

Item 1 – Cover Page

Form ADV Part 2A of Form ADV Brochure for:



HPE CAPITAL MANAGEMENT II, LLC

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This Brochure provides information about the qualifications and business practices of HPE Capital Management II, LLC (the “Adviser” or “HPE II”). If you have any questions about the contents of this Brochure, please contact Philip G. Riola at (310) 393-0600 or by email at priola@hauserprivateequity.com. 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, and references in this Brochure to the Adviser or HPE II as a “registered investment adviser” are not intended to imply a certain level of skill or training.

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

Item 2 – Material Changes

Item 9 - Disciplinary Information was amended to provide information regarding the disciplinary action of a personal nature taken against one of Hauser Private Equity's Managing Partners, Mark Hauser.

HPE II has not made any other material changes to the information provided herein since the Part 2A of Form ADV, dated March 31, 2020.

We encourage all recipients to read this Brochure carefully in its entirety.

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Item 4 – Advisory Business

HPE Capital Management II, LLC, a Delaware limited liability company (the “Adviser” or “HPE II”), was formed in 2015. HPE II is the successor entity to HPE Capital Management, LLC, formed in 2013, and its predecessor entity, Hauser Private Equity, LLC, formed in 2012. These organizational changes were made over time to create a greater alignment between the management company partners and their founding capital investors. A legacy entity, Hauser Capital Markets, LLC, formed in 2008 as the investment manager for Hauser Capital Partners, LLC, is now incorporated into the activities of HPE II.

The Adviser provides discretionary investment advisory services to pooled investment vehicles organized as private investment funds. More specifically, the private investment funds managed by HPE II are considered fund-of-funds in the marketplace, but are actually a hybrid of the fund-of-funds concept combined with direct co-investments, as each fund makes commitments to other private equity funds as well as direct co-investments alongside those private equity funds.

HPE II currently manages three limited liability companies acting as partnerships (collectively referred to herein as the “**HPE Funds**”) with combined limited partner capital commitments of \$309.3 million: Hauser Capital Partners, LLC (“**Fund I**”); Hauser Private Equity Core Fund II, LLC (“**Fund II**”); and Hauser Private Equity Core Fund III, LLC (“**Fund III**”). More information about the HPE Funds is available in HPE II’s Form ADV Part 1, Schedule D, Section 7.B.(1).

The HPE Funds are hybrid private equity fund-of-funds combining investments in private equity funds with direct co-investments along-side those private equity funds. Generally, these private equity funds and direct co-investments have similar characteristics: (i) lower middle and middle market focus, (ii) North American domicile, (iii) fund size of \$200mm - \$2 billion, (iv) diversified industry verticals with a bias to consumer goods, business services, industrials and healthcare, (v) operational improvement opportunities, and (vi) opportunity for HPE II to be a value added investor. See Item 8 for additional information.

HPE II’s investment advisory services to the HPE Funds consist of identifying and evaluating opportunities for both private equity funds and direct co-investments, negotiating instruments, managing and monitoring investments and their disposition. Investments in private equity funds are made primarily as the purchase of limited partnership interests in those funds. Investments in direct co-investments are made predominantly in non-public portfolio companies, although investments in public portfolio companies are permitted. The Partners of HPE II, senior investment professionals and other related persons of HPE II may serve on the advisory board of private equity funds or may serve on the board of directors of direct co-investments or otherwise act to influence control over the management of investments held by the HPE Funds.

HPE II’s investment advisory services for the applicable HPE Fund are detailed in the relevant private placement memoranda (each, “**Private Placement Memorandum**”), limited partnership agreements (each, “**Operating Agreement**”), subscription agreements, side letters and investment management agreements (together, the “**Governing Documents**”) and are further described below in Item 8. HPE II provides investment advisory services to the applicable HPE Fund under an investment management agreement with each HPE Fund.

HPE II manages Fund II and Fund III through its managing member entities (collectively, “**HPE II Member Entities**”). While the HPE II Member Entities maintain ultimate authority over the respective HPE Funds, HPE II has been designated the role of the investment adviser. This Brochure also describes the business practices of the HPE II Member Entities, which operate as a single advisory business together with HPE II, and unless the context otherwise requires, references in this Brochure to “HPE II” should be construed to mean the relevant HPE II Member Entity and its affiliates or respective personnel. More information about the HPE II Member Entities is available in HPE II’s Form ADV Part 1, Schedule D, Section 7.A.1.

HPE II does not tailor its advisory services to the individual needs of the HPE Funds’ Limited Partners (“**Limited Partners**” or “**Investors**”), and Limited Partners may not impose restrictions on investing in certain securities or types of investments in the HPE Funds. The Governing Documents set forth each Fund’s investment strategy, including guidelines regarding the types of securities the Fund will invest in and portfolio limits (if any).

Investors in an HPE Fund participate in the overall investment program for the applicable Fund. HPE II does not excuse a Limited Partner from a particular investment due to legal, regulatory or other applicable constraints unless provided for under the terms and conditions of the relevant Operating Agreement or other Governing Document or a “Side Letter,” described more fully below.

HPE II Member Entities have entered into one Side Letter with certain Limited Partners in Fund II that have the effect of establishing rights under, supplementing or altering Fund II’s partnership agreement or an Investor’s subscription agreement. Such rights or alterations are regarding economic terms. Generally, Side Letters define any rights established, or any terms altered or supplemented will govern only the investment of the specific Investor and not the terms of the Fund as a whole. Side Letters are generally negotiated at the time of the relevant Limited Partner’s capital commitment and once invested in an HPE Fund, Limited Partners generally cannot impose additional guidelines or restrictions on such HPE Fund, except as provided for in the Governing Documents. HPE Fund I and Fund III do not have Side Letters nor are any contemplated for future funds.

HPE II does not participate in wrap fee programs.

As of December 31, 2019, HPE II had regulatory assets under management of \$244,693,680, all of which are managed on a discretionary basis in HPE II’s sole discretion. HPE II does not currently manage any Fund assets on a non-discretionary basis.

Principal Owners

The HPE II Member Entities are owned by Mark J. Hauser and Paul M. Swanson. HPE II is ultimately owned and controlled by Mr. Hauser and Mr. Swanson. For more information about HPE II’s owners, please see HPE II’s Form ADV Part 1, Schedule A.

Item 5 - Fees and Compensation

In general, HPE II and HPE II Member Entities receive a management fee and/or carried interest allocation in connection with its investment advisory services. Carried interest allocations are described in Item 6.

Management fees, generally, are paid by each HPE Fund to HPE II quarterly in advance. While the HPE Fund is in its investment period (typically for five years after the effective date of the HPE Fund), the management fee is a percentage per annum of the aggregate Commitments. The percentage for Fund I is 0%, while the percentage for Fund II and Fund III is 1.0%. Following the Investment Period, the annual Management Fee payable is reduced each year to an amount equal to the product of (x) the Members' total Capital Commitments and (y) 0.90% in respect of the first full calendar year following the Investment Period, 0.80% in respect of the second full calendar year following the Investment Period, 0.70% in respect of the third full calendar year following the Investment Period and so on until a specified floor is reached, as specified in the Governing Documents.

In general, HPE II, HPE II Member Entities and the HPE Funds do not receive compensation in the form of management, advisory, transaction-related or other fees in the normal course of business. And generally, the Limited Partners of the HPE Funds are not eligible for a management fee reduction.

In addition to the management fee, the HPE Funds will pay all fees, costs, expenses, liabilities and obligations relating to each HPE Fund's activities, investments and business. Specific expenses may include: legal, tax, accounting, auditing and other professional advice and the advice of other consultants and experts on behalf of the Fund, fees paid for custodial services and third party technology and data information services, out-of-pocket expenses related to the sourcing, due diligence and potential acquisition of investments, regardless of whether such acquisition is actually consummated, and any other expenses relating to the Fund (e.g., insurance, the costs relating to any litigation involving the Fund, travel, etc.) (collectively, the "**Fund Expenses**").

In general, each HPE Fund is also responsible for the organizational and start-up fees, costs and expenses ("Organizational Expenses") for raising the HPE Fund, up to a maximum amount as specified in each HPE Fund's Governing Documents. Organizational Expenses include all actual out-of-pocket expenses (including travel, printing, legal, accounting, regulatory compliance, any administrative or other filings, and any other organizational expenses) incurred in connection with the organization, funding and start-up of the HPE Fund and the HPE Member Entities, including the preparation of, and negotiations with respect to, the Governing Documents. In general, HPE II does not retain placement agents or other firms for the purpose of fundraising.

HPE II bears its own expenses in connection with maintaining and operating its offices, such as compensation of its employees, rent, utilities and general office expenses, and any excess expense incurred above the maximum amount of Organizational Expenses as specified in each HPE Fund's Governing Documents.

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

HPE II Member Entities typically receive a performance-based carried interest allocation (“**Carried Interest**”) with respect to the HPE Funds of up to 10% of all realized profits in excess of an 8% annually compounded preferred return, subject to an HPE II’s catch-up provision as more fully described in the applicable HPE Fund Governing Documents. The Carried Interest allocations distributed to the relevant HPE II Member Entities, as applicable, are subject to a potential giveback to the extent the relevant HPE II Member Entities receives distributions in excess of entitled distributions. These performance-based arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exception set forth in Rule 205-3 under the Advisers Act.

The fact that each HPE II Member Entity Carried Interest allocations are based on the performance of each HPE Fund may create incentive for a HPE II Member Entity to make investments that are more speculative than would be the case in the absence of such distributions. However, HPE II believes this incentive is sufficiently mitigated by the following: (i) any losses the HPE Funds sustain will reduce each HPE II Member Entity (or HPE II’s) Carried Interest distribution; (ii) the HPE II principals have a substantial financial commitment to the HPE Funds as a percent of their individual net worth; and (iii) Carried Interest is generally calculated only after limited partners have received as distributions 100% of their capital contributions plus a preferred return.

With regards to side-by-side management, in an effort to reduce the potential for any conflict of interest regarding favoring one HPE Fund over another, the HPE Funds may invest together on a side-by-side basis in an individual private equity fund or direct co-invest. See Item 11 for a discussion of how HPE II manages concurrent HPE Funds.

At present, HPE II has only entered one Side Letter modifying the carried interest of one Investor in Fund II.

Item 7 – Types of Clients

HPE II provides investment advisory services to pooled investment vehicles operating as private investment funds, currently three (3) hybrid private equity fund-of-funds.

Participation in the HPE Funds via capital commitments and limited liability company interests are only offered and sold to institutional investors and certain high net-worth individuals that are “accredited investors” as defined in the Securities Act of 1933, as amended, and are either “qualified clients,” as defined by the Advisers Act or “qualified purchasers” or “knowledgeable employees” as defined by the Investment Company Act of 1940, as amended. The HPE Funds generally have specific minimum Commitment amounts of \$1 million, depending on the HPE Fund. At the sole discretion of the relevant HPE II Member Entity, Commitments of less than the minimum amount with respect to a Limited Partner were accepted. Admission to the HPE Funds is not open to the general public.

The Limited Partners participating in the HPE Funds include a broad range of US individuals, investment entities, trusts, and other corporations or business entities controlled by individuals. As of December 31, 2019, the HPE Funds only have one institutional investor which is an insurance company in Fund I.

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

Methods of Analysis and Investment Strategies

HPE II was created to form and manage the HPE Funds, which will generally act as hybrid “fund-of-funds,” combining investments in private equity funds and direct co-investments alongside those private equity funds. Generally, HPE II focuses on investing on a nationwide basis in lower-middle and middle-market private equity control buyout, subordinated debt, growth equity and special situation funds.

HPE II’s goal is to identify and invest in outstanding North American private equity funds that contribute to the success of their portfolio companies. In that regard, HPE II seeks funds with strategic investment models that apply operating leadership to their portfolio companies. In general, HPE II seeks private equity funds with the following characteristics: (i) funds who seek to partner with value-added limited partners like HPE II, (ii) lower-middle and middle market funds typically with fund sizes between \$200mm - \$2 billion, (iii) North American domiciled and portfolio company headquartered, (iv) teams with a track record of successfully investing, (v) funds that are operationally and sector focused, (vi) funds that have a clearly defined, targeted strategy to add value, and (vii) funds that have a demonstrated ability to achieve successful exits. HPE II does not pursue fund partners focused on venture capital, real estate, or emerging technology.

In its search for private equity funds, HPE II employs a rigorous fund diligence process and analytical methodology that generally involves: (i) management meetings, (ii) public information and third party research reviews via such vendors as Preqin and Pitchbook, including performance benchmarking (iii) historical financial review of fund performance, (iv) financial modeling and case scenario modelling, (v) reference calls to GPs and executive officers of existing and/or former portfolio companies, (vi) reference calls to relevant Board members of the HPE Funds or value-add limited partners of the HPE Funds, (vii) calls with third party diligence providers, and (viii) internal and external counsel review of documentation.

HPE II’s core investment strategy also involves direct co-investment alongside the private equity funds in the HPE Funds’ portfolios. For its direct co-investments, HPE II seeks investment opportunities with the following characteristics: (i) partner only with private equity firms with whom HPE II is already a Limited Partner or HPE expects to be in the future, (ii) preference for deals where HPE II’s private equity partner (“the **Fund Partner**”) is in control by virtue of ownership (>50%), (iii) preference for transactions in HPE II’s core verticals of Consumer, Healthcare, Industrials, and Financial & Business Services, (iv) transactions where HPE II can leverage the HPE Funds’ Board member, Limited Partner, and general networks to be a value-added investor to the deal, (v) transactions with common characteristics of solid management teams, achievable organic growth, executable M&A opportunities, and a clearly defined exit strategy.

For these direct co-investments, HPE II employs a rigorous diligence process similar to its analytical methodology for private equity funds: (i) deal overview call with the transaction team of the HPE Fund Partner (ii) thorough review of the Fund Partner diligence reports and financial models, (iii) create an internal HPE II investment analysis summary, (iv) engage HPE II Board Members and Limited Partners with relevant industry experience, (v) share the HPE II internal analytical results with the Fund Partner to support the diligence proceedings, (vi) secure an HPE II Board Member to sponsor/recommend the transaction, (vii) creation of investment memoranda summarizing the transaction, company overview, risks, mitigants and returns, (viii) submit full diligence package to the Board of Directors of the relevant HPE Fund, (ix) solicit external input and discuss the transaction merits and concerns, and (x) secure the Board of Director's approval to consummate the direct co-investment. All direct co-investments are reviewed and approved by the Board of Directors of the relevant HPE Fund.

Risk of Investment

All investments involve risk. Current and prospective HPE Fund Limited Partners should note that investments in securities involve risk of loss, including the possibility of a complete loss of the amount invested, and that they should be prepared to bear these risks. The HPE Funds and their Limited Partners bear the risk of loss that HPE II's investment strategy entails. All current and prospective limited partners should be aware of certain risks involved with HPE II's investment strategy and an investment in an HPE Fund, which are generally specified in the relevant Private Placement Memorandum and include, but are not limited to, the following:

Risk Associated with Reliance on the Manager and HPE II

The management of the HPE Funds is vested exclusively with the HPE II Member Entity (the "**Manager**") of each respective HPE Fund, and HPE II, acting as the "Investment Manager" of each HPE Fund. Prospective limited partners should not invest in any HPE Fund unless they are willing to entrust all aspects of the management of the HPE Funds and the investments therein to the complete discretion of the Manager and the Investment Manager. Some of the risks that should be considered by a prospective limited partner include:

Limited Partners Have No Part in Management of the Fund

Limited Partners have no right or power to participate in the management or control of the business of the Fund or its investments and thus must depend solely upon the ability of the Manager and the Investment Manager with respect to making investments. In addition, Limited Partners have no opportunity to evaluate the specific investments made by the Fund or the terms of any investment.

Reliance on the Manager, the Investment Manager and Key Personnel

The HPE Funds are managed by the respective Manager of each Fund, and the investments are managed by the Investment Manager. Except as set forth in the LLC Agreement, the Limited Partners (“**Investors**”) make no decisions with respect to the management, disposition or other realization of any investment made by the HPE Funds, or other decisions regarding the HPE Funds' business and affairs. Consequently, the success of the HPE Funds depends substantially upon the Investment Manager. The ability of the Manager to manage the HPE Funds' affairs depends largely on the management team of the Investment Manager, including the Managing Principals, Mark Hauser and Paul Swanson. There can be no assurance that these individuals will remain affiliated with the Investment Manager throughout the term of the HPE Funds or will otherwise be able to continue to carry on their current duties throughout such term. Further, competition in the financial services industry for qualified employees is intense and there is no guarantee that the talents of the Investment Manager's investment professionals could be replaced. The loss of one or more of these individuals could have a material adverse effect on the results and future prospects of the HPE Funds.

Investment Selection and Techniques

The success of the HPE Funds' investment strategy depends on the management, skill and acumen of the Investment Manager. The Investment Manager has considerable discretion in selecting the types of financial instruments in which the HPE Funds may invest and the types of investment strategies and hedging techniques the HPE Funds may use. The Operating Agreement of each of the respective HPE Funds does not limit the Fund's investment strategy or policies, and the Investment Manager has wide latitude to invest the Fund's assets, to pursue any particular strategy or tactic or to change the Fund's emphasis, objectives, policies and/or strategy, all without obtaining the approval of the Members. Each HPE Fund's strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful investments and, ultimately, losses to the Fund. The Investors will not have an opportunity to select or evaluate any of the Fund's investments, strategies or techniques. The risks associated with such investments, strategies and techniques may be materially different than those described herein.

Cybersecurity Risk

Although the Manager and Investment Manager take protective measures and endeavor to modify them as circumstances warrant, the security of the HPE II computer systems, software and networks used for the HPE Funds is vulnerable to breaches, unauthorized access, misuse, computer viruses or other malicious code and other events that could have a negative impact on the HPE Funds. Additionally, breaches of security may occur through intentional or unintentional acts by those having authorized or unauthorized access to confidential or other information that HPE II maintains, including information with respect to HPE II, HPE Funds' Investors and HPE II counterparties. One or more such events could potentially jeopardize such confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations and, the Fund investors', counterparties' or third parties' operations, which could result in significant losses, increased costs, liability to the HPE Funds, regulatory

intervention or reputational damage to the HPE Funds. The HPE Funds may be required to expend significant additional resources to modify HPE II's protective measures or to investigate and remediate vulnerabilities or other exposures arising from operational and security risks, and the HPE Funds may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by HPE II or the HPE Funds. HPE II had its email system compromised in 2018 but suffered no losses. HPE II implemented new safeguards to prevent a similar experience.

Carried Interest; Incentive for Risk

The Carried Interest of the Manager of each HPE Fund only provides gains to the Manager after the respective HPE Fund's investments have resulted in a Return of Capital and a Preferred Return to Investors. This structure may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case if such an arrangement were not in effect.

Lack of Regulatory Oversight

HPE Funds' activities are not generally subject to the same degree of regulatory oversight as other investment vehicles, such as registered investment companies ("mutual funds"). While each of the HPE Funds may be considered similar to an investment company, each HPE Fund is not registered under the Investment Company Act in reliance upon exclusions available to privately offered investment companies. Accordingly, the provisions of the Investment Company Act (which, among other things, require investment companies to have a majority of disinterested directors/trustees, impose numerous restrictions around affiliated transactions and payments for distribution, acquisitions of other investment companies, ownership of senior securities and the manner of pricing of redemption requests and filing sales literature with FINRA) are not applicable to the HPE Funds.

Potential Conflicts of Interest

The Investment Manager, the Managing Principals and its and their affiliates, officers and employees (collectively, the "**Manager Group**") serve as the investment adviser or the Investment Manager to private investment funds and other client accounts (the "**Other Clients**"), in addition to the HPE Funds, and conduct investment activities for their own accounts. Such Other Clients may have investment objectives or may implement investment strategies similar to those of the HPE Funds. The Manager Group may also give advice or take action with respect to the Other Clients that differs from the advice given with respect to one or more of the HPE Funds. Furthermore, the HPE Funds may make investments in which an Other Client may also be making an investment and/or a co-investment. To the extent a particular investment is suitable for both the HPE Funds and the Other Clients, the Investment Manager and its affiliates have no obligation to offer the HPE Funds any particular investment opportunity. However, the Investment Manager generally intends to allocate such investments between the HPE Funds and the Other Clients in a manner in which the Investment Manager determines is appropriate under the circumstances for all of their clients, including the HPE Fund(s), taking into account factors including, but not limited to, the location of the investment opportunity and the geographic focus of the relevant funds, the risk associated with the investment, the duration of the

investment, the investment strategy, related tax issues and other considerations deemed relevant in good faith. An Investor should note that equality of treatment cannot be assured in all situations. It may not always be possible or consistent with the investment objectives of the various persons or entities described above and of the HPE Fund for the same investments to be made or disposed of at the same time or at the same price. Further, there can be no assurance that particular investment opportunities allocated to Other Clients managed by the Investment Manager and its affiliates, rather than to the HPE Fund, will not outperform investment opportunities allocated to the HPE Funds.

As a result of the foregoing, the Manager Group may have conflicts of interest in allocating their time and activities between the HPE Funds and the Other Clients, in allocating investments among the HPE Funds and the Other Clients including ones in which the Manager Group may have a greater financial interest.

In addition, perceived conflicts of interest regarding investment decisions for funds in which the Manager Group's principals (who have and continue to make significant personal investments in related or other private equity funds) are personally invested, may also arise, particularly with respect to funds in which they have made significant investments.

The Manager Group will use its best efforts in connection with the purposes and objectives of each of the HPE Funds and will devote so much of its time and effort to the affairs of the Fund as may, in its judgment, be necessary to accomplish the purposes of the respective HPE Funds. However, the members of the Manager Group are acting and will act as the investment adviser or investment manager for others, are managing and will manage funds or capital for others, may have, make and maintain investments in their own name or through other entities, and may serve as officers, directors, consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms. Such activities will require time of the Manager Group, which may impact time devoted to the HPE Funds.

The Manager Group has affiliations which may involve the sale and distribution of unrelated investments products, specifically insurance and 401k consulting, to the private equity funds and their portfolio companies in which the HPE Funds invest. The Manager Group does not expect that these activities interfere with the accomplishment of the purposes, activities or ongoing management of the HPE Funds.

The Manager Group's failure to deal appropriately with conflicts of interest could adversely affect the HPE Funds and their business operations.

Risk of Changes in Laws and Regulations; Regulatory Compliance Risk

The HPE Funds' reputation, business and operations could be adversely affected by regulatory compliance failures, the potential adverse effect of changes in laws and regulations applicable to our business and the effects of negative publicity surrounding the alternative asset management industry in general. Potential regulatory compliance failures pose a significant risk to our reputation and thereby to our business. HPE II and The HPE Funds' activities are subject to regulation by the Securities and Exchange Commission ("SEC"). The HPE Funds are also potentially subject to regulation by the Department of Labor under ERISA.

The regulatory bodies with jurisdiction over the HPE Funds have broad regulatory powers, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular businesses and to conduct investigations and proceedings that may result in fines and other sanctions. A failure to comply with the obligations imposed by the Investment Advisers Act on investment advisers, including record-keeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities could result in investigations, sanctions and reputational damage and potentially revocation of our registration as an investment adviser and exemptions from investment company requirements. Private equity funds, in particular, have come under greater regulatory scrutiny from the SEC as examinations of private equity advisers have found violations or material weaknesses with respect to the collection of fees and allocation of expenses. The SEC has also stated that their asset management unit's priorities for private equity funds include conflicts of interest, valuation, compliance and controls and cyber security. Private equity advisers have recently settled with the SEC for disclosure failures and misallocation of expenses.

Furthermore, the mere investigation by authorities of alleged or potential wrong-doing, such as regulatory non-compliance, mishandling of fees, expenses or valuation, has the potential to create a material adverse effect on companies in our industry including the HPE Funds, including due to the effects of negative publicity surrounding the alternative asset management industry in general. The HPE Funds may also be adversely affected if there is misconduct by personnel of portfolio companies in which our funds invest.

Changes in ERISA requirements, or a failure to comply with ERISA requirements, could adversely affect the HPE Funds' business.

HPE II and the HPE Funds' failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or investing activities or other sanctions. The regulations to which the HPE Funds are subject to are designed primarily to protect investors in our funds and to ensure the integrity of the financial markets. Even if a sanction imposed against us or our personnel by a regulator is for a small monetary amount, the adverse publicity related to such sanction could harm our reputation, result in redemptions by the HPE Funds' Investors or failures to meet capital calls, and impede the HPE Funds' ability to raise additional capital if needed.

Due Diligence Risk

The due diligence process that the Manager Group undertakes in connection with investments by the HPE Funds may not reveal all relevant facts in connection with an investment. Before making investments, the Manager Group will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Manager Group may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. When conducting due diligence and making an assessment regarding an investment, the Manager Group will rely on the resources available to it, including information provided by the target of the investment and outside advisors and, in some circumstances, third party investigations. In addition, if investment opportunities are scarce or the process for selecting bidders is competitive, our

ability to conduct a due diligence investigation may be limited, and the Manager Group would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. The due diligence investigation that the Manager Group will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, including, among other things, the existence of fraud or other illegal or improper behavior. Moreover, such an investigation will not necessarily result in the investment being successful.

Risks Associated with the Fund's Investment Strategy and Structure

Private Equity Investment Risks in General

The investments by underlying funds and the HPE Funds' direct co-investments in portfolio companies involve significant risks not otherwise present in public market investments. Some portfolio companies in which the HPE Funds or any of their underlying funds invest may be operating at a loss or with substantial variations in operating results from period to period and may need substantial additional capital to support expansion or to achieve or maintain competitive positions. Such companies may face intense competition, including competition from companies with much greater financial resources, much more extensive development, production, marketing and service capabilities and a much larger number of qualified managerial and technical personnel.

Risks Associated with Management of Underlying Funds

The HPE Funds invest the majority of its assets in underlying funds. The HPE Funds will not have an active role in the day-to-day management of the underlying funds in which they invest, and will have limited opportunity, if any, to evaluate the specific investments made by any underlying fund. Accordingly, the returns of the HPE Funds will depend primarily on the performance of the managers of the underlying funds, and may be substantially adversely affected by the unfavorable performance of those managers.

It will be difficult, and likely impossible, for the Manager to protect the HPE Funds from the risk of fraud or misrepresentation or material strategy alteration on the part of the managers of the underlying funds in which the HPE Funds invest. The managers of the underlying private equity funds in which the HPE Funds invest may or may not be registered with the SEC, be deemed an Exempt Reporting Adviser, or be registered with one or more state securities commissions or registered with a non-U.S. jurisdiction and the private funds will generally be exempt from registration in the jurisdiction in which they are domiciled.

Some of the underlying funds in which the HPE Funds will invest may consist of a limited number of principals. If the services of any such principals becomes unavailable, the underlying fund's management, operations and financial performance may be negatively impacted, which may also negatively impact the performance of the HPE Funds.

Managers of the underlying funds in which the HPE Funds invest might become involved in litigation as a result of investments made by those underlying funds. Under such circumstances, the HPE Funds could be named as a defendant in a lawsuit or regulatory action.

The managers of the underlying funds in which the HPE Funds invest have responsibility for investing the funds allocated to them. These managers also manage other accounts (including other accounts in which the managers may have an interest) and may have financial and other incentives to favor such accounts over the HPE Fund. In investing on behalf of other clients, as well as the HPE Funds, the managers must allocate their resources, as well as limited market opportunities.

Competition for Underlying Funds

Many institutional investors, including other fund-of-funds entities, may seek to invest in many of the same underlying funds in which the HPE Funds may also seek to invest. Some of those underlying funds may limit the number of investors and the amount of capital they raise, which may limit or eliminate the ability of the HPE Funds to invest in those underlying funds.

There is no guarantee that the HPE Funds will be able to fully invest its committed capital. Identifying attractive investment opportunities and investment managers is difficult. There is no guarantee that the HPE Fund will be able to invest in vehicles managed by managers deemed attractive by the HPE Fund or identified by such managers. In addition, historical performance is no guarantee of future performance, and managers who have performed well in the past may not perform well in the future.

The HPE Funds' performance may be adversely impacted if it is unable to find sufficiently numerous and attractive opportunities to fully invest its committed capital.

Diversification

The HPE Funds may participate in a limited number of investments in underlying funds and the HPE Funds' investments may not be widely diversified. To the extent that less than the targeted amount is subscribed for with respect to the HPE Funds, the opportunity for diversification of the Fund's investments in underlying funds will be decreased. In addition, the ability of the HPE Funds to diversify the risks of its investments will depend upon the size, characteristics, types and class of investments available. Such lack of diversification (or a limited degree of diversification)/greater concentration increases risk because the aggregate return of the HPE Funds may be substantially adversely affected by the unfavorable performance of even a single investment.

Competition for Portfolio Company Investment Opportunities

Numerous investors will be competing with the underlying funds for desirable investment opportunities. Because of this competition, the underlying funds might not be able to participate in attractive portfolio company investments that would otherwise be available to them. In addition, competition for investments may also increase the pre-money value of prospective portfolio companies, which may adversely affect investment returns.

Control Positions

The underlying funds may take control positions in companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise, and other types of related liability. If such liabilities were to occur, the HPE Funds would likely suffer losses in its investments.

Lack of Portfolio Liquidity

The HPE Funds' investments in underlying funds may generally be expected to have either no trading market or be very thinly traded, and, in addition, may often be restricted as to their transferability under U.S. federal or state or non-U.S. securities laws.

In some cases, the underlying funds may also be prohibited by contract from selling securities of portfolio companies or other assets for a period of time or otherwise are restricted from disposing of such securities or other assets. In other cases, the investments of an underlying fund may require a substantial length of time to liquidate. Consequently, there is a significant risk that an underlying fund will be unable to realize its investment objective by sale or other disposition of its securities or other assets at attractive prices or will otherwise be unable to complete any exit strategy with respect to its portfolio companies. These risks can be further increased by changes in the financial condition or business prospects of the underlying portfolio companies, changes in national or international economic conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which underlying portfolio companies are located or in which they conduct their businesses.

In addition, an underlying fund may distribute its investments "in-kind" to its investors, including the HPE Funds. The HPE Funds will generally hold these "in-kind" securities itself until the end of the applicable restriction period and thereafter will liquidate such securities and distribute cash to the Investors. However, the HPE Funds may, in certain cases, make in-kind distributions of these investments, which may be comprised of illiquid securities. There can be no assurance an investor would be able to dispose of these investments or that the value of these investments, as determined by the HPE Funds for purposes of the determination of the distributions and the calculation of the Manager's Carried Interest distributions, will ultimately be realized.

In the case of an investment in an underlying fund, an investor is generally required to hold its investment in the underlying fund for the entire term of the underlying fund, which is typically ten years or more. The HPE Funds would therefore need to hold its investments in underlying funds for a significant period of time with no ability to transfer or redeem its interest. The Manager can offer no assurance an Investor will realize a return on its investment in a given HPE Fund within a reasonable time, or at all.

Capital Calls

The HPE Funds will be required to meet capital calls of underlying funds over an extended period of time. Failure by an Investor to meet an HPE Fund capital call could result in the failure of the affected HPE Fund to meet a capital call from an underlying fund, which could have adverse consequences for

the affected HPE Fund and the non-defaulting partners. An Investor in default with respect to its obligation to fund capital contributions is subject to a number of severe economic consequences as further described in the respective HPE Fund's Governing Documents.

Valuation Methodologies

Valuation methodologies for the HPE Funds' assets can be subject to significant subjectivity, and the values of assets established pursuant to such methodologies may never be realized, which could result in significant losses for a given HPE Fund. There are no readily ascertainable market prices for a very large number of illiquid investments in the HPE Funds. The fair value of such investments of each HPE Fund is determined periodically by the Manager Group based on the methodologies described in the respective HPE Fund's valuation policies. The methodologies the Manager Group uses in valuing individual investments are based on a variety of estimates and assumptions specific to the particular investments, and actual results related to the investment therefore often vary materially from such assumptions or estimates.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of such investments as reflected in an individual HPE Fund's net asset value do not necessarily reflect the prices that would actually be obtained by the Fund when such investments are sold. Realizations at values significantly lower than the values at which investments have been reflected in each HPE Fund's net asset value would result in losses for the affected HPE Fund. The SEC has highlighted valuation practices as one of its areas of focus in investment adviser examinations and has instituted enforcement actions against private equity fund advisers for misleading investors about valuation.

Long-Term Investment

Even if the investment strategy of the HPE Funds proves successful, it is unlikely to produce a realized return to an Investor for a number of years. The expenses of operating each HPE Fund are likely (especially in the early years) to exceed the income and gain of the respective HPE Fund, thereby requiring that the difference be paid out of capital called from Investors or from other capital reserves of the respective HPE Fund.

Illiquidity of Investor Interests; Restrictions on Transfer; No Right of Withdrawal

The Investor Interests in the HPE Funds represent highly illiquid investments and should only be acquired by Investors able to commit their funds for an indefinite period of time. Investors are not permitted to transfer their Investor Interests without both the consent of the Manager and the satisfaction of certain other conditions, including compliance with applicable securities laws. Investors should not expect the Manager to grant its consent to transfers. There is currently no market for Investor Interests in any HPE Fund, and it is not contemplated that one will develop. Investors thus may not be able to liquidate their investment in the event of an emergency or for any other reason, and Investor Interests may not be readily accepted as collateral by lenders.

Moreover, Investors may not withdraw any capital from any HPE Fund prior to the termination of the HPE Fund.

Required Withdrawal of an Investor

The Manager may require any Investor to withdraw from an HPE Fund (in whole or in part) at any time, such withdrawal to be effective on the date specified in such notice, if the Manager determines that the continued participation of such Investor in the HPE Fund could adversely affect the HPE Fund or the Manager (e.g., by involving the Fund, the Manager or any Investor in litigation, by causing the HPE Fund to be required to register under the Investment Company Act, or for other reasons.) The terms around such a process may be found in each HPE Fund's Governing Documents.

Leverage

The HPE Funds, through the underlying funds and through their investments, may acquire securities issued by portfolio companies with leveraged capital structures. These portfolio company investments may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such portfolio company or its industry. Leverage by underlying funds can be expected to increase both potential profits and potential losses. Unrelated to the underlying portfolio companies, several of the HPE Funds have subscription-based credit facilities for cash management purposes, however HPE does not intend to employ leverage as a separate or intentional investment strategy.

Delays in Distributions

Distributions to the Investors will be delayed as a result of payment of the obligations of the HPE Funds (including Management Fees payable to the Investment Manager). A portion of the income of an HPE Fund may be required to be paid to the Manager, and the income and gain of the HPE Fund, if any, will be further burdened by appropriate reserves and by administrative and other costs. As a result, Limited Partners may be credited with profits, and income tax liability may be incurred, even though Investors do not receive any distributions from a given HPE Fund. Similar factors may also postpone distributions from underlying funds to the HPE Fund.

Further, in a liquidation of an HPE Fund, the liquidator will notify creditors of their right to submit a claim against the HPE Fund and the liquidator's intention to distribute assets to the Members. If the liquidator does not receive a creditor's claim until after the deadline for claim submissions but before a distribution has been made, the claim may still be paid, which would result in a delay and possible reduction in distribution payments to the Limited Partners. If the creditor's claim is rejected, the creditor may challenge the decision in court, resulting in further delays in distributions and possibly resulting in the necessity to pay out Limited Partners in securities.

Distributions In Kind

To the extent an HPE Fund determines to make a distribution and is prohibited from disposing of a particular investment or cannot dispose of such investment at a value that the Investment Manager believes is fair, the HPE Fund might have to make such payments through distributions of securities (which may be illiquid securities).

Investors May be Required to Return Distributions

If an HPE Fund is required to return any distribution made to it by an underlying fund, the HPE Fund, in the sole discretion of the Manager, may require each Investor to return to the HPE Fund any or all of the distributions paid to such Investor to the extent necessary to satisfy such obligation. In addition, in the event of the dissolution and termination of the HPE Fund, if the assets of the Fund are insufficient to satisfy its liabilities, each Investor may be required to return any or all of the distributions made to such Investor as may be required to satisfy these obligations.

No Separate Counsel; No Independent Verification

Dinsmore & Shohl LLP, represent the Manager, the Investment Manager and the HPE Funds. No HPE Fund has counsel separate and independent from counsel to the HPE Funds or the Manager. Dinsmore & Shohl LLP do not represent Investors in the HPE Funds and no independent counsel has been retained to act on behalf of Limited Partners. Dinsmore & Shohl LLP are not responsible for any acts or omissions of the Manager, the Investment Manager or the HPE Funds (including their compliance with any guidelines, policies, restrictions or applicable law, or the selection, suitability or advisability of their investment activities) or any administrator, accountant, custodian or other service provider to the Manager, the Investment manager and/or the HPE Funds.

Indemnification

The Manager, the Investment Manager and their affiliates, including the Managing Partners, are entitled to indemnification, except under certain circumstances, from the HPE Funds. The obligation of the Investors to fund any indemnification will survive the dissolution of the HPE Funds pursuant to the terms set forth in the Governing Documents of each HPE Fund.

Risks Associated with Securities Investments Generally

Difficult Market Conditions

The HPE Funds may be materially adversely affected by conditions in the global financial markets and economic conditions throughout the world, including pandemics. The global market and economic climate may be adversely affected by factors beyond the HPE Funds' control, including rising interest rates or accelerating asset deflation or inflation, deterioration or volatility in the credit and finance markets, deterioration in the credit of sovereign nations, terrorism or political uncertainty. During market downturns, private equity style funds such as the HPE Funds have faced reduced opportunities to sell and realize value from their existing investments.

Difficult market conditions can adversely affect the HPE Funds in many ways, including by reducing the value or performance of the investments made by the HPE Funds and reducing the ability of the Fund to raise or deploy capital, which could materially reduce the HPE Funds' revenue and adversely affect its results of operations.

Risk of Loss

All securities investments risk the loss of capital. The Investment Manager believes that the HPE Funds' investment program and research techniques should lessen this risk somewhat through a careful selection of underlying funds; however, an Investor in an HPE Fund is nevertheless subject to loss, including possible loss of the entire amount invested. No guarantee or representation is made that the HPE Funds' investments will be successful, and investment results may vary substantially over time. HPE's past results are not necessarily indicative of the future performance and should not be relied on.

Non-U.S. Investments

Although the HPE Funds anticipate non-U.S. investments to be minimal, some underlying funds may from time to time invest in different countries. Such investments may be made in countries or economies which may prove unstable. Depending on the country in which an underlying fund invests, or a portfolio company is located, the affected HPE Fund may incur the risk of adverse political developments, including nationalization, confiscation without fair compensation, or war. In addition, in the case of investments in securities that are not denominated in U.S. dollars, any fluctuation in currency exchange rates will affect the value of such investments and the returns ultimately achieved by the HPE Fund. It will also affect the HPE Fund's ability to fund commitments to underlying funds denominated in non-U.S. currencies. Other risks include less public information being available regarding foreign issuers and limited liquidity of foreign securities. Individual foreign economies may differ favorably or unfavorably from the United States economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects.

Laws and regulations of other countries may impose restrictions that would not exist in the United States. A non-U.S. investment may require significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. In addition, some governments from time to time impose restrictions intended to prevent capital flight, which may for example involve punitive taxation (including high withholding taxes) on certain securities transfers or the imposition of exchange controls making it difficult or impossible to exchange or repatriate the local currency. Further, the repatriation of currency and other restrictions may make it impracticable for the HPE Fund to distribute the full amount of the Investors' capital accounts in U.S. dollars, and therefore a portion of the distribution may be made in non-U.S. securities or currency.

Tax Considerations

The tax aspects of an investment in the HPE Funds are complicated and each investor should have them reviewed by professional advisers familiar with such Investor's personal tax situation and with the tax laws and regulations applicable to the investor and to Delaware limited liability companies, like the HPE Funds, in general. The Fund is not intended to be and should not be expected to act as a tax shelter. The HPE Funds are each organized as a limited liability company and each HPE Fund elected to be taxed as a partnership to generally eliminate any U.S. federal or state income taxation of the HPE Fund. However, certain U.S. state and local jurisdictions may impose entity level tax on the HPE Funds.

Each Investor that is subject to U.S. tax will be, and any Investor subject to tax in other jurisdictions may be, required to take into account its allocable share of all items of the HPE Funds' income, gain, loss, deduction and credit, whether or not distributed. Because of the nature of the HPE Funds' investment activities, the HPE Funds may generate taxable income in excess of cash distributions to Investors. Accordingly, each Investor should ensure that it has sufficient cash available from other sources to pay all tax liabilities resulting from such Investor's ownership of Interests.

Each HPE Fund or its Investors may be subject to income or other tax in the jurisdictions in which investments are made. Additionally, income from the HPE Funds' investments in securities of corporations and other entities organized outside the United States that will be included in an Investor's allocable share of partnership income may be subject to foreign withholding taxes, which may or may not be reduced or eliminated by an income tax treaty.

Potential U.S. tax-exempt Members should be aware that the HPE Funds' activities may give rise to "unrelated business taxable income" for U.S. federal income tax purposes. Potential non-U.S. Members should be aware that the HPE Funds' activities may also give rise to "effectively connected income" that is subject to U.S. federal income tax and requires the filing of U.S. federal income tax returns.

ERISA Considerations

The operation of the HPE Funds is substantially affected by legal requirements, including those imposed by ERISA and the Code and regulations promulgated under such statutes. The Manager intends to conduct the affairs and operations of each HPE Fund in such a manner that the assets of each HPE Fund would not be subject to ERISA. In that regard, the Manager will use commercially reasonable efforts to ensure that Benefit Plan Investors do not hold an investment in any HPE Fund that exceeds the 25% Limit. However, no assurance can be given that future circumstances, events and/or conditions would not result in one or more of the HPE Fund's assets becoming subject to ERISA.

Item 9 – Disciplinary Information

HPE II is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a Limited Partner's evaluation of HPE II or the integrity of HPE II's management.

In August 2020, Managing Partner, Mark Hauser, was personally charged with a single count of Conspiracy to Commit Mail Fraud and Honest Services Mail Fraud in connection to the College Admissions Scandal. He has since taken an unpaid leave of absence from Hauser Private Equity and Hauser Capital Management II, LLC.

Item 10 – Other Financial Industry Activities and Affiliations

HPE II and the HPE II Member Entities operate as a single investment advisory business and serve as managers of the HPE Funds. In that capacity, they share common owners, board members, officers, employees, consultants or persons occupying similar positions. The HPE II Member Entities do not have employees of their own. Currently the HPE II Member Entities include HPE Investment, LLC, the manager for Fund II, and HPE Investment III, LLC, the manager for Fund III.

HPE II is not actively engaged in a business other than giving investment advice to its clients in terms of portfolio selection and management of the private equity funds and direct co-investments, which comprise the investments of each of the HPE Funds. HPE II incorporates Hauser Capital Markets, LLC, which was the legacy investment manager to Fund I, but is no longer an active entity.

Neither HPE II nor any of its management persons is registered or has an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser or associated person of the foregoing, and HPE II does not anticipate such affiliations in the future.

HPE II's primary owner, Mark Hauser, also owns, in conjunction with members of his immediate family, HAUSER, Inc., a national insurance brokerage firm that primarily serves the insurance, risk management and insurance due diligence and consulting needs of the private equity industry and the portfolio companies owned by private equity firms. In the ordinary course of business, HPE II utilizes the insurance brokerage services offered by HAUSER, Inc. to purchase insurance products including property/casualty, management liability, and cyber liability insurance. HAUSER, Inc. also serves as the landlord for HPE II's Cincinnati, Ohio office under a Shared Services Agreement. Certain employees of HPE II provide services to HAUSER, Inc., on a non-compensated basis, and certain employees of HAUSER, Inc. provide services to HPE II on a non-compensated basis.

HAUSER, Inc. has two wholly-owned subsidiaries operating in the financial industry: HAUSER Retirement Solutions, LLC and HAUSER Retirement Solutions 2, LLC, both of which function as pension consultants. HPE II utilizes HAUSER Retirement Solutions, LLC, as the pension consultant to its 401(k) plan.

HPE II does not believe a conflict of interest exists between any of the industry affiliations presented herein.

Item 11 – Code of Ethics, Participation or Interest In Client Transactions and Personal Trading

Code of Ethics

As fiduciaries, HPE II and its partners, principals and employees (“**HPE II Supervised Persons**”) have certain legal obligations to put HPE Funds and their limited partner interests ahead of their own. HPE II has adopted a Code of Ethics (“**Code of Ethics**”) which sets forth HPE II’s high standards of business conduct and responsibilities to the HPE Funds and their Limited Partners that are expected of the HPE II Supervised Persons and addresses conflicts that may arise from personal trading. HPE II’s Code of Ethics includes provisions relating to the standards of business conduct, conflicts of interest, a prohibition on insider trading, trading rules for personal trading, reporting of personal securities transactions, procedures designated to prevent and detect insider trading, restrictions on accepting and the giving of significant gifts, and reporting of certain gifts and business entertainment items. All HPE II Supervised Persons must acknowledge and agree to be bound by the terms of the Code of Ethics initially upon hire and annually, or at such time at the Code of Ethics is amended.

Current or prospective HPE Fund limited partners may obtain at no charge, a copy of HPE II’s Code of Ethics by contacting Philip G. Riola, HPE II’s Chief Compliance Officer, at (310) 393-0600.

Personal Trading

In certain cases, HPE II’s business may expose HPE II and its employees with access to material non-public (insider) information. The Code of Ethics includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

HPE II Supervised Persons are prohibited from trading, either personally or on behalf of others while in possession of material non-public information regarding these securities or communicating material non-public information to others. HPE II Supervised Persons are required to receive pre-approval for certain personal securities transactions, including trading in restricted list securities, initial public offerings and certain limited offerings.

Conflicts of Interest

The Private Placement Memorandum for each HPE Fund details what HPE II believes to be the most significant conflicts of interest associated with an investment in the HPE Funds. Some of these conflicts are summarized below; however, this summary does not attempt to describe all of the conflicts of interest associated with an investment in the HPE Funds. Current and prospective limited partners should carefully consider the conflicts of interest herein as well as those outlined in the relevant Private Placement Memorandum, prior to investing in any HPE Fund.

Limited Partners should note that there could be occasions when HPE II and the HPE II Member Entities may encounter potential conflicts of interest in connection with an HPE Fund. If any matter arises that

HPE II determines in good faith constitutes an actual conflict of interest, HPE II may take such actions as may be necessary or appropriate, within the context of such HPE Fund's Governing Documents, to address or mitigate the conflict. These actions may include disposing of the asset giving rise to the conflict, consulting outside counsel, bringing the matter before the relevant HPE Fund Board of Directors or appointing an independent fiduciary.

Over time, HPE II may encounter situations where two or more of the HPE Funds may have concurrent open investment periods. In such a scenario, in its discretion, HPE II will allocate relevant investment opportunities to the eligible HPE Fund(s), taking into consideration whether the investment opportunity is within an HPE Fund's commitment period and the remaining level of the HPE Fund's Commitments, as well as the HPE Fund's investment restrictions and objectives, strategy, risk profile, time horizon and applicable regulatory restrictions and as required by HPE II's Allocation Procedures. HPE II maintains a policy on the allocation of investment opportunities which dictates that allocations be made in a manner that HPE II believes is fair and equitable, and which typically allocates the investments equally, including any follow-on investments. Generally, however, only one HPE Fund is open for new investments at a time.

HPE II currently manages Fund I, Fund II, and Fund III concurrently. At present only Fund III has an open commitment period, so HPE II does not see a potential conflict of interest for potential new investments. However, certain direct co-investments have been made between Fund I and Fund II, and also between Fund II and Fund III. HPE II made these allocations of investment opportunities in a manner that it deemed fair and equitable and such investments were made equally. Similarly, HPE II will pursue simultaneous exit strategies when appropriate, to ensure that no conflict of interest arises between the affected HPE Funds.

Under the terms of the HPE Funds' Governing Documents, HPE II Partners and investment professionals may spend a portion of their business time and attention pursuing investment opportunities that do not fall within the investment objectives of the HPE Funds. In addition, HPE II's Co-Managing Partner, Mark Hauser has made investments in a personal capacity and continues to pursue investments that the HPE II Member Entities as Manager determine do not meet the investment criteria of the HPE Funds.

Subject to any relevant restrictions or other limitations contained in the Governing Documents of each HPE Fund, HPE II allocates expenses in a manner that it believes in its good faith is fair and equitable under the circumstances and considering such factors as it deems relevant, in its sole discretion. In exercising such discretion, Each Fund bears the direct expenses related to its activities (audit, tax, legal, fund administration, etc.). As a general matter, expenses incurred on behalf of multiple HPE Funds will be allocated among such HPE Funds. Generally, the allocations, such as annual meeting expenses, are shared equally among the Funds. However, the allocations of such expenses may not be proportional. A conflict of interest could arise in HPE II's determination whether certain expenses that are incurred in connection with the operation of the HPE Funds met the definition of HPE Fund Partnership Expenses for which the HPE Fund are responsible, or whether such expenses should be borne by HPE II. The HPE Funds will be reliant on the determinations of HPE II in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, such as a reversal of the original expense allocations, if possible, or such other equitable

adjustment believed by HPE II to be the most appropriate corrective measure, all of which are documented by HPE II.

HPE II's partners, principals, employees, board members, and other affiliated persons may serve on the boards of HPE Fund investments. Serving in such capacities may give rise to conflicts of interest to the extent that the fiduciary duties to a portfolio company as a director may conflict with the interests of an HPE Fund. In addition, conflicts may arise from HPE II affiliated persons investment in the HPE Funds and/or receiving profits from the HPE Funds versus investing directly in portfolio companies and being entitled to a portion of profits pursuant to a portfolio company incentive equity and/or option plan. In general, however, because the HPE Funds are aligned with the interests of the private equity funds in which they have invested, it is expected that the interests of HPE II and such portfolio companies will be aligned.

Over the life of an HPE Fund, HPE II may exercise its discretion to recommend to the HPE Funds, a private equity fund, or a direct co-investment, that it contracts for services with various service providers, potentially including, among others: (i) HPE II (or an affiliate) and at rates determined or substantively influenced by HPE II; (ii) an entity with which HPE II or its affiliates or current or former members of their personnel has a relationship or from which such person derives a financial or other benefit; or (iii) a limited partner or its affiliates. These scenarios subject HPE II to potential conflicts of interest because although it intends to select service providers that it believes are aligned, HPE II may have an incentive to recommend the related or other person because of its financial or business interest.

Each of the HPE Funds has a Board of Directors, which is established under the respective HPE II Fund's Governing Documents. Each HPE Fund's Board of Directors is comprised of select Limited Partners. A conflict of interest may exist in that not all Limited Partners are asked to join an HPE Fund's Board of Directors.

Item 12 – Brokerage Practices

HPE II does not frequently engage in public securities transactions. While the majority of investments made by the HPE Funds are privately held by nature, an HPE Fund's investments in either private equity funds or in direct co-investments may result in that respective HPE Fund receiving publicly-traded securities in lieu of cash as the form of distribution. In such circumstances, HPE II's practice is to transfer any such securities received to the respective HPE Fund's brokerage account at National Financial Services, LLC, via Huntington Investment Company, and to begin to pursue the best execution to convert the securities to cash. HPE II does not seek to trade the market, rather simply to liquidate the securities position for cash which is then held for distribution to the respective HPE Fund Limited Partners.

HPE II does not utilize soft dollar arrangements, i.e. HPE II does not direct any trading activity in lieu of payments for research or other services.

Item 13 – Review of Accounts

The investment portfolios of the HPE Funds are generally private, illiquid and long-term in nature, and accordingly HPE II's review of them is not directed toward a short-term decision to dispose of the investments. However, HPE II closely monitors the private equity firm investments and the direct co-investments and maintains an ongoing oversight position of its investments. The portfolios are reviewed on a regular basis by HPE II's Partners and investment professionals.

In addition, the investments are reviewed formally each calendar quarter by Co-Managing Partner, Paul Swanson. Mr. Swanson also reviews all Fund positions in advance of a distribution. For each of the HPE Funds, HPE II furnishes its Limited Partners with unaudited Investor reports summarizing each Fund's activities and investments quarterly, Investor capital account statements quarterly, and the annual audited financial statement of the Fund, prepared by an independent public accountant registered with and subject to annual inspection by the Public Company Accounting Oversight Board ("PCAOB"), in accordance with United States Generally Accepted Accounting Principles ("US GAAP"), the audit of which is conducted in accordance with U.S. Generally Accepted Auditing Standards ("US GAAS"), as required by Rule 206(4)-2, the Custody Rule. HPE II performs a valuation of each direct co-investment quarterly, and HPE II provides a summary statement of changes in individual Limited Partner's capital accounts to each Limited Partner quarterly. All reports are sent to Limited Partners in writing and are delivered electronically within 180 days of the HPE Fund's fiscal year end.

In the course of conducting ongoing due diligence or otherwise, Limited Partners periodically request information pertaining to their investments. In responding to such requests, HPE II may be asked to provide information that is not generally made available to other Limited Partners that have not requested such information. Additionally, upon request, certain Limited Partners may receive additional information and reporting that other limited partners may not receive, subject to the terms agreed upon in an Investor Side Letter (described above). At present, HPE II has no such Side Letter requirements.

Item 14 – Client Referrals and Other Compensation

HPE II receives compensation in the form of management fees from each HPE Fund as paid by the Limited Partners of the HPE Funds, as disclosed in the applicable Governing Documents. The HPE II management fees are set forth in Item 5 above.

The HPE Funds may receive compensation directly from the Advisory Board activities of the HPE II Supervised Persons who serve in such capacity. Currently, such relationships only exist in Fund I. Because the Funds themselves are the targeted recipient of the compensation, HPE II does not see any conflict of interest from these relationships.

HPE II has not entered into any solicitation, marketing or placement agent agreements to date that compensates a third party for limited partner referrals that will result in the provision of investment advisory services by HPE II when a prospective limited partner invests in an HPE Fund. HPE II does, however, have relationships with certain private wealth managers who have aggregated individuals to

invest in the HPE Funds, but HPE II does not provide any compensation to those private wealth managers. However, HPE Fund II has a Side Letter with one private wealth manager that provides preferred carried interest economics to the underlying HPE Fund II Investors referred by that private wealth manager in consideration for their commitment, but that private wealth manager has not received and does not receive any compensation pursuant to this or any other arrangement. No such Side Letters exist for Fund I or Fund III, nor does HPE II plan to offer such Side Letters in the future.

Item 15 – Custody

HPE II is deemed to have custody of the assets of the HPE Funds due to the access to the Fund's assets afforded by the relationship of the HPE Member Entities serving in the capacity of Managing Member of the private funds. In addition, HPE II is deemed to have custody due to its ability to deduct management fees/incentive fees/carry and authorize the payment of other fund expenses directly from the private funds' custodial accounts.

Rule 206(4)-2 (the "Custody Rule") under the Investment Advisers Act of 1940, as amended, requires that pooled investment vehicles advised by an investment adviser undergo an annual US GAAP financial statement audit in lieu of complying with certain other reporting requirements set forth in the Rule or be subject to a surprise custody examination by a PCAOB-registered auditing firm and providing certain additional notification and fund-level reporting to each underlying fund investor. HPE II has elected to undergo an annual financial audit for each of the HPE Funds, thereby relying on what is commonly known as the "audited funds exception." In so doing, each HPE Fund is subject to an annual financial statement audit, which is conducted in accordance with U.S. Generally Accepted Auditing Standards ("US GAAS"), and the audited financial statements prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP"), by an independent public accountant registered with and subject to annual inspection by the Public Company Accounting Oversight Board ("PCAOB"). Upon receipt of the audited financial statements, HPE II delivers a copy of the audited financial statements to each Limited Partner not later than 180 days after the end of each HPE Fund's fiscal year end. HPE II has engaged Barnes, Denning & Company to provide such services to each of the HPE Funds. Limited Partners are encouraged to carefully review such financial statements.

Neither HPE II, nor any related person/advisory affiliate, accepts physical possession of HPE Fund cash or securities (other than certain privately offered securities to the extent permitted by the Custody Rule). Rather, HPE II maintains custody of all such HPE Fund assets in separate accounts in the name of each of the HPE Funds with the following qualified custodians: Huntington National Bank and National Financial Services, LLC. For each of the HPE Funds, Huntington National Bank serves as the qualified custodian for cash accounts and National Financial Services, LLC, serves as qualified custodian for brokerage accounts for certificated and uncertificated investment securities. HPE II receives and monitors at least quarterly statements from all qualified custodians on behalf of each HPE Fund.

On a quarterly basis, HPE II sends to all Limited Partners unaudited financial statements of the applicable HPE Fund, a summary statement of changes in individual Limited Partners' capital accounts and an update on each HPE Fund's investment holdings.

Item 16 – Investment Discretion

HPE II and the HPE II Member Entities have discretionary authority based upon the respective Governing Documents with each of the HPE Funds, and each HPE Fund’s investment advisory agreement with HPE II, to make investments, and to buy and sell securities or other investments and to decide the amount of such investment to be bought and sold. The terms upon which HPE II serves as an adviser to an HPE Fund are determined at the time each such HPE Fund is established. The terms as set forth in the relevant HPE Fund’s Governing Documents potentially restrict HPE II’s advice concerning investments in certain securities or type of securities. Certain, but not all, of HPE’s Governing Documents require that any direct co-investment be approved by the board of directors of the relevant Fund. As a matter of practice, HPE II seeks the approval from the board of the relevant HPE Fund prior to a making a commitment to a direct co-investment.

As a general policy, neither HPE II, nor the HPE II Member Entities allow Limited Partners to place limitations on their investment authority.

A Limited Partner must execute a subscription agreement and an Operating Agreement with an HPE Fund to become an Investor in such HPE Fund. HPE II is not permitted to transact any business with a potential Limited Partner until these documents are accepted, executed and received in “good order.” Once a limited partner has executed a subscription agreement and the Operating Agreement and such documents have been accepted, with limited exceptions such as certain conflicts of interest as discussed elsewhere in this Brochure, HPE II does not contact the Limited Partner for approval prior to the purchase or sale of securities or other investments for the HPE Funds.

Item 17 – Voting Client Securities

HPE II has adopted a policy for Proxy Voting and Class Actions pursuant to Rule 206(4)-6 of the Advisers Act to address how it votes publicly-traded security proxies, as applicable for the HPE Funds. While the majority of the direct co-investments made by the HPE Funds are private, HPE may have occasion to vote publicly-traded stock proxies on behalf of the HPE Funds.

In voting proxies, HPE II is guided by general fiduciary principles. HPE II’s goal is to act prudently and solely in the best interest of the HPE Funds. HPE II attempts to consider all aspects of its vote that could affect the value of the investment; and where HPE II votes proxies, it will do so in a manner that it believes will be consistent with efforts to maximize the value to its HPE Fund Investors.

This policy also includes guidelines for participation in class action lawsuits, which, like proxy voting, is expected to be an unusual circumstance for HPE II. In conducting any evaluation as to whether to participate, HPE II will be guided by its general duties as a fiduciary.

Current or prospective HPE II Fund limited partners may obtain at no charge, a copy of HPE II’s complete Proxy Policy or information regarding how HPE II voted publicly-traded security proxies for particular direct co-investments by contacting Philip G. Riola, HPE II’s Chief Compliance Officer, at (310) 393-0600.

Item 18 – Financial Information

Registered investment advisers with discretionary authority or custody of client assets are required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual obligations to clients. HPE II has no financial condition that impairs its ability to meet contractual and fiduciary commitments to its clients, has not been the subject of a bankruptcy proceeding and does not require prepayment of management fees six months or more in advance.