

**INVESTMENT ADVISER BROCHURE**

**PART 2A OF FORM ADV**

**HCI EQUITY MANAGEMENT, L.P.**

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**March 30, 2021**

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

HCI is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, such registration does not imply a certain level of skill or training.

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

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## **MATERIAL CHANGES**

HCI filed its most recent Form ADV Part 2 on March 30, 2020. This annual amendment updates the description of the business practices of HCI and its affiliates.

## ADVISORY BUSINESS

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

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

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

HCI also serves as the sole manager and investment adviser of TC Co-Investors V, L.L.C. ("**TC Co-Investors V**"), and HCI Management III and HCI are the general partner and the investment adviser, respectively, of HCI Co-Investors III, L.P. ("**Co-Investors III**"), (each, a "**Co-Invest Fund**," and collectively, the "**Co-Invest Funds**"). The Co-Invest Funds generally are formed for the benefit of certain HCI personnel and other persons associated with HCI to invest in excess investment opportunities (if available) in portfolio companies of a specific Private Investment Fund. Investments by the Co-Invest Funds typically involve investment and disposal of interests in the applicable portfolio company at substantially the same time and on substantially the same terms as the Private Investment Fund making the investment. Each General Partner listed above is subject to the Advisers Act pursuant to HCI's registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with HCI.

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

HCI's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of and structuring investments, managing and monitoring investments, partnering with management teams of portfolio companies to execute growth strategies and achieving dispositions for such investments. Although each Fund makes investments predominantly in non-public companies, each Fund is authorized to invest in public companies subject to any limits set forth in the Fund's Governing Documents (as defined below). In addition, a Fund may hold public company investments as a result of a sale of all or a part of such Fund's investment in a portfolio company, such as when a portfolio company goes public or is sold to a public company for stock. When investing in portfolio companies, the senior principals or other personnel of HCI or its affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence the management of portfolio companies in which the Funds have invested, generally until the Fund exits the investment. At times, principals have also remained on boards post-exit.

HCI's advisory services for the Funds are detailed in the relevant private placement memoranda or other offering documents (each, a "**Memorandum**"), management agreements and limited partnership or limited liability company agreements of the Funds (each, a "**Partnership Agreement**," and together with any relevant Memorandum, the "**Governing Documents**") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Governing Documents; such arrangements generally do not and will not create an adviser-client relationship between HCI and any investor. The Funds or the Advisers have, and expect in the future to, enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing the terms of a Fund's Governing Documents, including economic terms, such as provisions relating to the Management Fee (as defined below) and distributions.

Additionally, from time to time and as permitted by the relevant Governing Documents, the Advisers expect to provide (or agree to provide) certain investors or other persons, including HCI's personnel and/or certain other persons associated with HCI or its affiliates (to the extent not prohibited by the relevant Governing Documents), co-investment opportunities (including the opportunity to participate in the Co-Invest Funds or other co-invest vehicles) that will invest in certain portfolio companies alongside a Private Investment Fund. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at substantially the same time and on substantially the same terms as the Private Investment Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including the Co-Invest Funds) purchases a portion of an investment from one or more Private Investment Funds after such Private Investment Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer), which generally will

have been funded through Fund investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Private Investment Fund by a co-investor or co-invest vehicle generally occurs shortly after the Private Investment Fund's completion of the investment to avoid any changes in valuation of the investment. A co-investor or co-invest vehicle is not expected to be charged interest in connection with any such transactions, and, to the extent the relevant underlying portfolio company investment was funded out of a Private Investment Fund's credit facility, it is expected that such Private Investment Fund generally will bear the cost of such financing without reimbursement from any co-investor or co-investment vehicle.

As of December 31, 2020, HCI managed approximately \$1,226,715,623 billion in client assets on a discretionary basis. HCI's principal owners are Daniel M. Dickinson and Douglas P. McCormick and its general partner is HCI Equity Partners, L.L.C., a Delaware limited liability company. HCI Equity Partners, L.L.C. is managed by a Board of Directors, the members of which are elected by majority vote of the voting members of HCI Equity Partners, LLC. Daniel M. Dickinson and Douglas P. McCormick currently are Directors on the Board of Directors of HCI Equity Partners, LLC.

#### FEES AND COMPENSATION

In general, HCI receives an annual management fee (a "**Management Fee**") in connection with advisory services it provides to the Funds. The General Partners of the Funds receive a carried interest. For each Fund, the carried interest distributed to the relevant General Partner is subject to a potential giveback at the end of the Fund's life if the General Partner has received excess cumulative distributions. For each of HCI III, HCI IV and HCI V, the relevant General Partner for each Fund is also subject to an interim giveback at certain dates over the life of such Fund (as further described in each such Fund's Governing Documents). With respect to Thayer V and HCI III, the Advisers will be responsible for any such givebacks even though they only became entitled to receive carried interest beginning in May 2011 when they assumed management of the Funds.

The Co-Invest Funds do not pay management fees or carried interest.

To the extent specified in a Fund's Governing Documents, HCI or other HCI Equity Partners entities or affiliates are permitted to receive additional compensation and other amounts from portfolio companies (*e.g.*, monitoring fees, transaction fees and break-up fees paid in connection with transactions that are not consummated) in connection with management and other services performed for portfolio companies of the Private Investment Funds and such additional compensation (which generally is not reviewed or approved by an independent third party) generally is documented in a management services agreement entered into with the applicable portfolio company. A Fund's Governing Documents generally will provide that such compensation typically will offset a portion of the Management Fees otherwise payable to HCI, and the Advisers retain the remainder of such compensation, as described in the relevant Fund's Governing Documents. While the Advisers' ability to negotiate and receive such compensation gives rise to potential conflicts of interest between the Private Investment Funds and the Advisers, the Advisers believe any such potential conflicts are mitigated by the Management Fee offset mechanism, certain caps to such compensation, and by the Advisers' significant ownership interests in the Private Investment Funds. To the extent that such an offset credit would reduce the Management Fee for a Private Investment Fund for a given six-month period below zero, the credit will be

carried forward for future application against payable Management Fees for such Private Investment Fund, and if a credit remains upon liquidation a payment will be made crediting partners unless a partner has elected to waive such amount (*e.g.*, where an adverse tax consequence potentially will result). Unless otherwise agreed with investors, any such fees generally will be payable without further offset during term extensions, even if Management Fees are reduced or eliminated during the extended term.

In addition, certain employees, partners or other affiliates of the Advisers potentially will receive compensation for serving as an employee of or providing certain ordinary course services to (or with respect to) certain portfolio companies in which one or more Funds invest, and such compensation generally will not result in additional offsets or reductions to the Management Fee. For the avoidance of doubt, HCI also will not offset compensation received from outside sources, such as residual employee board seats at entities that are no longer Fund portfolio companies. Investors in the Private Investment Funds bear certain fund expenses, as described below. HCI bears certain expenses of the Co-Invest Funds, but the Co-Invest Funds are subject to certain administrative expenses (*e.g.*, audit, tax preparation and certain filing fees) to the extent that income is earned by the Co-Invest Funds to cover such expenses. Investors should review each Fund's Governing Documents for details regarding the fee structures summarized below.

To the extent HCI or other HCI Equity Partners entities or affiliates receive any of the fees referred to in the preceding paragraph from, on behalf of or with respect to co-investors or potential co-investors (which could include the Co-Invest Funds or other co-investment vehicles managed by HCI, third parties, portfolio company management or employees and/or other) in an investment or potential investment, the receipt of such fees will not offset or reduce the Management Fee payable by any Fund(s) that have also invested or committed to invest in such investment or potential investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion on a fully diluted basis of any such fees and not the portion of any fees that relates to such co-investors or potential co-investors, which has the potential to be significant.

## **Management Fees and Carried Interest**

### HCI V

The Management Fee is a maximum of 2.0% of aggregate investor capital commitments payable semi-annually, partially in arrears and partially in advance (subject to potential reductions due to offsets under certain circumstances), and commenced from the date that was nine months after the Fund's initial closing. Beginning the earlier of (i) the sixth anniversary of the effective date of the HCI V, or (ii) the commencement of a Private Investment Fund formed by the General Partner or its principals whose primary investment criteria is substantially similar to the Fund's (as more fully described in the Governing Documents), or (iii) following the occurrence of certain events limiting capital calls for new investments in the Governing Documents, the Management Fee shall be no greater than 2.0% of all invested capital commitments less distributions of capital and any permanent write-downs and write-offs of portfolio investments. The Management Fee generally will be as described in the foregoing sentences and payable until all portfolio investments are distributed or until HCI's relationship with the Fund is terminated for other reasons (as described in the Governing Documents); provided that if the Fund has not made a final distribution of assets as of the second anniversary of the expiration of its term, including any extensions, the

Management Fee shall be reasonably determined by the Fund's advisory committee (the "**Advisory Committee**") but shall be no higher than it would otherwise be in the absence of any determination by the Fund's Advisory Committee. In addition, the General Partner will receive a carried interest or performance fee from investors in the Fund equal to 20% of all realized or distributed capital appreciation above a threshold level (as more fully described in the Governing Documents).

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

#### HCI IV

Effective July 1, 2020, pursuant to Section 5.2(b)(ii) of the Fund's Partnership Agreement, HCI IV's Management Fee was reduced from 1.8% to 1.6% of invested capital commitments with respect to portfolio investments that have not been disposed of or completely written off, less any permanent write downs of such portfolio investments.

The Management Fee is payable semi-annually, partially in arrears and partially in advance (subject to potential reductions due to offsets under certain circumstances), and commenced at the Fund's initial closing. Pursuant to HCI IV's Governing Documents, HCI IV's initial Management Fee was 2.0% of aggregate investor capital commitments. The Management Fee shall be reduced by 0.20% each year to a minimum of 1% (e.g., to 1.8%, 1.6%, 1.4% etc.) and generally will be payable until all portfolio investments are distributed or until HCI's relationship with the Fund is terminated for other reasons (as described in the Governing Documents); provided that if the Fund has not made a final distribution of assets as of the second anniversary of the expiration of its term, including any extensions, the Management Fee shall be reasonably determined by the Fund's Advisory Committee but shall be no higher than it would otherwise be in the absence of any determination by the Advisory Committee. In addition, the General Partner will receive a carried interest or performance fee from investors in the Fund equal to 20% of all realized or distributed capital appreciation above a threshold level (as more fully described in the Governing Documents).

#### HCI III

Effective January 1, 2019, pursuant to Section 5.2(b)(ii) of the Fund's Partnership Agreement, HCI III's Management Fee was reduced from 1.2% to 1.0% of invested capital commitments with respect to portfolio investments that have not been disposed of or completely written off, less 50% of any permanent write downs of such portfolio investments.

The Management Fee is payable semi-annually, partially in arrears and partially in advance, (subject to potential reductions due to offsets under certain circumstances) and commenced at the Fund's initial closing. Pursuant to HCI III's Governing Documents, HCI III's initial Management Fee was 2.0% of aggregate investor capital commitments. Effective January 1, 2014, the annual management fee was reduced to the Management Fee Stepdown Percentage equal to 2.0% of all invested capital commitments less distributions of capital and a portion of any write downs and write-offs of portfolio investments. The Step Down Percentage has been reduced by 0.20% each year but will not go below the minimum of 1%. The Management Fee will be payable until all portfolio investments are distributed or until HCI's relationship with the Fund is terminated for other reasons (as described in the Governing Documents). In addition, the General



Partner will receive a carried interest or performance fee from investors in the Fund equal to 20% of all realized or distributed capital appreciation above a threshold level (as more fully described in the Governing Documents).

### Thayer V

Following the end of the third and final one-year extension of Thayer V's term on December 20, 2015, investors in Thayer V no longer pay a Management Fee pursuant to the relevant Governing Documents. Thayer V is currently in the process of liquidating.

### **Other Information**

Each Fund generally invests on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Governing Documents, during the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Fund. Where the Governing Documents calculate Management Fees based on the amount of Commitments or the amount of investment contributions, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified in the relevant Governing Documents. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors in the relevant Fund.

Certain Private Investment Funds managed by the General Partners and/or their affiliates reserve the right to exempt certain persons from payment of all or a portion of Management Fees and/or carried interest, or not charge any such fees or carried interest, and may include as investors personnel or owners of the General Partners or their affiliates, persons with family or other relationships with the General Partners or their affiliates, service providers for the General Partners or their affiliates, or other unaffiliated parties (including investors that meet certain qualification requirements based on commitment size or other strategic or relationship factors). For example, HCI serves as investment adviser to TC Co-Investors V and Co-Investors III, and does not charge these funds Management Fees and/or carried interest. Additionally, to the extent permitted by the relevant Governing Documents, HCI reserves the right to permit investors, affiliated with HCI or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest. For a discussion of potential conflicts of interest that exist, please see "Participation or Interest in Client Transactions" herein. In general, the Management Fee waivers described above apply only with respect to the capital commitments of fee-paying investors.

The General Partner of a Private Investment Fund generally does not pay a Management Fee or carried interest with respect to its commitment to such Private Investment Fund. Principals or other current or former employees of the General Partners generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the Advisers.

In addition to the Management Fee and carried interest payable to HCI, each Fund bears certain expenses. As set forth more fully in the relevant Governing Documents, the Funds generally bear all fees, costs, expenses, liabilities and obligations relating to the Fund's (and its subsidiaries' and intermediate entities') activities, investments and business to the extent not

reimbursed by a portfolio company or applied to reduce Management Fees, including some or all of the following (which may differ among Funds): (i) costs and expenses attributable to structuring, organizing, acquiring, managing, operating, holding, valuing, winding up, liquidating, dissolving and disposing of a Fund's investments, including follow-on investments and refinancings (including interest on money borrowed by or on behalf of a Fund); (ii) legal, filing, accounting, auditing, consulting (including consulting and retainer fees paid to Executive Partners (as defined below) or any of its members, consultants performing investment initiatives, consultants for portfolio companies and other similar consultants) (including expenses related to hiring consultants (*e.g.*, headhunter fees, background checks or relocation expenses)), financing, insurance (including directors and officers, errors and omissions liability and other insurance), broker, buy-side and sell-side finders' fees (as well as other similar deal sourcing payments), financing commitment fees, real estate title, appraisal costs, printing, software licensing and similar fees, custodian, depositary, transfer, registration, investment banking, research, reporting, interest, travel (including, where appropriate, meal and entertainment expenses and the cost of chartering private aircraft or other private air travel at a cost not in excess of the cost of first class commercial airfare) or ground transportation (including car service), social and entertainment costs, closing dinners, after-hours meals and/or transportation for HCI personnel, and other similar fees and expenses; (iii) expenses incurred in connection with attending training programs, meetings or other events for portfolio companies and their executives and/or their personnel and attending conferences (including related travel, lodging and/or meals) relating to specific investment opportunities and/or the relevant industries or strategies in which a Fund invests; (iv) expenses incurred in connection with third party valuations; (v) expenses associated with the preparation of a Fund's financial statements, tax returns, tax estimates, Schedule K-1s or any other administrative, regulatory or other Fund-related reporting or filing obligations; (vi) expenses of a Fund's Advisory Committee and annual meetings of limited partners and any other meeting with any limited partner(s) including related meals and entertainment expenses; (vii) extraordinary expenses (such as litigation, indemnification, judgments and settlements, if any); (viii) fees and expenses, including break-up or topping fees or other liabilities or obligations, incurred in connection with transactions not consummated (including travel expenses and expenses that may have been allocated to a potential and unaffiliated co-investor had such transaction been consummated) ("**Broken Deal Expenses**"); (ix) unreimbursed expenses and unpaid fees of Executive Partners; (x) any fees or expenses related to the transfer of a limited partner's interest in a Fund (to the extent not borne by the relevant limited partner); (xi) any taxes, fees or other governmental charges levied against a Fund (other than amounts that are reimbursed by, or treated as distributed to, limited partners pursuant to a Fund's Governing Documents); (xii) employee travel to Advisory Committee or limited partner meetings; (xiii) software development costs or other technology-related expenses relating to any of the foregoing or otherwise; and (xiv) any other fees, costs, expenses, liabilities or obligations approved by a Fund's Advisory Committee. As a general matter, Broken Deal Expenses are allocated among Fund investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of HCI and/or its affiliates. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant.

Excluded from Fund expenses are ordinary administrative and overhead expenses of HCI incurred in connection with maintaining and operating its offices (such as compensation of its employees, rent, utilities and general office expenses). In certain cases, these or similar expenses are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. To the extent holding or intermediate entities include one or more special purpose acquisition companies ("SPACs"), the relevant Fund(s) will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders' equity or similar interests issued thereby that are not held directly or indirectly by the Fund, and except where prohibited by the relevant Governing Documents, such interests are permitted to be issued to HCI and its personnel. Each Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in side letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant General Partner has committed in making investments on behalf of the Fund. Additionally, subject to the Governing Documents, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices." The Co-Invest Funds also bear certain administrative expenses (*e.g.*, audit, tax preparation and certain filing fees). Any such expenses are allocated on a case-by-case basis as further described in such Co-Invest Fund's Governing Documents. HCI reserves the right to advance amounts related to the foregoing and receive reimbursement from the Fund(s) to which such expenses relate.

Additionally, as further described herein and in the relevant Governing Documents of each Fund, the Advisers (and/or one or more portfolio companies) expect to employ, use, retain or recommend certain third party advisors and other specialists to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such third party advisors and other specialists generally (including, without limitation, those third-party advisors described in the Governing Documents as "**Executive Partners**") provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Such persons are expected to receive compensation, including, but not limited to salary, professional service fees, cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits, participation or equity interest in a portfolio company or holding company, incentive equity and stock awards, profits or equity interests in one or more Funds or General Partners, remuneration from HCI and/or its Funds or affiliates, guaranteed minimums or other compensation, the amount of which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Executive Partners, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such portfolio company. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the relevant Fund's investment. Executive Partners also generally will be reimbursed for certain travel and other costs in connection with their services. No such compensation will offset or reduce the

Management Fee. The use of such persons subjects the Advisers to potential conflicts of interest, as discussed under "Conflicts of Interest," below.

In certain circumstances, HCI or the General Partners are expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to HCI's related policies and practices and the relevant Governing Documents and/or side letters. Where a co-invest vehicle is formed (such as the Co-Invest Funds), such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses. To the extent the Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

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

As described under "Fees and Compensation," the Advisers receive a carried interest allocation on certain realized profits in Thayer V, HCI III, HCI IV and HCI V. The Co-Invest Funds are not charged a performance-based fee. While this practice could present a conflict of interest, the Advisers do not believe this arrangement poses a conflict of interest in practice because the Co-Invest Funds co-invest alongside the Funds only to the extent there is an excess investment opportunity that can be allocated to the Co-Invest Funds in accordance with the relevant Governing Documents and the Advisers' investment allocation policy. Additionally, to the extent that HCI has Funds with varying carried interest terms and/or HCI personnel are assigned varying percentages of carried interest from the Funds, HCI and such personnel are subject to potential conflicts of interest to the extent that they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

HCI seeks to address the potential for conflicts of interest in these matters with allocation procedures that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by HCI or any personnel.

The existence of performance-based compensation has the potential to create an incentive for the Advisers to make more speculative investments on behalf of a Fund than they would otherwise make in the absence of such arrangement, although HCI generally considers performance-based compensation to better align its interests with those of its investors.

## **TYPES OF CLIENTS**

The Advisers provide investment advice solely to their Private Investment Fund clients, and references throughout this Brochure to "clients" and to HCI's related duties to and practices on behalf of its clients and/or investors should be construed accordingly. Private Investment Funds generally include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds generally include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, principals or other employees of the Advisers and their affiliates and members of their families, third party advisors and other consultants and service providers, as well as executives of portfolio companies. The Advisers are permitted from time to time to also act as an adviser to certain co-investment vehicles, including the Co-Invest Funds, which invest side-by-side with the Private Investment Funds.

Thayer V generally had minimum investments of \$10 million, HCI III, HCI IV and HCI V generally had a minimum investment of \$5 million, in each case, which could be waived by its General Partner. The Co-Invest Funds' minimum investment amounts are determined on a case-by-case basis in accordance with the Advisers' investment allocation policy. Thayer V, HCI III, HCI IV and HCI V interests are offered and sold solely to accredited investors and qualified purchasers (or qualified knowledgeable HCI Equity Partners personnel).

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

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

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

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

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

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

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

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

## **Risks of Investment**

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

*Business Risks.* A Fund's investment portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

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

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

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

*Lack of Sufficient Investment Opportunities.* It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and

involves a high degree of uncertainty. However, regardless of the extent to which commitments of the limited partners are invested (or drawn down to be invested), the limited partners will be required to bear annual Management Fees through such Fund during the Fund's investment period based upon the entire amount of the limited partners' commitments to such Fund, and other expenses as set forth in the relevant Governing Documents.

*Dynamic Investment Strategy.* While each General Partner generally intends to seek attractive returns for the Funds through the investment strategy and methods described herein, the relevant General Partner is authorized to pursue additional investment strategies and/or modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant Governing Documents. A General Partner is authorized to pursue investments outside of the industries and sectors in which HCI has previously made investments or has internal operational experience.

*Growth Equity Transactions.* A Fund may make growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the annual Management Fee payable to HCI) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded commitments.

*Leveraged Investments.* A Fund is permitted make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies both such Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry,

competitive pressures, an adverse economic environment or rising interest rates (which have recently been at or near historic lows) and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be tight at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund invests generally will not be rated by a credit rating agency.

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

To the extent a Fund provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Governing Documents, in which case the investment would be treated as a permanent investment of the Fund. As a result, the Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which may exclude bridge financing investments.

*Use of Credit Facilities.* The Funds generally are permitted to borrow funds pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate capital commitments available to be called in order to finance its operations (including the acquisition of a Fund's investments). A Fund's use of such facilities will be determined by the applicable General Partner, in its sole discretion, and the performance of a Fund may be impacted by how the General Partner causes such Fund to utilize such facilities. Although, the use of such a facility may increase a Fund's ability to swiftly invest capital, it also will cause such Fund to incur interest expense. While there are various reasons why an Adviser may determine to utilize such a credit facility (including, for example, by delaying the need for partners to make capital contributions to a given Fund and/or permitting a Fund to swiftly deploy committed capital), conflicts of interest may arise in that the use of such facilities may have the effect of enhancing such Fund's performance figures (e.g., such Fund's internal rate of return) without necessarily resulting in any increase in the underlying valuation of the relevant portfolio investment financed by such facility. The potential for enhanced performance figures creates a potential incentive for the Adviser to utilize such facilities irrespective of other considerations.



Further, Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds or Co-Invest Funds) as, to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund or impose concentration or other limits on the Fund's investments. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be

heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. The General Partners are authorized to use Fund-level borrowing to pay Management Fees and to reimburse HCI for expenses incurred on behalf of the Funds. A Fund is also permitted to utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

In borrowing on behalf of a Fund, HCI is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of each Fund's investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in-kind to the investors of a Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to the investors, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the Governing Documents, including the value used to determine the amount of carried interest available to the relevant General Partner with respect to such investment.

*Reliance on the General Partner and Portfolio Company Management.* Any newly formed Private Investment Funds will have no operating history and will be entirely dependent on the relevant General Partner. Control over the operation of each Fund will be vested entirely with the relevant General Partner, and the Fund's future profitability will depend largely upon the business and investment acumen of the principals. The loss of service of one or more of the principals could

have an adverse effect on the Funds' ability to realize their investment objectives. Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of the Fund will depend entirely on the actions of the General Partner. Although the General Partners will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Funds generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

*Lack of Unilateral Control.* Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent a Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, is subject to terms and conditions imposed by portfolio company lenders, or makes a minority investment, the relevant portfolio company may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of a the relevant Fund or its limited partners. Such third parties may be in a position to take action contrary to a Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, a Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

*Projections.* Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by each company's management, with adjustments to such projections by HCI in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, the applicable General Partner may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company, whether for opportunistic reasons, to fund the needs of the business, as an equity cure under the applicable debt documents or for other reasons. There can be no assurance that any Fund will make follow-on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for the Fund to increase its participation in a successful operation.

*Non-U.S. Investments.* Each Fund is authorized to invest in portfolio companies that are organized and/or have substantial sales or operations outside of the United States, its territories, and possessions, subject to the limitations set forth in its Governing Documents. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or the Partners with respect to such Fund's income, and possible non-U.S. tax return filing requirements for such Fund and/or the Partners.

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

*Hedging Arrangements.* A General Partner is authorized (but not obligated) to endeavor to manage the relevant Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for a General Partner and/or one of its affiliates a registration or exemption obligation with the US Commodity Futures Trading Commission or other regulator or other regulator or comply with an applicable exemption.

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

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

*Non-Controlling Investments.* A Fund may hold meaningful minority stakes in privately held companies (which may decrease in connection with the process of exiting an investment). As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it may be more difficult for such Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if the Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, virus or disease epidemics or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's portfolio companies.

*Public Health Emergencies; COVID-19.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization formally declared in March 2020 to constitute a global "pandemic." This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and

businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions (including the effectiveness of vaccines and the implementation of vaccination programs) designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained and economies are able to "re-open," it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds' and their portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds' ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio companies, the General Partners and HCI may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*Unfunded Pension Liabilities of Portfolio Companies.* Certain court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although HCI intends to manage each Fund's investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund may own an 80% or greater interest in such a portfolio company. If such Fund (or other 80%-owned portfolio companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

*Valuation of Investments.* Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at

HCI or one of its service providers holding its financial or investor data, HCI, its affiliates or the Funds may also be at risk of loss.

*Limited Access to Information.* Limited partners' rights to information regarding a Fund, the relevant General Partner or HCI generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of HCI's control. Decisions by HCI or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor HCI and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's advisory board generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and HCI reserves the right to withhold certain information from investors subject to such laws for reasons relating to HCI's public reputation, business strategy or other reasons.

*Material, Non-Public Information; Other Regulatory Restrictions.* As a result of the operations of HCI and its affiliates, as well as in connection with officerships or directorships of HCI personnel, HCI frequently comes into possession of confidential or material, non-public information. Therefore, HCI and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or HCI's internal policies and practices.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent HCI or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.



As a result of any of the foregoing, a Fund may be adversely affected because of HCI's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by HCI or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

*Privacy and Data Protection Law Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, "**Privacy Laws**") could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of HCI, the General Partners, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for HCI, the General Partners, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, as amended, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include HCI, the General Partners, the Funds and/or their portfolio companies.

*United Kingdom ("UK") Exit from the European Union (the "EU").* On March 29, 2017, the UK formally notified the European Council of its intention to leave the EU ("**Brexit**"). The UK formally left the EU on January 31, 2020, and entered a transition period that ended on December 31, 2020. On December 24, 2020, the UK government and the EU Commission provisionally agreed to a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period.

Although provisionally agreed, the terms of UK's ongoing and future relationship with the EU are still uncertain, including the extent to which UK businesses will have access to the EU

single market and the extent to which EU businesses will have access to the UK market. There is also risk of significant disruption to trade between the UK and the EU, particularly as new trade arrangements are in the process of being ratified and implemented.

There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK's exit from the EU may adversely affect both EU and UK-based businesses, including HCI and Fund portfolio companies, as applicable. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

## **Conflicts of Interest**

HCI and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, operational, investment advisory, legal, management and other services to Funds, SPACs and portfolio companies. HCI will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of HCI conducting its activities, the interests of a Fund likely will conflict with the interests of HCI, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, HCI will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the Advisory Committee(s) of the participating Fund(s).

During the investment period of a Fund, all appropriate investment opportunities will be pursued by HCI principals through such Fund, subject to certain limited exceptions set forth in the relevant Fund's Governing Documents. Without limitation, HCI principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. HCI personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. HCI's principals and HCI's investment staff will continue to manage and monitor such investments until their realization. Such other investments that HCI principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Fund. HCI principals are involved in the Funds regardless of the Fund's phase, whether fund raising, investing or advising portfolio companies. Since multiple Funds are involved there will be situations where one Fund requires more attention. Following the investment period of a Fund, HCI principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Unless restricted by the Governing Documents, HCI personnel are permitted to serve on boards or act in other roles unaffiliated with HCI, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio

companies, and receive compensation in connection with such services and roles, and, except to the extent provided for in the relevant Governing Documents, no such compensation received by any HCI personnel will offset or otherwise reduce the Management Fee.

From time to time, HCI will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of HCI, including investment opportunities that might be suitable as an add-on investment for an existing portfolio company. In determining which investment vehicles should participate, either directly or indirectly through portfolio companies, in such investment opportunities, HCI and its affiliates are subject to potential conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Governing Documents, HCI is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of HCI in a portfolio company have the potential to also raise the risk of using assets of a client of HCI to support positions taken by other clients of HCI.

HCI must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. HCI generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Governing Documents, as well as factors including, but not limited to, investment restrictions and objectives (including those set forth in the relevant Fund's Governing Documents, where applicable), strategies, life-cycle and structure. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of platform investments until it is substantially invested. HCI will determine if the amount of an investment opportunity in which a Fund will invest exceeds the amount that would be appropriate for such Fund and any such excess is permitted to be offered to one or more potential co-investors (including co-investing Fund or Co-Invest Funds), as determined by the Governing Documents, side letters and HCI's procedures and practices regarding allocation.

Following such determination of allocation among Funds, HCI will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and HCI reserves the right to offer any such excess to one or more potential co-investors, including the Co-Invest Funds or third-party co-investors, as determined by the Funds' Governing Documents, side letters and HCI's procedures and practices regarding allocation. HCI's procedures permit it to take into consideration a variety of factors in making such determinations, including, but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; HCI's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair HCI's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; existence of a formal or informal strategic relationship with the prospective co-investor; whether HCI believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have

the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds or HCI; whether the prospective co-investor has a history of consummating co-investment opportunities with HCI; the likelihood that the prospective co-investor would require governance rights that could complicate or jeopardize the transaction (instead of, in the alternative, assuming a more passive role in the transaction); whether the prospective co-investor has any interests in any competitor of the underlying investment; the extent to which a prospective co-investor has previously been granted co-investment opportunities related to other prospective co-investors; and other similar factors. Although HCI reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness generally will not be the sole determining factor considered by HCI in identifying co-investors.

Furthermore, HCI or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. When and to the extent that employees and related persons of HCI and its affiliates make capital investments in or alongside certain Funds, HCI and its affiliates are subject to potential conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

HCI's allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While HCI will allocate investment opportunities in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which HCI expects to be subject, discussed herein, did not exist.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions, including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by HCI in its sole discretion.

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not,

for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of Broken Deal Expenses relating to the transaction, regardless of whether other Funds could or would have invested in the company in potential future transactions. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. HCI and its affiliates may from time to time express inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio manager or personnel express different views regarding the same investment. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

In certain cases, HCI will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, HCI will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless otherwise required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Subject to any relevant restrictions or other limitations contained in the Governing Documents, HCI will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, HCI expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by HCI or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or HCI. The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, HCI and/or its affiliates typically have the right to appoint portfolio company board members (including current

or former HCI personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to HCI and/or its affiliates. Unless such amounts are subject to the offset provisions described in each relevant Fund's Governing Documents, they will be in addition to any Management Fees or carried interest paid by a Fund to HCI. Additionally, certain HCI personnel have and in the future expect to serve as board members for certain public and/or private companies in which no Funds have an existing or expected investment or interest (including, for the avoidance of doubt, past portfolio companies). In discharging their duties to such third-party companies and the Funds and/or portfolio companies, such HCI personnel have the potential to be subject to conflicts of interest, particularly where such third-party companies provide services to or receive services from any Funds or portfolio companies. Further, to the extent such HCI personnel receive material, non-public information in connection with their activities in respect of such third-party companies, HCI and the Funds may be restricted or precluded from initiating a transaction or selling an investment that they may otherwise have undertaken.

Additionally, a portfolio company typically will reimburse HCI or service providers retained at HCI's discretion for expenses (including, without limitation, travel expenses and software licensing and similar fees) incurred by HCI or such service providers in connection with its performance of services for such portfolio company. This subjects HCI and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. HCI determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to HCI or such service providers generally is subject to: agreements with or review by sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related potential conflicts of interest.

In connection with its services to the Funds and their investments, HCI, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of HCI's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, HCI and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "**HCI Information**"). In many cases, HCI Information will include tools, procedures and resources developed by HCI to organize or systematize HCI Information for ongoing or future use. Although HCI expects its Funds and their portfolio companies generally to benefit from HCI's possession of HCI Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies and not by the Fund or portfolio company from which HCI Information was originally received or derived. HCI Information will be the sole intellectual property of HCI and solely for the use of HCI. HCI reserves the right to use, share, license, sell or monetize HCI Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio

companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

HCI generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) HCI or a related person of HCI (which may include a portfolio company of such Fund); (ii) an entity with which HCI or its affiliates or current or former members of their personnel has a relationship or from which HCI or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where HCI personnel are seconded, or from which HCI receives secondees; or (iii) certain limited partners or their affiliates. For example, HCI expects to be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects HCI to conflicts of interest, because, although HCI selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, HCI has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that HCI, because of such belief or for other reasons (including whether the use of such service provider could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or HCI), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. HCI will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although HCI generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. HCI will have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, will provide HCI information about markets and industries in which HCI operates (or is contemplating operations) or will provide other services that are beneficial to HCI and/or one or more Funds. For example, HCI reserves the right to cause a Fund to make payments to investment banks and/or other intermediaries, all or a portion of which is for the purpose of generating future deal flow for such Fund; however, there can be no assurance that such payments will result in future deal flow, and in certain cases, future deal flow may inure to the benefit of another or successor Fund rather than the Fund making the payment. Whether or not HCI has a relationship or receives any financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at a lower cost.

HCI has instituted a program pursuant to which portfolio companies owned by the Funds are given the option to participate in purchasing, vendor or similar arrangements with HCI, its affiliates and other portfolio companies, including, without limitation, with respect to software

and/or other portfolio company analytics programs. Where applicable, participants expect to receive discounts as a result of the products or services being purchased on a group-wide basis. It is expected that HCI will, in some cases, pay certain costs in connection with the program and seek reimbursement from the applicable Funds and/or portfolio companies. No such reimbursements will result in additional offsets or reductions to the Management Fee.

HCI and/or its affiliates reserve the right to employ or engage persons with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by HCI and/or its affiliates; conversely, former personnel or executives of HCI and/or its affiliates or former executives of prior portfolio companies are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by HCI, and any compensation received by such former personnel or executives will not offset or reduce the Management Fees paid by any Fund. Similarly, HCI, its affiliates and/or personnel maintain relationships with (or invest in) financial institutions, service providers and other market participants, including, but not limited to, managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, HCI and/or its affiliates, and/or the Funds or other investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through HCI entities) to HCI personnel and their estate planning vehicles.

HCI, its affiliates, and equity holders, officers, principals and employees of HCI and its affiliates reserve the right to buy or sell securities or other instruments that HCI has recommended to a Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for a Fund. Any such transactions are subject to any restrictions in a Fund's Governing Documents and any related policies and procedures set forth in HCI's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund.

Except to the extent prohibited by the Governing Documents, HCI and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Governing Documents and anti-"assignment" provisions of the Advisers Act, HCI and its personnel are also permitted to offer, restructure and monetize interests in HCI.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to third party advisors and consultants (including consultants introduced or arranged by HCI and/or its affiliates that may regularly provide services to one or more portfolio companies), and such fees do not offset or reduce the Management Fee as described herein. Third party advisors and consultants generally make use of HCI resources or otherwise are associated



with HCI. HCI and/or its affiliates reserve the right to agree to supplement the compensation to such third party advisors and consultants to the extent the amount received from portfolio companies and/or the Funds is below market-based rates that the third party advisor and/or consultant would otherwise expect to earn for such services. Although the use of third party advisors and consultants and the allocation of compensation paid to them by HCI, its affiliates and/or the portfolio companies subjects HCI and/or its affiliates to potential conflicts of interest. HCI believes that such potential conflicts have the potential to be reduced by the anticipated cost savings and/or benefits to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of such persons is lower than market rates for the services provided and/or if the services of such persons align with HCI's model for the portfolio company and improve portfolio company performance. Although HCI seeks to retain such persons with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no costs savings from such retention. HCI also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that HCI believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only such service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Because HCI's carried interest is based on a percentage of net realized profits, there is a potential incentive for HCI to cause a Fund to make riskier or more speculative investments than would otherwise be the case. Also, the fixed investment period fee structure could potentially create an incentive for HCI to deploy capital when HCI may not otherwise have done so.

HCI and/or its affiliates reserve the right to enter into side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Side letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. Except where required by the Governing Documents, other investors will not receive copies of side letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. As a consequence of one or more limited partners being excused or excluded from, or regulatory or other factors limiting their participation in, investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

HCI has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as HCI has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. In most cases, the relevant Fund(s) will not consent, participate in the negotiations or be

directly involved in such arrangements. Discounted prices or better terms offered by a portfolio company to HCI, any other portfolio company or third parties have the potential to affect the returns of the portfolio company.

Any of these situations subjects HCI and/or its affiliates to potential conflicts of interest. HCI attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by HCI's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a manner it believes to be fair and equitable to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, HCI will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, HCI consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

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

#### **DISCIPLINARY INFORMATION**

HCI and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

HCI is affiliated with other advisory entities subject to the Advisers Act pursuant to HCI's registration in accordance with applicable SEC guidance. These entities are HC Equity Partners V, L.L.C., HCI Management III, L.P., HCI Management IV, L.P. and HCI Management V, L.P., each of which serves as a General Partner to the applicable Fund. Together, HCI and the General Partners operate as a single advisory business and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

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

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

The Advisers and their affiliated persons may come into possession from time to time of material, non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers, and the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material, non-public information.

Accordingly, if the Advisers or any of their affiliated persons come into possession of material, non-public or other confidential information with respect to any public or non-public company, the Advisers generally would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients.

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

The Advisers reserve the right to recommend the purchase or sale of securities for client accounts in which one or more of their members, officers, directors, employees (and members of their families) or affiliates ("affiliated persons"), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also are expected to include trading in securities in a manner that differs from or is inconsistent with the advice given to the clients of the Advisers or the Fund. HC Equity V, HCI Management III, HCI Management IV and HCI Management V have agreed to commit \$7.5 million, \$7.7 million, \$15 million and \$15.1 million respectively, to Thayer V, HCI III, HCI IV and HCI V, respectively.

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers reserves the right to also distribute securities

to investors in Funds or sell such securities, including through using a broker-dealer, such as where a public trading market exists. Although HCI does not intend to regularly engage in public securities transactions, to the extent it does so, it intends to follow the brokerage practices described below.

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

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred for effecting client transaction to the extent consistent with the of such clients. Although the Advisers generally seek competitive commission rates, they will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them. As a general matter, any research provided by these brokers is permitted to be shared between the Advisers and their affiliates and would be used to service one or more of the Private Investment Funds regardless of which Private Investment Fund paid the brokerage commissions being applied towards payment for such research services. There is no agreement or formula for the allocation of brokerage business on the basis of research services.

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

In HCI's private company securities transactions on behalf of the Funds, HCI reserves the right to retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, HCI reserves the right to consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although HCI generally will seek reasonable rates for such services, the market for such services involves more

subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

### **REVIEW OF ACCOUNTS**

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which their clients invest and generally will maintain an ongoing oversight position in such companies (including representation on the board of directors of such companies). The Advisers' Chief Compliance Officer periodically reviews each Fund's investments to confirm that the Fund is maintained in accordance with its stated objectives as set forth in its Governing Documents.

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

### **CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, the Advisers intend to enter into solicitation arrangements pursuant to which the Advisers compensate persons for client referrals that result in a potential investor becoming a limited partner in a Private Investment Fund. Any fees payable to any such placement agents generally will be borne by HCI or the applicable General Partner indirectly through an offset against the Management Fee under the Governing Documents, although related expenses incurred pursuant to the relevant placement agent agreement or similar agreement, including, but not limited to, placement agent travel, meal and entertainment expenses typically are borne by the relevant Fund(s).

UBS Securities LLC ("UBS") was retained to solicit investors for HCI IV and HCI V. HCI IV reimbursed UBS for out of pocket expenses during the fundraising period (now ended) and HCI paid UBS a fee based on a percentage of the commitments to HCI IV attributable to UBS's solicitation efforts. HCI also reimbursed UBS for out of pocket expenses during the fundraising period for HCI V (now ended), and HCI is currently paying UBS a negotiated fee relating to commitments to HCI V attributable to UBS' solicitation efforts.

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

## **CUSTODY**

The Advisers maintain custody of the Funds' assets held in the name of one or more Fund with the following: Wells Fargo Bank, NA., 1753 Pinnacle Drive, McLean, VA 22102; Wells Fargo Institutional Retirement and Trust, NA., 608 2nd Ave S, 9th Floor, Minneapolis, MN 55402; and Canadian Imperial Bank of Commerce, 120 S. LaSalle Street, Chicago, IL 60603, each a qualified custodian.

## **INVESTMENT DISCRETION**

HCI has discretionary authority to manage investments on behalf of the Funds and the Co-Invest Funds pursuant to their respective Governing Documents and the management agreements described under "Advisory Business." As a general policy, the Advisers do not allow clients to place limitations on this authority. However, the General Partner reserves the right to enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund will be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

## **VOTING CLIENT SECURITIES**

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

## **FINANCIAL INFORMATION**

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

**BROCHURE SUPPLEMENT FOR HCI EQUITY MANAGEMENT, L.P. ("HCI") -  
DANIEL M. DICKINSON**

**1730 Pennsylvania Avenue, NW, Suite 525  
Washington, D.C. 20006**

**This brochure supplement provides information about Daniel M. Dickinson that supplements the HCI brochure. You should have received a copy of that brochure. Please contact Lisa Costello at 202-371-0150 or [lcostello@hciequity.com](mailto:lcostello@hciequity.com) if you did not receive HCI's brochure or if you have questions about the contents of this supplement.**

**Educational Background and Business Experience**

Mr. Dickinson co-founded HCI in 2010. He is a Managing Partner of HCI and of HCI Equity Partners, L.L.C., HCI's general partner (collectively with HCI and its affiliates, "HCI Equity Partners"). Prior to co-founding HCI, Mr. Dickinson had been a Managing Partner at Thayer | Hidden Creek Partners ("Thayer | Hidden Creek") since 2001. He joined Thayer | Hidden Creek after spending more than fourteen years in mergers & acquisitions, most recently as Co-Head of Global M&A at Merrill Lynch. As of the date of this Brochure, Mr. Dickinson serves on the boards of Caterpillar, Inc., the U.S. Olympic and Paralympic Foundation, Right to Dream, PCT Holdings, Inc., HCI MH Holding Corporation, Southern Ag Holdings, Inc., CertifiedSafety Holdings, Inc., Tribar Technologies, Inc., CSTC Holdings, Inc., HCI-TSM Holding Corporation, Regent Cabinets LLC, GoTo Logistics Holding Corp. and HCI Wellborn Forest Holdings, LLC. Mr. Dickinson received a Juris Doctorate and Master of Business Administration from The University of Chicago in 1987 and a Bachelor of Science in Mechanical Engineering and Material Science, magna cum laude, from Duke University in 1983. Mr. Dickinson was born in 1961.

**Disciplinary History**

There are no legal or disciplinary events to disclose with respect to Mr. Dickinson.

**Other Business Activities**

Mr. Dickinson is not engaged in any investment-related business outside of his roles with HCI Equity Partners and its affiliated investment advisers.

**Additional Compensation**

Mr. Dickinson does not receive any additional compensation that is required to be disclosed.

**Supervision**

As a Managing Partner of HCI Equity Partners, L.L.C., Mr. Dickinson is part of a team that is responsible for implementing and overseeing the investment strategy of HCI Equity Partners. Mr. Dickinson is not subject to the direct supervision of any other individual, although

Lisa Costello (202-371-0150), Chief Compliance Officer for HCI and its affiliates, oversees his compliance with HCI's policies and procedures.



**BROCHURE SUPPLEMENT FOR HCI EQUITY MANAGEMENT, L.P. ("HCI") -  
DOUGLAS P. MCCORMICK**

**1730 Pennsylvania Avenue, NW, Suite 525  
Washington, D.C. 20006**

**This brochure supplement provides information about Douglas P. McCormick that supplements the HCI brochure. You should have received a copy of that brochure. Please contact Lisa Costello at 202-371-0150 or lcostello@hciequity.com if you did not receive HCI's brochure or if you have questions about the contents of this supplement.**

**Educational Background and Business Experience**

Mr. McCormick co-founded HCI in 2010. He is a Managing Partner of HCI and of HCI Equity Partners, L.L.C., HCI's general partner (collectively with HCI and its affiliates, "HCI Equity Partners"). Prior to co-founding HCI, he had been a Managing Partner at Thayer | Hidden Creek Partners ("Thayer | Hidden Creek") since 2006. Before joining Thayer | Hidden Creek in 1999, Mr. McCormick worked in the Investment Banking Division of Morgan Stanley & Co., where he was involved in the completion of numerous mergers and acquisitions and acquisition-related financing transactions. As of the date of this Brochure, Mr. McCormick serves on the boards of Team Red White and Blue and Bunker Labs, Blue Star Families, NEFE, ACRL Holdings, LLC, Summit Interconnect Holding, LLC, HCI-AMTEX Holding Corp., SDS Holdings, Inc., Express Packaging Holding Corporation, JGB Holding Corporation and Pacific Defense LLC. Mr. McCormick received his Master of Business Administration from Harvard Business School in 1997 and his Bachelor of Science in Economics from the U.S. Military Academy at West Point in 1991. Mr. McCormick was born in 1969.

**Disciplinary History**

There are no legal or disciplinary events to disclose with respect to Mr. McCormick.

**Other Business Activities**

Mr. McCormick is not engaged in any investment-related business outside of his roles with HCI Equity Partners and its affiliated investment advisers.

**Additional Compensation**

Mr. McCormick does not receive any additional compensation that is required to be disclosed.

**Supervision**

As a Managing Partner of HCI Equity Partners, L.L.C., Mr. McCormick is part of a team that is responsible for implementing and overseeing the investment strategy of HCI Equity Partners. Mr. McCormick is not subject to the direct supervision of any other individual, although

Lisa Costello (202-371-0150), Chief Compliance Officer for HCI and its affiliates, oversees his compliance with HCI's policies and procedures.

**BROCHURE SUPPLEMENT FOR HCI EQUITY MANAGEMENT, L.P. ("HCI") -  
KEVIN CRAMTON**

**1730 Pennsylvania Avenue, NW, Suite 525  
Washington, D.C. 20006**

**This brochure supplement provides information about Kevin Cramton that supplements the HCI brochure. You should have received a copy of that brochure. Please contact Lisa Costello at 202-371-0150 or [lcostello@hciequity.com](mailto:lcostello@hciequity.com) if you did not receive HCI's brochure or if you have questions about the contents of this supplement.**

**Educational Background and Business Experience**

Mr. Cramton is an Operating Partner at HCI and its affiliates (collectively, "HCI Equity Partners"). Prior to joining HCI Equity Partners, he served as the Chief Executive Officer of CARDONE Industries from 2012 to 2015. Prior to CARDONE, he served as Chief Executive Officer of Revstone Industries from 2011 to 2012 and before that was a Managing Director of RHJ International (Ripplewood Holdings) from 2007 to 2011. Prior to joining RHJ International, Mr. Cramton worked in various management positions during a 20 year career at the Ford Motor Company. He last served as Director, Corporate Business Development, with global responsibilities for Ford's M&A activities. Mr. Cramton also has served in various capacities on multiple boards of directors throughout his career, including multiple audit committees. As of the date of this Brochure, Mr. Cramton serves on the boards of Helmerich & Payne, Eastern University, Tribar Technologies, Inc., Southern Ag Holdings, Inc. and HCI-TSM Holding Corporation. Mr. Cramton earned a BA degree in business administration in 1981 and an MBA degree in finance in 1983 from Michigan State University. He is an alumnus of the London Business School and completed the Executive Management Program (ADP) in 2001. Mr. Cramton was born in 1959.

**Disciplinary History**

There are no legal or disciplinary events to disclose with respect to Mr. Cramton.

**Other Business Activities**

Mr. Cramton is not engaged in any investment-related business outside of his roles with HCI Equity Partners and its affiliated investment advisers.

**Additional Compensation**

Mr. Cramton does not receive any additional compensation that is required to be disclosed.

**Supervision**

Mr. Cramton is subject to the supervision of the Managing Partners of HCI Equity Partners, L.L.C., Daniel M. Dickinson and Douglas P. McCormick, who oversee all of the investment activity of HCI and its affiliates. In addition, Lisa Costello (202-371-0150), Chief Compliance Officer for HCI and its affiliates, oversees his compliance with HCI's policies and procedures.

**BROCHURE SUPPLEMENT FOR HCI EQUITY MANAGEMENT, L.P. ("HCI") -  
ROBERT HUND**

**1730 Pennsylvania Avenue, NW, Suite 525  
Washington, D.C. 20006**

**This brochure supplement provides information about Robert Hund that supplements the HCI brochure. You should have received a copy of that brochure. Please contact Lisa Costello at 202-371-0150 or [lcostello@hciequity.com](mailto:lcostello@hciequity.com) if you did not receive HCI's brochure or if you have questions about the contents of this supplement.**

**Educational Background and Business Experience**

Mr. Hund is an Operating Partner at HCI and its affiliates (collectively, "HCI Equity Partners"). Prior to joining HCI Equity Partners, he served as the President of Manitowoc Foodservice (a division of The Manitowoc Co., Inc.) from 2013 to 2015. Prior to this, he served as Executive Vice President of Manitowoc Cranes from 2007 to 2013 where he was responsible for worldwide marketing, product management, and global aftermarket support. Prior to joining Manitowoc, Mr. Hund worked in various management positions during an 18 year career at Caterpillar Inc. He last served as Director, Product and Process Development for the company's Mining and Construction Equipment division. Mr. Hund spent nine years of his career at Caterpillar in administrative positions in Malaysia and Germany and is currently on the board of Vermeer Inc. As of the date of this Brochure, Mr. Hund serves on the boards of Vermeer Corporation, ACRL Holdings, LLC, HCI-AMTEX Holding Corp and Express Packaging Holding Corporation. Mr. Hund earned a BS in mechanical engineering degree from Bradley University in 1986, an MS in Industrial Engineering degree from Purdue University in 1987, and an MBA degree from Millikin University in 2006. Mr. Hund was born in 1964.

**Disciplinary History**

There are no legal or disciplinary events to disclose with respect to Mr. Hund.

**Other Business Activities**

Mr. Hund is not engaged in any investment-related business outside of his roles with HCI Equity Partners and its affiliated investment advisers.

**Additional Compensation**

Mr. Hund does not receive any additional compensation that is required to be disclosed.

**Supervision**

Mr. Hund is subject to the supervision of the Managing Partners of HCI Equity Partners, L.L.C., Daniel M. Dickinson and Douglas P. McCormick, who oversee all of the investment activity of HCI and its affiliates. In addition, Lisa Costello (202-371-0150), Chief Compliance Officer for HCI and its affiliates, oversees his compliance with HCI's policies and procedures.

**BROCHURE SUPPLEMENT FOR HCI EQUITY MANAGEMENT, L.P. ("HCI") -  
SCOTT D. GIBARATZ**

**1730 Pennsylvania Avenue, NW, Suite 525  
Washington, D.C. 20006**

**This brochure supplement provides information about Scott D. Gibaratz that supplements the HCI brochure. You should have received a copy of that brochure. Please contact Lisa Costello at 202-371-0150 or lcostello@hciequity.com if you did not receive HCI's brochure or if you have questions about the contents of this supplement.**

**Educational Background and Business Experience**

Mr. Gibaratz is a Managing Director at HCI and its affiliates (collectively, "HCI Equity Partners"). Prior to joining HCI Equity Partners, he had been a Managing Director at Thayer | Hidden Creek Partners since 2004. Prior to that, Mr. Gibaratz spent 11 years in the Mergers & Acquisitions Group at Merrill Lynch, most recently as Director in London responsible for the European Technology M&A sector. While at Merrill Lynch, Mr. Gibaratz advised on over 50 mergers, acquisitions and financing transactions across a variety of industry sectors. As of the date of this Brochure, Mr. Gibaratz serves on the boards of Southern Ag Holdings, Inc., ACRL Holdings, LLC, Summit Interconnect Holding, LLC, Regent Cabinets LLC and HCI Wellborn Forest Holdings, LLC. Mr. Gibaratz received his Master of Business Administration from Kellogg School of Management, graduating with Distinction, and a Bachelor of Business Administration from the University of Michigan, graduating with Distinction. He was born in 1968.

**Disciplinary History**

There are no legal or disciplinary events to disclose with respect to Mr. Gibaratz.

**Other Business Activities**

Mr. Gibaratz is not engaged in any investment-related business outside of his roles with HCI Equity Partners and its affiliated investment advisers.

**Additional Compensation**

Mr. Gibaratz does not receive any additional compensation that is required to be disclosed.

**Supervision**

Mr. Gibaratz is subject to the supervision of the Managing Partners of HCI Equity Partners, L.L.C., Daniel M. Dickinson and Douglas P. McCormick, who oversee all of the investment activity of HCI and its affiliates. In addition, Lisa Costello (202-371-0150), Chief Compliance Officer for HCI and its affiliates, oversees his compliance with HCI's policies and procedures.

**BROCHURE SUPPLEMENT FOR HCI EQUITY MANAGEMENT, L.P. ("HCI") -  
DANIEL F. MOORSE**

**1730 Pennsylvania Avenue, NW, Suite 525  
Washington, D.C. 20006**

**This brochure supplement provides information about Daniel F. Moorse that supplements the HCI brochure. You should have received a copy of that brochure. Please contact Lisa Costello at 202-371-0150 or lcostello@hciequity.com if you did not receive HCI's brochure or if you have questions about the contents of this supplement.**

**Educational Background and Business Experience**

Mr. Moorse is a Managing Director at HCI and its affiliates (collectively, "HCI Equity Partners"). Previously, he had been a Managing Director at Thayer | Hidden Creek Partners, which he joined in 2003 during its integration with Hidden Creek Industries. Mr. Moorse joined Hidden Creek Industries in 1998. At Hidden Creek Industries, Mr. Moorse provided financial services, management support, acquisition and divestiture assistance and business development services to many of the Hidden Creek Industries companies. Prior to that, he was the CFO of Famous Daves, a publicly held restaurant franchisor and operator. As of the date of this Brochure, Mr. Moorse serves on the boards of HCI MH Holding Corporation, Southern Ag Holdings, Inc. and Go To Logistics Holding Corp. Mr. Moorse received his Bachelor of Science in Accounting from St. Johns University, graduating magna cum laude. He was born in 1965.

**Disciplinary History**

There are no legal or disciplinary events to disclose with respect to Mr. Moorse.

**Other Business Activities**

Mr. Moorse is not engaged in any investment-related business outside of his roles with HCI Equity Partners and its affiliated investment advisers.

**Additional Compensation**

Mr. Moorse does not receive any additional compensation that is required to be disclosed.

**Supervision**

Mr. Moorse is subject to the supervision of the Managing Partners of HCI Equity Partners, L.L.C., Daniel M. Dickinson and Douglas P. McCormick, who oversee all of the investment activity of HCI and its affiliates. In addition, Lisa Costello (202-371-0150), Chief Compliance Officer for HCI and its affiliates, oversees his compliance with HCI's policies and procedures.

**BROCHURE SUPPLEMENT FOR HCI EQUITY MANAGEMENT, L.P. ("HCI") -  
CARL E. NELSON**

**1730 Pennsylvania Avenue, NW, Suite 525  
Washington, D.C. 20006**

**This brochure supplement provides information about Carl E. Nelson that supplements the HCI brochure. You should have received a copy of that brochure. Please contact Lisa Costello at 202-371-0150 or [lcostello@hciequity.com](mailto:lcostello@hciequity.com) if you did not receive HCI's brochure or if you have questions about the contents of this supplement.**

**Educational Background and Business Experience**

Mr. Nelson is a Managing Director at HCI and its affiliates (collectively, "HCI Equity Partners"). Previously, he had been a Managing Director at Thayer | Hidden Creek Partners, which he joined in 2003 during its integration with Hidden Creek Industries. Mr. Nelson joined Hidden Creek Industries in 1992. While at Hidden Creek Industries, he assisted in completing over 50 acquisitions and in securing debt financing totaling more than \$2 billion. Prior to joining Hidden Creek Industries, Mr. Nelson spent ten years in the Accounting and Advisory Group of Arthur Andersen & Co. As of the date of this Brochure, Mr. Nelson serves on the boards of PCT Holdings, Inc., Tribar Technologies, Inc., CSTC Holdings, Inc. and HCI-TSM Holding Corporation. He has a Bachelor of Science in Accounting from Winona State University. He was born in 1960.

**Disciplinary History**

There are no legal or disciplinary events to disclose with respect to Mr. Nelson.

**Other Business Activities**

Mr. Nelson is not engaged in any investment-related business outside of his roles with HCI Equity Partners and its affiliated investment advisers.

**Additional Compensation**

Mr. Nelson does not receive any additional compensation that is required to be disclosed.

**Supervision**

Mr. Nelson is subject to the supervision of the Managing Partners of HCI Equity Partners, L.L.C., Daniel M. Dickinson and Douglas P. McCormick, who oversee all of the investment activity of HCI and its affiliates. In addition, Lisa Costello (202-371-0150), Chief Compliance Officer for HCI and its affiliates, oversees his compliance with HCI's policies and procedures.

**BROCHURE SUPPLEMENT FOR HCI EQUITY MANAGEMENT, L.P. ("HCI") -  
BRENDON L. BIDDLE**

**1730 Pennsylvania Avenue, NW, Suite 525  
Washington, D.C. 20006**

**This brochure supplement provides information about Brendon L. Biddle that supplements the HCI brochure. You should have received a copy of that brochure. Please contact Lisa Costello at 202-371-0150 or lcostello@hciequity.com if you did not receive HCI's brochure or if you have questions about the contents of this supplement.**

**Educational Background and Business Experience**

Mr. Biddle is a Principal at HCI and its affiliates (collectively, "HCI Equity Partners"). Prior to HCI Equity Partners, he was an Associate at Thayer | Hidden Creek Partners since 2006. Prior to that, Mr. Biddle was a financial analyst in the Mergers & Acquisitions Group at Wachovia Securities, focusing primarily on media, industrial and aerospace clients. Mr. Biddle also served as a financial analyst for two years in the Media & Communications Investment Banking Group at Wachovia Securities. As of the date of this Brochure, Mr. Biddle serves on the boards of ACRL Holdings, HCI MH Holding Corporation, LLC HCI-AMTEX Holding Corp. and JGB Holding Corporation. Mr. Biddle received a Bachelor of Arts in Economics, cum laude, from Colgate University. He was born in 1981.

**Disciplinary History**

There are no legal or disciplinary events to disclose with respect to Mr. Biddle.

**Other Business Activities**

Mr. Biddle is not engaged in any investment-related business outside of his roles with HCI Equity Partners and its affiliated investment advisers.

**Additional Compensation**

Mr. Biddle does not receive any additional compensation that is required to be disclosed.

**Supervision**

Mr. Biddle is subject to the supervision of the Managing Partners of HCI Equity Partners, L.L.C., Daniel M. Dickinson and Douglas P. McCormick, who oversee all the investment activity of HCI and its affiliates. In addition, Lisa Costello (202-371-0150), Chief Compliance Officer for HCI and its affiliates, oversees his compliance with HCI's policies and procedures.



**BROCHURE SUPPLEMENT FOR HCI EQUITY MANAGEMENT, L.P. ("HCI") -  
TIMOTHY J. FREND**

**1730 Pennsylvania Avenue, NW, Suite 525  
Washington, D.C. 20006**

**This brochure supplement provides information about Timothy J. Frend that supplements the HCI brochure. You should have received a copy of that brochure. Please contact Lisa Costello at 202-371-0150 or lcostello@hciequity.com if you did not receive HCI's brochure or if you have questions about the contents of this supplement.**

**Educational Background and Business Experience**

Mr. Frend is a Principal at HCI and its affiliates (collectively, "HCI Equity Partners"). Prior to HCI Equity Partners, he had been an Associate at Thayer | Hidden Creek Partners since 2006. Prior to that, Mr. Frend was a financial analyst in the Global Industries Group at Banc of America Securities, focusing on M&A advisory and capital raising primarily in the building products, packaging, and metals & mining sectors. As of the date of this Brochure, Mr. Frend serves on the boards of SDS Holdings, Inc. and Express Packaging Holding Corporation. Mr. Frend received a Bachelor of Arts in Economics from Davidson College in North Carolina. He was born in 1980.

**Disciplinary History**

There are no legal or disciplinary events to disclose with respect to Mr. Frend.

**Other Business Activities**

Mr. Frend is not engaged in any investment-related business outside of his roles with HCI Equity Partners and its affiliated investment advisers.

**Additional Compensation**

Mr. Frend does not receive any additional compensation that is required to be disclosed.

**Supervision**

Mr. Frend is subject to the supervision of the Managing Partners of HCI Equity Partners, L.L.C., Daniel M. Dickinson and Douglas P. McCormick, who oversee all the investment activity of HCI and its affiliates. In addition, Lisa Costello (202-371-0150), Chief Compliance Officer for HCI and its affiliates, oversees his compliance with HCI's policies and procedures.