case may be. The Funds are no longer open to new Investors. If Gold Hill raises any funds in the future, such funds will have suitability requirements and significant minimum capital commitments.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis and Investment Strategy**

The following summarizes the methods of analysis and investment strategies used by Gold Hill in formulating investment advice. An investment in the Funds involves a risk of loss that Investors should be willing to bear.

As stated above Gold Hill's principal investment strategy involves offering loans to venture backed private companies combined with equity features. Gold Hill actively seeks to achieve three major objectives: 1) build a large, diversified loan portfolio that provides a baseline return due to the predictability of the interest income and low loss rates on the loans; 2) build a portfolio of warrant and equity positions that will provide significant potential upside to the floor loan return; and 3) use principal recycling and leverage to increase the Fund's deployment and thereby investor returns.

#### **1. BUILD A LARGE, DIVERSIFIED LOAN PORTFOLIO**

Gold Hill and the Affiliated General Partners seek to maintain portfolios that are diversified by borrower, VC firm, geography and industry. By stage, the Funds may lend to pre-revenue and early-revenue businesses as well as to companies in the rapid growth stage of their development. The Principals typically pursue investments in industries that combine two important factors: the potential for substantial equity gains upon exit and proprietary intellectual property or other competitive barriers to entry for downside protection. Gold Hill believes that the loan portfolio can provide a predictable baseline return by providing consistent distributions from interest and fees since the beginning of the life of the Funds. In making each investment decision, Gold Hill evaluates both the credit quality of the company as well as its potential return.

The Principals have built and maintain an extensive network of relationships, which may be leveraged to generate investment opportunities. The Principals also communicate with industry participants to ensure their understanding of Gold Hill's strategy. By leveraging their relationships and raising awareness of Gold Hill's differentiated attributes, the Principals expect to have a competitive advantage over other venture debt providers in building their portfolio.

#### **2. BUILD AN ATTRACTIVE PORTFOLIO OF WARRANT AND DIRECT EQUITY POSITIONS**

In connection with its loan portfolio, Gold Hill and the Affiliated General Partners aim to build a portfolio of warrants that are diversified by issuer, VC firm and industry. In addition to warrant coverage, Gold Hill will often seek to obtain a "right to invest" with each loan, resulting in the opportunity to invest a specific amount of direct equity and may also negotiate the right to convert some portion of the loan into

equity. Gold Hill typically makes direct investments, either by purchasing shares or converting debt in private companies that have been a borrowing portfolio company for a period of months or years prior to the equity investment, allowing Gold Hill to determine which rights to exercise and the specific dollar amounts to invest based on its significant knowledge of the finances, management team and growth prospects of the portfolio company.

### 3. RECYCLE PRINCIPAL PAYMENTS AND USE LEVERAGE

Gold Hill seeks to recycle principal payments and use leverage in order to increase the amount of capital deployed and increase return on investor capital. Based on current deal flow, the Principals aim to fund over approximately 2x investor commitments over the life of the Fund as a result of recycling and leverage. This larger pool of invested capital will likely result in additional income from interest and fees, and a greater number of warrant and direct equity positions. Gold Hill expects the additional portfolio company positions should contribute to a higher return for Investors by increasing the Fund's holdings in a diverse number of promising early stage and rapid growth companies. However, there is no guarantee on the amount of deal flow or Gold Hill's ability to reach a 2x threshold.

**As a general matter, Gold Hill utilizes the methods of analysis and investment strategies described in the Funds governing documents provided to all Investors prior to the time of an investment. Investors and prospective Investors should refer to the respective Fund's governing documents for a complete overview of Gold Hill's methods of analysis and investment strategies.**

#### **B. Risk Factors**

An investment in the Funds involves a significant degree of risk. There can be no assurance that the Funds' targeted rate of return will be achieved or that there will be any return of capital. The environment for venture investments is increasingly competitive and an Investor should only invest in the Funds if the Investor can withstand the liquidity constraints of an investment in the Funds and a total loss of its investment. No guarantee or representation is made that the Funds' investment program will be successful.

The following are some of the additional material risks associated with an investment in the Funds:

1. **RISK INHERENT IN LOANS TO PRIVATE COMPANIES.** The types of investments that the Funds make involve a high degree of risk. In general, financial and operating risks confronting portfolio companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that the Funds will be adequately compensated for risks taken. The companies in which the Funds invest may have complex and/or non-optimal capitalization structures and may be in need of assistance to expand or reorganize operations, acquire other businesses, or develop new products and

markets. These activities by definition involve a significant amount of change in a company, which if not properly implemented could give rise to potentially significant decreases in enterprise value. In addition, loans to private companies involve a number of particular risks, including: (1) these companies may have limited financial resources and limited access to additional financing, which may increase the risk of their defaulting on their obligations, leaving creditors, such as the Funds, dependent on any guarantees or collateral they may have obtained; (2) these companies may have shorter operating histories, narrower product lines, and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns; (3) there may not be as much information publicly available about these companies as would be available for public companies and such information may not be of the same quality; and (4) these companies are more likely to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations.

2. **RISKS ASSOCIATED WITH LEVERAGE.** It is anticipated that the Funds may borrow capital from third parties in order to leverage its lending and other investment activities. There can be no assurance that credit will be available to the Funds on attractive terms. Failure to secure credit could adversely affect a Fund's lending and other activities. Moreover, leverage will magnify a Fund's potential for both gain and loss. Thus, the use of leverage will tend to increase the level of risk associated with an investment in a Fund.
3. **NO ASSURANCE OF ADDITIONAL CAPITAL FOR INVESTMENTS.** After the Funds have provided debt and/or equity financing to a company, continued development and marketing of products may require that additional financing be provided. In particular, technology companies – a sector in which the Funds expect to invest – generally have substantial capital needs that are typically funded over several stages of investment. There can be no assurance that a portfolio company will have sufficient cash flow from operations or capital resources from follow on equity financings to satisfy its loan obligations to a Fund as they become due. Nor is there any assurance that collateral taken by a Fund to secure repayment of such loan obligations will have realizable value sufficient to satisfy such obligations. If a portfolio company defaults on its loan obligations to a Fund, the Fund could experience significant delays and costs in exercising its rights to protect its investment. A Fund's ability to obtain payment from a portfolio company beyond the realizable value of the Fund's collateral may be limited by bankruptcy or similar laws affecting creditor's rights. There can be no assurance that the Fund would ultimately collect the full amount owed on a defaulted loan.
4. **COMPETITIVE MARKETPLACE.** The marketplace for private debt and equity investing has become increasingly competitive. Participation by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment

opportunities is at high levels. There can be no assurances that Gold Hill or the Affiliated General Partners will locate an adequate number of attractive investment opportunities to invest all capital committed by Investors to the Funds. To the extent that the Funds encounter competition for investments, returns to Investors may vary.

5. **EXTENSIVE GOVERNMENT REGULATION.** The extensive government regulation of certain industries in which the Funds may invest creates additional uncertainty and risks for the Funds. Obtaining regulatory approval may be a lengthy and expensive process with an uncertain outcome, and portfolio companies may be unable to obtain necessary regulatory approvals on a timely basis, if at all, which could materially and adversely affect portfolio company success.
6. **CHANGING ECONOMIC CONDITIONS.** The success of the investment strategies employed by the Funds could be significantly impacted by changing external economic conditions in the United States and global economies. The use of leverage in making investments will increase the exposure of the Funds' portfolio holdings to changes in interest rates and inflation rates, in particular, and changing economic conditions could potentially adversely impact the valuation of portfolio holdings. The United States and global economies periodically experience volatile and unstable periods, which may include bank failures, credit crises, a loss of confidence among major financial institutions and instability in the public markets. Each of these ongoing conditions and the potential repercussions thereof may have lasting adverse effects on the returns of the Funds and their portfolio companies. Moreover, the potential regulatory reactions to such economic turmoil may further adversely impact the Funds in unanticipated ways.
7. **POSSIBILITY OF BECOMING A MINORITY INVESTOR IN CERTAIN CASES.** The investment structures utilized by the Funds may result in their holding meaningful minority stakes in privately held companies. As is the case with minority holdings in general, the minority stakes that the Funds may hold have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.
8. **NO MARKET; ILLIQUIDITY OF FUND INTERESTS.** An investment in the Funds will be illiquid and involves a high degree of risk. There is no public market for interests in the Funds, and it is not expected that a public market will develop. Consequently, Investors will bear the economic risks of their investment for the term of the Funds. Prospective Investors will be required to represent and agree that they are purchasing interests in a Fund for their own account for investment only and not with a view to the resale or distribution thereof.
9. **LIMITED PORTFOLIO DIVERSIFICATION.** The portfolio loans and investments of the Funds may not be broadly diversified. A downturn of the economy or in the business of any one industry or market segment could impact the aggregate returns delivered to Investors by the Funds.

10. CERTAIN LIMITATIONS ON ABILITY OF INVESTORS TO TRANSFER THEIR INTERESTS IN THE FUNDS. The transferability of interests in the Funds will be restricted by the Funds' Fund Agreements and by United States federal and state securities laws. In general, Investors will not be able to sell or transfer their interests in a Fund to third parties without the consent of the Affiliated General Partner of the Fund.
11. LEGAL, TAX AND REGULATORY RISKS. Legal, tax and regulatory changes could occur during the term of the Funds that may adversely affect the Funds.
12. FAILURE TO MAKE CAPITAL CONTRIBUTIONS. If an investor fails to pay when due installments of its capital commitment to a Fund, and the contributions made by non-defaulting Investors and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, a Fund may be subjected to significant penalties that could materially and adversely affect the returns to the Investors (including non-defaulting Investors). If an investor defaults, it may be subject to various remedies as provided in the applicable Fund Agreement.

**Investors and prospective Investors are provided with a confidential memorandum that contains a detailed description of the material risks related to an investment in the Funds, and are advised to carefully review all risk factors set forth in the relevant confidential private placement memorandum.**

## **ITEM 9 – DISCIPLINARY INFORMATION**

Gold Hill is required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of Gold Hill or the integrity of Gold Hill's management. Gold Hill has no legal or disciplinary information to disclose at this time.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As described above in Item 4, the Affiliated General Partners are related persons of Gold Hill that serve as general partners to the Funds and in connection therewith maintain investments in such Funds and provide investment management and administrative services to the Funds. Although not a related person, a strategic investor (the “Strategic Investor”), that is a banking institution, has made an investment in certain of the Affiliated General Partners. Such Strategic Investor does not control the Affiliated General Partner and has no authority over the actual investments of the Funds. As described in Item 6, the Affiliated General Partners are entitled to receive performance fees from the Funds, which may in certain circumstances create a conflict of interest.

As described elsewhere in this Brochure, Gold Hill generally seeks to make significant investments in Portfolio Companies. Gold Hill may on limited occasion, seek control or substantial minority positions in Portfolio Companies, with board representation and customary shareholder rights. As such, Gold Hill’s management persons may have management roles with Portfolio Companies.

Gold Hill addresses the above conflict of interests through the advisory board of the relevant Fund (the “Advisory Board”). Which is comprised of the Affiliated General Partner of the Fund and a subset of the Fund’s Investors, and is responsible for reviewing such conflicts of interest as needed.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

Gold Hill’s Code of Ethics (the “Code”) is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”). The Code applies to Gold Hill’s “Access Persons.” Access Persons include, generally, any member, officer or director of Gold Hill and employees (as applicable) of Gold Hill who, in relation to the Funds (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All Gold Hill employees are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Gold Hill’s status as a fiduciary to the Funds and requires Access Persons to place the interests of Funds above their own interests and the interests of Gold Hill. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Gold Hill’s Chief Compliance Officer. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide Gold Hill’s Chief Compliance Officer with a list of their personal accounts and an initial holdings report listing the holdings of such personal accounts within 10 days of becoming an Access Person. In addition, Gold Hill’s Access Persons must provide annual holdings reports and quarterly transaction reports detailing, respectively, the holdings and quarterly transactions in their personal accounts in accordance with Advisers Act Rule 204A-1.

The Code also describes Gold Hill’s duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) advisory clients. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, employees of Gold Hill who possess non-public information, whether or not it is material, must not trade in the securities affected by such information, must not disclose such information to anyone who does not have a legitimate need to know it and must immediately disclose such information to the Chief Compliance Officer.

Investors or prospective Investors may obtain a copy of the Code by contacting Gold Hill.

## **B. Conflicts of Interest**

As explained in Item 10 above, the Affiliated General Partners, which are owned by the Principals and are related persons to Gold Hill, serve as the general partners of the Funds. These Affiliated General Partners also commit capital to the Funds, and as a result every investment made by a Fund involves a purchase of securities whereby related persons of Gold Hill indirectly acquire an indirect interest in such securities. Gold Hill's Principals and employees may also invest directly in certain of the Funds. These transactions have the potential to present conflicts of interest as described below.

1. Gold Hill has a financial ownership interest in the Funds and receives a management fee, and in some cases, a performance-based fee or allocation for its services to the Funds (as disclosed elsewhere in this ADV). The fact that Gold Hill has a financial ownership interest in the Funds creates a potential conflict in that it could cause Gold Hill to make different investment decisions than if it did not have such a financial ownership interest. Further, as noted in Item 6, the possibility that Gold Hill or an affiliate could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Gold Hill to make more speculative investments than it might otherwise make.
2. Gold Hill's Principals invest in the Affiliated General Partners and Affiliated General Partners also invest directly in the Funds. The fact that Gold Hill's Principals, Affiliated General Partners, and employees have financial ownership interests in the Funds creates a potential conflict in that it could cause Gold Hill to make different investment decisions than if such parties did not have such financial ownership interests. However, Gold Hill believes that these financial interests align Gold Hill's and the Affiliated General Partner's incentives with other Investors in the Funds.
3. As discussed further below, the Fund Agreements and the Code place restrictions on the ability of Gold Hill personnel to hold interests in Fund portfolio companies outside of their indirect interests through Affiliate General Partners or through their investment in Funds. In general, to mitigate the associated conflicts of interest, such investments are not permitted. Such co-investments will only be made if the terms of the applicable Fund Agreements permit such investment.
4. As noted in Item 6, in certain cases a Fund may invest in a Portfolio Company that is already a Portfolio Company of a different Gold Hill Fund. This may cause a conflict of interest in that Gold Hill may have an incentive to allocate particularly attractive investment opportunities to the Fund that is expected to generate carried interest or to permit that Fund to exit investments at a time that would maximize its returns, potentially to the detriment of the other Fund. The Fund Agreements and Compliance Manual provide a detailed explanation as to how Gold Hill will manage such potential conflict.
5. Finally, as described in Item 5 above, Gold Hill, an Affiliated General Partner, or a Principal may receive certain transaction fees, advisory fees, director's fees, break-up fees or other similar fees in connection with portfolio investments of the Funds as

compensation for financial advisory and similar services provided by them to the Funds' portfolio companies. Payment of such fees may create a conflict of interest because it could create an incentive for Gold Hill or an Affiliated General Partner to cause a Fund to invest its capital in a company that will pay such a fee to Gold Hill or its affiliate. While the management fees payable by the Funds to Gold Hill may be offset by a portion of such fees pursuant to the applicable Fund Agreement, Gold Hill further mitigates this conflict of interest by negotiating such fees at arm's length with such portfolio company and generally seeking to ensure that such fees are, in the good faith opinion of Gold Hill, in accordance with prevailing market rates in the relevant industry. Gold Hill does not take into consideration whether a portfolio company will pay Gold Hill or its affiliate a services fee when making an investment determination.

Further, as noted in item 10, a Strategic Investor holds a non-controlling interest in certain of the Affiliated General Partners. Such Strategic Investor has in the past, and may in the future, make or hold investments for its own account in Portfolio Companies that are being invested in by the Funds. This creates a potential conflict of interest because the Strategic Investor may take an opportunity that could be offered to the Funds. This could create a potential conflict of interest in that it may create an incentive for Gold Hill to make more speculative investments than it might otherwise make. However, this conflict is mitigated by the fact that the Strategic Investor does not control the Affiliate General Partner and does not have any discretion over the investments of the Funds.

**Gold Hill seeks to address these potential conflicts through:**

- Regular monitoring of the Funds' portfolios for consistency with objectives, strategies, and target capacity;
- Closely monitoring situations as described in 3 and 4 above for any potential conflicts of interest to make sure that the interests of the advisory clients is being put first;
- The Principals carefully considering the risks involved in any investments;
- Gold Hill providing extensive disclosure to Investors regarding the potential risks that come with an investment with Gold Hill;
- As detailed in the offering documents of the Funds each Fund has an advisory board that is tasked with managing certain conflicts of interest; and
- Enforcing a robust Code of Ethics that (i) requires Access Persons to place the interests of the Funds over their own or those of Gold Hill, (ii) requires all Access Persons to acknowledge their receipt and understanding of the Code, upon hire and annually thereafter, and (iii) does not permit an Access Person to make an investment in securities on the Restricted List (as described below) without appropriate preclearance from the Chief Compliance Officer.
- Review by the advisory board of the applicable fund of any conflicts of interests.

### **C. Restrictions on Access Person Trading**

The Fund Agreements, the Compliance Manual and Code generally prohibit Access Persons from holding interests in Portfolio Companies outside of their indirect interests through Affiliate General Partners or through their investment in Funds. Such investments could create a conflict of interest because they could give Gold Hill or an Affiliated General Partner an incentive to cause a Fund to invest its capital in a company in which it would not otherwise invest, or to dispose of its investment in a company at a time or for a price which it would not otherwise recommend for the Fund absent such related person's ownership of such securities.

In general, to mitigate the associated conflicts of interest, such investments are not permitted. Such co-investments will only be made if the terms of the applicable Fund Agreements permit such investment. In general, the Code and the Fund Agreements limited such investments. Gold Hill believes that these restrictions are sufficient to mitigate any conflicts of interest associated with an employee or consultant's investment in a Fund portfolio company.

Gold Hill enforces the foregoing policy and manages the potential conflicts of interest inherent in Access Person personal trading by rigorous enforcement of its Code, which contains strict pre-clearance and reporting guidelines for Access Persons.

Gold Hill requires that Access Person's transactions in certain "reportable securities" (as defined in Section 202(a)(18) of the Advisers Act) be pre-cleared with the Chief Compliance Officer. The following transactions are subject to this pre-clearance requirement:

- (i) direct or indirect purchase or sale of beneficial ownership in a security in an initial public offering;
- (ii) direct or indirect purchase or sale of beneficial ownership in a security in a limited offering, which includes but is not limited to, U.S. and offshore hedge funds, private equity funds and venture capital funds (including, for the avoidance of doubt, any Funds managed by Gold Hill).
- (iii) the sale of any securities related to a Portfolio Company which an employee may have purchased prior to Gold Hill's implementation of a "restricted list".

Further details are available in the Code which is available to Investors upon request.

Gold Hill maintains a "Restricted List" with the names of issuers of securities about which Gold Hill or its affiliates (including Access Persons) hold an interest or otherwise have learned material, non-public information. In order to minimize the risk of improper transactions, all public Portfolio Companies, if any, in which a Fund owns stock or controls one or more board seats, and if applicable, all of the publicly-traded affiliates of such companies, will be placed on the Restricted List. Access Persons must pre-clear any purchases or sales of an interest in a Portfolio Company so that the Chief Compliance Officer

may confirm that the proposed investment meets the requirements of the applicable Fund Agreements and the Code. Access Persons are prohibited from trading securities on the Restricted List, without prior consent of the Chief Compliance Officer to ensure any such trade meets the requirements of the Code.

In addition, Gold Hill receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer or his designee also reviews Access Persons' personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

## **ITEM 12 – BROKERAGE PRACTICES**

The private company securities which are the primary investments by the Funds are generally purchased in private placement transactions, without the assistance of a broker-dealer and without the payment of brokerage commissions or dealer mark-ups. Notwithstanding the above, Gold Hill has in limited circumstances, and may in the future, utilized broker-dealers in connection with the sale of securities held by a Fund in a portfolio company in connection with such portfolio company's completion of an initial public offering. As necessary for such transactions, Gold Hill has adopted policies and procedures reflective of its duty to execute trades in publicly-traded securities in a manner designed to seek best price and execution.

### **ITEM 13 – REVIEW OF ACCOUNTS**

Gold Hill's client accounts are under periodic review by the Principals and other investment professionals of Gold Hill. Such reviews include a review of investment policy, the suitability of the investments used to meet policy objectives, and investment objectives. Gold Hill considers, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

Each Investor in a Fund receives: (i) quarterly unaudited financial statements of the Funds with a brief summary about quarterly overall Fund activity; (ii) an annual financial report audited by a nationally recognized accounting firm, which will include an annual summary of the Fund's activity; (iii) and tax information regarding the Fund necessary for the completion of each Investor's tax return.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Gold Hill does not directly or indirectly compensate any person for Fund referrals. Notwithstanding the above, Gold Hill has, and may in the future, work with non-affiliated companies to receive the names of potential Investors. Pursuant to agreements with such companies, the respective Affiliated General Partner (or the relevant Fund, in certain cases) pays the company on a fixed fee basis and such payment is made irrespective of whether the potential Investors actually invest in a Fund.

## **ITEM 15 – CUSTODY**

Gold Hill or the Affiliated General Partners are deemed to have custody by virtue of their status as manager or general partner to the Funds, as the case may be, and accordingly, Gold Hill and its affiliates comply with the custody requirements applicable to registered investment advisers.

All of the Funds' assets, save for certain uncertificated securities purchased in private transactions, are held with a "qualified custodian," as defined in the applicable custody rules, which generally includes a bank or broker-dealer.

Gold Hill is exempt from the quarterly account statement delivery obligations and surprise audit requirement of the custody rule because each of the Funds are audited each year by an independent public accountant, and Gold Hill distributes financial statements to Investors in each Fund annually.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, Investors in the Funds have been provided with audited financial statements for their respective Funds within 120 days of the end of such Funds' fiscal years. It should be noted that certain of the Funds/entities that comprise GHVL and GHC '08 (each a "Fund Family") may not receive a separate annual audit. Certain Funds/entities may receive an audit opinion on the consolidated financial statements of its respective Fund Family. In issuing such an opinion the auditors effectively audit each Fund/entity in a Fund Family however only a consolidated opinion issued. Investors should contact Gold Hill with any questions.

## **ITEM 16 – INVESTMENT DISCRETION**

Pursuant to the Fund Agreements and Management Agreements, Gold Hill has discretionary authority to manage securities accounts on behalf of the Funds. Gold Hill is authorized to make transaction recommendations for the Funds. As explained in Item 4 above, each Fund's investment strategy is set forth in detail in such Fund's confidential offering documents and Fund Agreement. Investors do not have the ability to impose limitations on Gold Hill's discretionary authority other than what has been negotiated in the Fund Agreements. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, Investors execute a limited partnership agreement and/or subscription agreement which include a power of attorney.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Gold Hill understands and appreciates the importance of proxy voting. Gold Hill has adopted proxy voting policies and procedures that are designed to ensure that when Gold Hill, or an Affiliated General Partner, votes proxies with respect to securities held on behalf of Funds, such proxies are voted in the Funds' best interests, in the judgment of Gold Hill to the extent reasonably practicable. The procedures also require that Gold Hill identify and address conflicts of interest between Gold Hill, its related persons and its Funds and their portfolio companies and related persons. Gold Hill and/or its personnel may occasionally have business or personal relationships with the proponents of proxy voting proposals, participants in proxy voting contests, corporate directors and officers, or candidates for directorships. If a material conflict of interest is identified, Gold Hill will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interests of its Funds or whether taking some other action may be more appropriate.

It should be noted that given Gold Hill's business as a private venture fund manager, it is anticipated that it will be very rare that Gold Hill will receive proxies with respect to securities held on behalf of Funds. However, there are situations where private companies could have proxy issues (e.g. a private company needs approval of investors to make changes to board of directors, auditors, etc.). In such situations, Gold Hill or an Affiliated General Partner may have authority to vote proxies on behalf of Funds. In such cases, each proxy voting proposal received by a Fund is thoroughly reviewed in order to ensure that each such vote is voted in the best interests of the Fund holding the applicable securities.

Investors generally do not have the ability to direct proxy votes, however, if a material conflict is identified, Gold Hill will determine what course of action is in the best interests of the affected Investors (which may include utilizing an independent third party to vote such proxies, if any). Further, Gold Hill will determine whether it is appropriate to disclose the conflict to affected Investors and give such Investors the opportunity to vote the proxies in question themselves.

The Chief Compliance Officer or his designee would deliver proxies in accordance with instructions related to such proxy. In the event proxy voting procedures were ever to be utilized, Gold Hill would keep a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and Gold Hill's response for the previous five years.

## **ITEM 18 – FINANCIAL INFORMATION**

Gold Hill and its affiliates do not require or solicit prepayment of fees longer than six months in advance. Gold Hill is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds or Investors.