

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

**Item 1 - Cover Page**

March 29, 2017

HEP Partners LLC  
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Dallas, Texas 75201  
Phone - (214) 615-2300

This Brochure provides information about the qualifications and business practices of HEP Partners LLC. If you have any questions about the contents of this brochure, please contact us at (214) 615-2300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

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

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## **Item 2 - Material Changes**

HEP Partners LLC (the “Adviser”) is providing this annual update to the “Brochure” for the fiscal year ended December 31, 2016. There are no material changes to report from the Brochure on file with the United States Securities and Exchange Commission (“SEC”) dated March 30, 2016 although there is an update to the Adviser’s assets under management in Item 4.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may be requested by contacting Lori McCutcheon, the Adviser’s Chief Compliance Officer, at (214) 615-2300 or [lmccutcheon@hicksholdings.com](mailto:lmccutcheon@hicksholdings.com).

Additional information about the Adviser is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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#### Item 4 - Advisory Business

- A. The Adviser is a private equity firm located in Dallas, Texas. The Adviser provides investment supervisory services on a discretionary basis to private investment limited partnerships making privately negotiated equity and equity-related investments (each, a “Fund”, and together, the “Funds”).<sup>1</sup>

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

The Adviser was formed in 2012 to serve as the investment advisory arm of Hicks Holdings LLC (“HH”), a Dallas-based firm which owns and manages assets in real estate and makes corporate acquisitions, and is controlled by Thomas O. Hicks (the “Principal”).

The Adviser’s investment team, led by the Principal, has over 35 years of private equity investing and operating experience and has completed over \$50 billion of private equity investment transactions on behalf of high net worth and institutional investors throughout the U.S. The Principal and the investment team have a long-standing professional relationship that extends beyond HH as a number of senior personnel have worked together in various capacities prior to HH, including at Hicks, Muse, Tate & Furst, where they raised over \$12 billion in private equity funds and consummated over \$50 billion in leveraged acquisitions.

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

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

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<sup>1</sup> As an SEC-registered investment adviser, the Adviser owes a fiduciary duty to all of its clients. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to private funds, clarified that the “client” of an investment adviser to a private fund is the fund itself and not an investor in the fund. For purposes of this Brochure, the terms “Fund” or “Funds” refer to the advisory clients of the Adviser.

**Item 4 – Advisory Business (continued)**

secure on their own; (iii) make acquisitions that target companies would otherwise be unable to make; and (iv) enhance target companies' business practices as it pertains operating and financial initiatives.

- C. While each of its Fund's will follow the general strategy stated above, the Adviser may tailor the specific advisory services with respect to each Fund at the Adviser's discretion and based on the individual investment strategy of each Fund.

**All discussion of the Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Funds, and conflicts of interest faced by the Adviser in connection with the management of the Funds are qualified in their entirety by reference to each Fund's respective Offering Documents.**

- D. The Adviser does not participate in wrap fee programs.
- E. As of December 31, 2016, the Adviser managed \$109,962,950 in discretionary assets. The Adviser does not currently manage assets on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to a Fund. The Adviser may enter into different fee arrangements on a Fund by Fund basis.

### Capital Commitments

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

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

### Management Fees

Certain of the Funds may pay their General Partners an annual management fee (the “Management Fee”) of up to two percent (2%) of total capital contributions for services provided to the Fund, payable quarterly in advance from the date of the initial closing of a Fund until certain conditions are met as specified in such Fund’s limited partnership agreements.

### Distributions

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

Distributions to the Partners will be subject to certain adjustments and reserves as stated in more detail in each Fund’s limited partnership agreements.

## **Item 5 – Fees and Expenses (continued)**

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

### Transaction and Oversight Fees

In connection with the investments of certain Funds, various “transaction fees” and “oversight fees” may be paid to the Adviser, the General Partner, or their affiliates by the target company or other third parties, as stated in the applicable Funds’ Offering Documents.

“Transaction fees” include any fees and reimbursement of expenses received in connection with the consummation, disposition or termination of an investment attributable to the Fund and/or any fees received from a portfolio company, such as break-up fees, commitment fees, investment banking fees, termination fees, portfolio company management fees, directors’ fees, and similar fees. “Oversight fees” may include fees paid in exchange for assisting portfolio companies in the definition and implementation of business strategy; oversight of results; evaluation of business opportunities, such as acquisitions, mergers, or divestitures; and assistance with respect to financial matters, such as optimal capital structures and market knowledge.

- B. Management Fees may be paid out of current income and Disposition Proceeds of the Fund and from drawdowns of Commitments. Disposition Proceeds are made as indicated in Item 5.A. above. Transaction fees and oversight fees are not paid by the Funds but are paid by either the target company or other third parties.
- C. The General Partner and the Adviser will pay all of their respective ordinary administrative and overhead expenses, including salaries, benefits and rent.

Each Fund will pay all other expenses attributable to the activities of the Fund including, without limitation: (i) all organizational expenses; (ii) all out-of-pocket costs of the administration of the Fund, including accounting, audit, annual financial statement, federal income tax and Form K-1s, tax return preparation, consulting and legal expenses, costs of holding any meetings of partners, costs of any liability insurance obtained on behalf of the Fund and/or the General Partner, costs associated with the maintenance of books and records of the Fund, and costs associated with the preparation and dispatch to partners of checks, financial reports, and notices, and providing other information to existing and prospective investors; (iii) all expenses incurred in connection with the registration, qualification, or exemption of the Fund under any applicable laws; (iv) all expenses incurred in connection with the preparation of alterations and amendments to the Fund’s Offering Documents; (v) subject to any applicable provisions of the Fund’s Offering Documents, all expenses incurred in connection with any litigation involving the Fund (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith; (vi) subject to any applicable provisions of the Fund’s Offering Documents, all expenses for indemnity or contribution payable by the Fund; (vii) all expenses incurred with administrative proceedings and/or audit relating to the Fund’s tax matters; (viii) all expenses incurred in connection with the dissolution and liquidation of the Fund; (ix) all expenses incurred on

**Item 5 – Fees and Expenses (continued)**

account of taxes, fees, or other governmental charges of the Fund; (x) all expenses incurred in connection with the acquisition, holding, and disposition of investments and all third party expenses incurred in connection with transactions not consummated; and (xi) all expenses incurred in connection with monitoring of engaging any transactions with a portfolio company.

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

Please refer to Item 12, Brokerage Practices, for more information.

- D. As stated above, any Management Fees are payable quarterly in advance. Investors in the Funds are generally not permitted to voluntarily withdraw money and therefore they will likely not pay a management fee in excess of what they owe. Distributions to partners are discussed in Item 5.A. above.
- E. Other than as described above, neither the Adviser nor any of its supervised persons receives any compensation from the sale of securities or other investment products.



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

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

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee.

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

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

**Item 7 - Types of Clients**

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

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

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

### **A. Introduction**

The Adviser targets acquisitions, recapitalizations, buyouts, buy-and-builds, corporate divestitures and selected growth capital investments, typically investing \$15 million to \$100 million per portfolio company, in companies with enterprise values between \$25 million and \$200 million. The Adviser focuses on proactively originated investment opportunities that can be purchased at lower purchase multiples and lower financial leverage. Focus industries include specialty manufacturing, food and beverages, pay television and broadcasting, oil field services and oil and gas exploration and production. The Adviser is led by the Principal and a team of experienced investment professionals with a long history of working together and a proven record of making private equity investments in the middle-market dating back to the 1980s.

Over the past 35 years, the Principal and his team have developed and refined a proven private equity investing model based on the proactive sourcing of unique, proprietary deal flow in selected focus industries, which in turn has resulted in the completion of over \$50 billion of leveraged acquisitions. The Adviser believes that this proprietary investing model distinguishes the firm from other private equity firms.

### **Investment Process**

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

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

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)**

### Post-Closing Value Creation

Subsequent to closing an investment, the Principal and the investment team have historically taken an active role in the oversight and development of portfolio companies. Since these businesses are often entrepreneurially managed, the Adviser intends to devote a substantial amount of time in providing advice and direction to its management partners on how to transform portfolio companies into professionally managed businesses which are capable of exploiting incremental growth opportunities. This transformation typically entails hiring supplemental management resources, introducing budgeting and reporting tools for goals setting and performance measurement, implementing enhanced IT systems for stronger reporting and operational control, and creating incentive programs, including performance bonuses and stock option plans for management. Additionally, the Adviser provides ongoing capital support and strategic advice in evaluating growth strategies. As a result of these undertakings, portfolio companies are often transformed into larger, more professionally managed enterprises that become marketable to a large universe of strategic and financial buyers. The Adviser has a wide network of relationships with investment bankers, consultants and operating executives. The Adviser uses this network to attempt to maximize value when it sells an investment.

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

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

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

In addition, the Adviser's investment strategy includes certain other material risks, including risks of investing in privately held companies, risks of investing in junior securities of an issuer, potential investment concentration in one industry or one industry segment, possible

**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss (continued)**

lack of sufficient investment opportunities, risks associated with the use of leverage by a Fund, and the lack of a readily available market for Fund investments, among others.

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

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

C. See Item 8.B. above.

**Item 9 - Disciplinary Information**

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

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

#### **Item 10 - Other Financial Industry Activities and Affiliations**

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

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

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

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

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

- B. Affiliates of the Adviser serve as the General Partners to the Funds, which issue partnership interests to third party investors. Other than with respect to these structures, neither the Adviser nor any of its related persons recommend to the Funds, or buy or sell for Funds, investments in which the Adviser or any related persons have a material financial interest.
- C. The Principals and other members of the management team make significant capital commitments in each Fund. Such amounts may be invested pro rata with the limited partners of each Fund in all Fund portfolio investments. Other than any of these investments in the Funds, neither the Adviser nor any of its related persons invest in the same or related securities that either the Adviser or its related persons recommend to the Funds.
- D. Neither the Adviser nor any related person recommends investments to the Funds, or makes investments for the Funds, at or about the same time that the Adviser or its related persons buys or sells the same investments for their own account.



**Item 12 - Brokerage Practices**

- A. The Adviser's investment strategy involves making negotiated investments in privately held companies. As a result, the Adviser does not select or recommend broker-dealers for Fund transactions.

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

- B. Not Applicable.

**Item 13 - Review of Accounts**

- A. The Adviser maintains comprehensive review procedures for the ongoing monitoring of portfolio investments. In connection therewith, the Adviser conducts quarterly reviews of all portfolio company investments held in each Fund portfolio. All firm investment and operational staff participate in the ongoing monitoring of Fund portfolios, although responsibilities vary by individual.
- B. See Item 13.A. above.
- C. Annually, each Fund will furnish all limited partners with (i) audited financial statements prepared in accordance with generally accepted accounting principles, accompanied by the report of its independent certified public accountants, and (ii) tax information necessary for the completion of tax returns.

**Item 14 - Client Referrals and Other Compensation**

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.
- B. The Adviser does not utilize third party placement agents for referring investors to the Funds.

### **Item 15 - Custody**

The Adviser may be deemed under Rule 206(4)-2 of the Advisers Act to have custody of the assets of the Funds by virtue of its control of the General Partner of each Fund. All assets and securities of the Funds are held by qualified custodians with the exception of assets that are considered to be “privately offered securities” under Rule 206(4)-2(b). As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

**Item 16 - Investment Discretion**

The Adviser exercises its discretion in managing the investments of each Fund based on the Fund's particular investment objectives, policies, and strategies disclosed in its Offering Documents. In connection with this discretionary authority, the Adviser selects portfolio company investments for each Fund. The Adviser exercises its discretionary authority over the assets of the Funds through a management agreement entered into with the General Partner of each Fund.

## **Item 17 - Voting Client Securities**

The Adviser has been delegated the authority and right to vote proxies received by the Funds. The Adviser and its affiliates have adopted a proxy voting policy to ensure that the Adviser votes proxies to further the best interests of each Fund. The Adviser does not vote or review proxies on securities held by underlying portfolio companies of the Funds. The Adviser determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. The Adviser votes in a manner that it believes reasonably furthers the best interests of the Funds and is consistent with the Adviser's investment philosophy.

If a proxy vote creates a material conflict between the Adviser's interests and the interests of a Fund, the Adviser will resolve the conflict before voting the proxies. The Adviser will either disclose the conflict to the Fund and its investors or take other steps designed to ensure that a decision to vote the proxy was based on the Adviser's determination of the Fund's best interest and was not the product of the conflict.

Funds and their investors may obtain, free of charge, a full copy of the Adviser's proxy voting policies and procedures upon request to the contact information listed on the first page of this brochure.

The Adviser does not typically invest in or hold publicly-traded securities and, therefore, does not typically vote these types of proxies. To the extent the Adviser is in a position to vote these types of proxies, the Adviser generally votes proxies or corporate actions based on what it considers to be in the best financial interest of the Funds.

**Item 18 - Financial Information**

- A. The Adviser does not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.