
Item 1: Cover Page



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Form ADV Part 2A – Firm Brochure

March 30, 2021

This brochure (the “Brochure”) provides information about the qualifications and business practices of New Heritage Capital, LLC (“Heritage”). If you have any questions about the contents of this Brochure, please contact us at (617) 439-0688. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Heritage is registered as an “investment adviser” with the SEC. Registration with the SEC does not imply any level of skill or training.

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

Item 2: Material Changes

We are filing this annual amendment to our last Brochure, which was dated March 30, 2020. This annual update does not contain any material changes to the Brochure; however, it includes routine annual updating changes and updated regulatory assets under management.

We recommend that you read this Brochure in its entirety.

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Item 4: Advisory Business

New Heritage Capital, LLC (collectively with its affiliates, as applicable, “Heritage”) acts as the investment adviser to private equity funds (collectively, the “Funds”) that invest in operating companies. Heritage, along with the general partner of each Fund, selects and manages the investments in each Fund, typically equity investments in primarily private, founder-owned, lower middle-market businesses for the purpose of providing existing shareholders with liquidity and/or growth capital to expand their businesses. Once identified, Heritage, along with the general partner of each Fund, participates in the acquisition, management, monitoring and disposition of investments in each Fund (each, a “Portfolio Company”). The Funds are closed-ended and generally have a term of 10 years. The Funds were marketed primarily to institutional investors and high net worth individuals. On a limited basis, Heritage also provides non-discretionary investment management to institutional accounts that invest directly in the operating companies in which the Funds invest. Collectively, the institutional accounts and the Funds are referred to as our “Clients”. Our only advisory clients are the Clients.

Certain Heritage funds were formed for the purpose of investing in a single Portfolio Company. These funds include Heritage-PT Fund, L.P. and Heritage-PT Fund-B, L.P. (collectively, the “Single Purpose Funds”). Other Heritage funds were formed for the purpose of investing in multiple Portfolio Companies. These funds include New Heritage Capital Fund, L.P., New Heritage Capital Fund-B, L.P., New Heritage Capital Fund III, L.P. and New Heritage Capital Fund III-B, L.P. (collectively, the “Pooled Investment Funds”). Lastly, Heritage-Continental Investors, LLC, NHC III GCM Co-Investors, LP and New Heritage Capital Fund III SPV, LP (the “Co-Investment Funds”) were formed as pooled investment vehicles to make co-investments in specific Portfolio Companies alongside the Pooled Investment Funds.

Heritage was formed in 2006 and is solely owned by Mark Jroff, Managing Senior Partner. The Funds are structured as limited partnerships in which the investors are passive limited partners or members, and a Heritage affiliate serves as the general partner or manager, respectively.

The primary focus of Heritage's investment advisory services is researching and advising on privately negotiated transactions in operating entities. Investments are predominantly in non-public companies. In general, the senior principals or other personnel of the general partners or their affiliates serve on the board of directors (or equivalent) of each Portfolio Company held by the Funds.

The advisory services for each of the Funds are further described in each Fund's respective offering memorandum, limited partnership agreement or operating agreement, and/or management or advisory agreement (the “Documents”). We do not vary our investment advice from the terms of the Documents. Additionally, these Documents also detail the various investment restrictions that govern the types of investments the Funds may and may not make and remuneration Heritage and the general partners or managers of the Funds will receive for managing the Funds.

In accordance with common industry practice, one or more of the general partners of the Funds may enter into “side letters” or similar arrangements with certain investors pursuant to which the general partner of the Fund grants the investor specific rights, benefits, or privileges that are not made available to investors generally. These arrangements typically clarify any regulatory, informational, and interpretational issues with the Documents. However, such rights, benefits, or privileges could be regarding economic terms, fee

structures, excuse rights, information rights, co-investment rights, or transfer rights. For the most part, any rights established or any terms altered or supplemented will govern only the investment of the specific investor and not the terms of a Fund as whole.

As of December 31, 2020, Heritage provided investment advisory services to Funds with approximately \$639.8 million in assets under management (\$635.2 million in discretionary assets under management and \$4.5 million in non-discretionary assets under management). Assets under management is defined as the current net asset value of the investments of all Clients (including any escrowed dollars, but not including prior distributions) as of December 31, 2020 plus capital committed but not yet contributed.

Item 5: Fees and Compensation

Heritage's fee and remuneration arrangements may vary among Funds. The specific terms of such arrangements are set forth in each Fund's Documents and are generally not varied thereafter. The below provides a general summary of Heritage's fees and remuneration.

Management Fees

In exchange for the investment management and administrative services it provides to its Clients, Heritage typically assesses a management fee from each Fund. Generally, investors in a Fund pay management fees quarterly in advance until the termination of the respective Fund. However, different Heritage Clients may have different fee arrangements. Heritage's Single Purpose Funds charge an annual management fee equal to 1% of the original cost basis of any Portfolio Company securities then held by the Clients and are billed semiannually in advance to investors (but never six months or more in advance). Heritage's Pooled Investment Funds charge an annual management fee equal to 2% of the Fund's committed capital and are billed quarterly in advance to investors. The management fee for the Pooled Investment Funds will subsequently "step down" to 2% of the cost basis of existing Portfolio Companies after the investment period ends. Heritage's Co-Investment Funds do not charge management fees. To obtain cash for the payment of management fees, the general partner of the Fund may draw down investors' capital commitments.

The Funds generally invest on a long-term basis. Accordingly, management and other fees are expected to be paid, except as otherwise described in each Fund's Documents, over the terms of the Funds, and investors generally are not permitted to withdraw or redeem interests in the Funds.

For its Pooled Investment Funds, and in accordance with the terms of the Documents, Heritage may opt to waive a portion of its management fee, and any waived portion of such management fee is contributed to the Funds and is treated as a deemed capital contribution by the general partner. Any such contribution reduces the amount of capital contributions the general partner would otherwise be required to contribute to the Funds.

Performance Fees

Heritage affiliates which serve as general partners have entered into performance-based fee arrangements with its Clients. Such fees entitle Heritage to a share of the capital appreciation of the Client's assets, or "carried interest," and is contingent on achieving certain investment performance hurdles. Performance fees are subject to individualized negotiation with the limited partners investing in each Fund and are set forth in the Documents. Heritage's Co-Investment Funds do not charge a carried interest. Please refer to Item 6 – *Performance Fees and Side-by-Side Management*.

Portfolio Company Fees

Heritage and its employees may serve on boards of directors and perform advisory, transaction-related, and other services. Subject to each Fund's Documents, Heritage receives remuneration for these services and the remuneration typically includes Portfolio Company monitoring fees and transaction/advisory or diligence fees paid by the Portfolio Company. Other potential fees may include director fees, topping fees, organizational fees, set-up fees, break-up fees, investment banking, underwriting, syndication and other similar fees in connection with the consummating, monitoring or disposition of investments or from unconsummated transactions, including warrants, options, derivatives and other rights, in each case valued as of the date, or other fees from Portfolio Companies and prospective Portfolio Companies of the Funds. For its Pooled Investment Funds, management fees paid by the Funds are offset, or reduced, by a portion of such fees as set forth in such Fund's Documents. For Heritage's Co-Investment Funds, there is no management fee to offset, and any Portfolio Company fees allocated to those funds are not offset and are retained by Heritage. If more than one Pooled Investment Fund and/or Co-Investment Fund is invested in a Portfolio Company, any Portfolio Company fees are typically allocated pro rata based on the capital invested from the various funds. Those Portfolio Company fees are offset as set forth in such Pooled Investment Fund's Documents or retained by Heritage for any Co-Investment Fund.

Consistent with the applicable Funds' Documents, Heritage may incur certain expenses (including travel expenses, lodging, and other direct expenses), and a Portfolio Company may reimburse Heritage for those expenses incurred in connection with its performance of services for a Portfolio Company, and such reimbursements are not subject to the offset provision described above. Such travel expenses may include business class or first class airfare, ground transportation, accommodations, meals and travel agency fees.

Other Fees and Expenses

As provided in each Fund's Documents, Heritage will pay out of its management fees all normal overhead expenses, including compensation for its employees, rent, utilities and other such expenses. Each Client will bear certain other fees, expenses and costs related to the Funds, such as: legal, consulting, accounting and auditing expenses; taxes or filing fees; interest expense; expenses related to limited partner reporting and meetings; insurance, indemnity or litigation expenses related to the Fund's activities; investment banking, consulting and other professional fees related to acquisition or sale of the Fund's assets that are not paid by Portfolio Companies, including broken deal expenses for transactions not consummated. In addition, in certain instances, a Fund may bear expenses in respect of an existing or prospective portfolio company that will not be borne by other owners or investors in such portfolio company (including co-investors or Co-Investment Funds), where Heritage has determined such arrangement to be in the best interest of such Fund (e.g., a fund engages or pays for a consultant for services in respect of a portfolio company without reimbursement by other owners of the portfolio company).

Heritage may exempt past or present principals, employees, and senior advisors from payment of all or a portion of management fees and/or carried interest.

Item 6: Performance Fees and Side-by-Side Management

As discussed in Item 5 – *Fees and Compensation*, an affiliate of Heritage, as the general partner of a Fund, may be eligible to receive performance-based compensation, sometimes referred to as "carried interest." The specific terms of such performance-based compensation vary among the Funds and are set forth in each Fund's Documents. Generally, carried interest is equal to a percentage of the Fund's net profits. Before

carried interest is charged, 100% of a Fund's proceeds are distributed to limited partners until each investor has received, first, a return of its capital, costs and share of any write-downs, and second, a preferred return, generally an 8% per annum cumulative annually compounded rate of return. Heritage's Co-Investment Funds do not charge a carried interest.

Performance-based fee arrangements, in some contexts, can create an incentive for an adviser such as Heritage to recommend investments which may be riskier or more speculative than those which would be recommended under a different arrangement. However, the long-term nature of private equity fund investing mitigates such risk because "carried interest" is calculated based on realized, not unrealized gains.

The general partner for each Fund is affiliated with Heritage through common ownership and control. The general partner of each Fund will generally participate in the Fund's investments by investing assets directly in the Fund. In addition, Heritage has made and may continue to make co-investment opportunities available to its current or prospective investors. Heritage may also in the future make co-investment opportunities available to its employees. These co-investments may or may not have fees and compensation associated with them. Allocation of such opportunities may create a conflict of interest as they are, by nature, limited and participation is not possible for all or even most investors in the Funds. As such, Heritage has the sole discretion to allocate available co-investment opportunities per its Co-Investment Policy and in the manner that it determines to be in the best interest of the Funds.

Item 7: Types of Clients

Heritage provides investment advice to Funds generally organized as limited partnerships or limited liability companies in which an affiliate of Heritage serves as the general partner or manager and to a limited number of non-discretionary institutional accounts. Investors may include public pension plans, fund of funds, corporate pension plans, universities, foundations, family offices, insurance companies, other financial institutions and accredited investors.

Investment advice is provided directly to the Funds, subject to the direction and control of the general partner or manager of such Fund, and not individually to the investors in the Fund. Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act of 1933, as amended (the "Securities Act"), and the Investment Company Act of 1940, as amended (the "1940 Act").

Generally, the minimum investment for its Pool Investment Funds that Heritage accepts is \$5.0 million. In its sole discretion, Heritage may accept an investment in a lesser amount. Prior to investing in a Fund, an investor is required to complete a subscription agreement and investor qualification statement containing industry-standard representations. Generally, we require that each investor in a Fund be an "accredited investor" as defined in Regulation D under the Securities Act and/or a "qualified purchaser" or a "knowledgeable employee" of Heritage as defined under the 1940 Act. We also require that each investor that is a U.S. resident in a Fund that pays us a performance based fee be a "qualified client" as defined under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), or a "knowledgeable employee" of Heritage.

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

Methods of Analysis and Investment Strategies

Heritage invests equity capital in primarily private, founder-owned, lower middle-market businesses for the purpose of providing shareholders with liquidity and/or growth capital to expand their businesses. Clients may

hold either a majority or minority of the voting equity of the businesses they invest in. The investment strategies used by Heritage in formulating investment advice to Clients include: selecting and investing in privately held operating companies with the objective of achieving positive long-term investment returns; monitoring such investments; reporting on ongoing progress; and assisting in the realization of returns over the life of such investments.

Potential investment opportunities are subject to a rigorous due-diligence process. Due-diligence procedures typically include financial and operating reviews, industry and competitive analysis, legal diligence, other technical reviews, in-person management meetings and key management background checks. Heritage's principal sources of information with respect to investments in privately held operating companies typically include private offering memoranda prepared by the companies, company financial statements, personal interviews and visits with company management, industry reports and publications, diligence and consulting reports, other publicly available information, and a detailed review of the companies' documents and records. The due diligence process is designed to verify our investment thesis by thoroughly understanding the Portfolio Company's strategy, market position, operations and management expertise.

Risk of Loss

Investing in privately held operating companies involves significant risks, including risk of loss that Clients should be prepared to bear. These risks include but are not limited to:

An Investment in a Fund Will Not be Suitable for All Investors

An investment in a Fund requires a long-term commitment with no certainty of return. Portfolio Company investments may not generate current income. Therefore, the return of capital and the realization of gains, if any, from a Portfolio Company investment generally will occur upon the partial or complete realization or disposition of such Portfolio Company. While a Portfolio Company may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most Portfolio Companies will not occur for a number of years after such Portfolio Company investments are made. There can be no assurances that purchasers of, or realization opportunities for, a Fund's Portfolio Companies will be found. Further, the terms of any disposition or realization transaction will necessarily be affected by economic and other market conditions at the time. Similarly, a Fund generally will not be able to sell securities of a Portfolio Company publicly unless the issuer has gone public and such sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases, a Fund may be prohibited or limited by contract from selling certain Portfolio Company securities for a period of time and, as a result, may not be permitted to sell a Portfolio Company at a time it might otherwise desire to do so.

An investment in a Fund is suitable only for certain sophisticated investors that have no need for immediate liquidity in their investment, who understand that they may lose all or a significant portion of their invested capital and who have the wherewithal to fund amounts due over time in respect of their capital commitments. Investors must be willing to bear the economic risk of an investment in a Fund for an indefinite period of time. Any investor interested in an investment in a Fund should conduct its own investigation and analysis and consult its own professional advisers as to the risks involved in making such an investment.

Restrictions on Transfer and Withdrawal; Lack of Liquidity for Interests

The interests in the Funds (collectively, the "Interests") have not been, nor will they be, registered or qualified

for sale under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction; and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of the Interests under the Securities Act or other securities laws will ever be affected. There is no public or private market for the Interests, and none is expected to develop. In addition, the Interests are not transferable and may not be sold, transferred, pledged, mortgaged, charged, assigned, hypothecated or otherwise encumbered except with the prior written consent of the general partner or managing member of the relevant Fund (the “General Partner”) (which may be withheld by the General Partner in its sole discretion), and subject to the terms and conditions of the relevant limited partnership agreement or operating agreement (each, a “Fund Agreement”). Investors in a Fund (collectively, “Limited Partners” or “investors”) may not withdraw capital from the Fund. Consequently, Limited Partners may not be able to liquidate their investments prior to the end of a Fund’s term.

Dependence on Key Personnel

The success of a Fund depends in substantial part upon the skill and expertise of certain principals of Heritage (collectively, the “principals”) and the other individuals employed to assist them. There can be no assurance that the principals or such other personnel will continue to be members of, employed by or available to Heritage. The loss of service to a Fund of one or more principals or such other personnel could have a material adverse effect on the success of the Fund. In addition, although the principals will devote such time and attention to the business of a Fund as they reasonably consider necessary to carry out the operations of the Fund effectively, subject to the terms of the Fund Agreement, the principals may continue to be involved in certain activities other than the management of the Fund.

Risks in Effecting Operating Improvements

In some cases, the success of a Fund’s investment strategy will depend, in part, on the ability of the Fund to restructure and effect improvements in the operations of a Portfolio Company. The activity of identifying and implementing restructuring programs and operating improvements at Portfolio Companies entails a high degree of uncertainty. There can be no assurance that Fund will be able to successfully identify and implement such restructuring programs and improvements.

Growth Company Investments

A Fund’s strategy may include investing in early stage or potential high-growth platforms and companies. Such companies may be more volatile due to their limited product lines or services, markets or financial resources, or their susceptibility to major setbacks or downturns. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in lower- and middle-market companies, could make it difficult for a Fund to react quickly to negative economic or political developments.

Risks of Early-Stage Investments

A Fund may invest in the securities of smaller, less-established companies. These types of companies often experience unexpected problems in the areas of operations, marketing and general management, which, in some cases, cannot be adequately solved. In addition, these companies may require substantial amounts

of financing which may not be available through institutional private placements or the public markets. The percentage of companies that survive and prosper can be small. In addition, the securities of such companies may be subject to more abrupt and erratic market price movements than larger, more-established companies, because trading volumes for their securities are generally quite low. Less-established companies tend to have less capital and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies may also have shorter operating histories on which to judge future performance.

Available Opportunities and Competitive Marketplace

The success of the Fund depends on the availability of appropriate investment opportunities and the ability of Heritage to identify, select, close and exit those investments. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable a Fund to invest all of its committed capital or that such investment opportunities will lead to completed investments by the Fund. The Funds will be competing with other private equity funds, as well as institutional investors and strategic investors for investments in prospective Portfolio Companies. As a result of this competition, there can be no assurance that a Fund will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve its targeted rate of return or fully invest its committed capital.

Leverage

A Fund's investments may include companies whose capital structures may utilize significant amounts of leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. Although the General Partner will seek to use leverage in a prudent manner, the leveraged capital structure of such investments will increase the exposure of the Portfolio Companies to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the Portfolio Companies or their respective industries. Additionally, the securities acquired by a Fund may be the most junior in what may be a complex capital structure and thus subject to the greatest risk of loss.

Credit Support

A Fund may make contingent funding commitments to its Portfolio Companies and provide credit support for such obligations ("Credit Support"). Such Credit Support may take the form of guarantees, letters of credit or pledges of a portion of the Investors' capital commitments to a lender or other counterparty. Such funding commitments may be secured by an assignment of the General Partner's right to draw down capital from the Limited Partners. It is possible that the Limited Partners will be required to acknowledge and consent to any such pledge or Credit Support and provide certain information and/or legal opinions as required by the lender or other counterparty. Utilization of Credit Support will result in fees, expenses and interest costs to a Fund, and may result in an under-utilization of the Fund's capital. In the event that one or more Limited Partners fail to satisfy a drawdown or otherwise default on their contribution obligations pursuant to any such Credit Support, such amount would be drawn from non-defaulting Limited Partners.

Bridge Financing; Over Commitment

A Fund may, in connection with, or in anticipation of, any Portfolio Company investment, make additional investments intended to be of a temporary nature and refinanced, repaid, assigned, redeemed, sold, or disposed of within twelve months (any such short-term investment, a "Bridge Financing"). For example, in

order to facilitate the acquisition of investments, Heritage may make (or commit to make), or may cause a Fund to make (or commit to make), an investment in a potential Portfolio Company with a view to selling a portion of such investment to co-investors or other persons or obtaining financing prior to or within a period after the closing of the acquisition. In such event, such Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, or that financing may not be available, and that, as a consequence, the Fund may bear the entire portion of any break-up fee or other fees, costs and expenses related to such investment, or be required to hold a larger than expected investment. Additionally, if such Portfolio Company were unable to complete a refinancing, such Fund could have a long-term investment in a junior security, and the interest rate on such Bridge Financing may not adequately reflect the risk associated with the unsecured position taken by the Fund. This could result in the Fund having a variety of unintended long-term investments or reduced diversification.

Risks Relating to Due Diligence and Conduct at Portfolio Companies; Fraud

Before a Fund makes an investment, Heritage will conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to the investment. Due diligence may entail marketing studies, business plan development, evaluation of important and complex business, financial, tax, accounting and legal issues as well as background investigations of individuals and feasibility and technical studies. Outside professionals, experts, consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. The involvement of such third parties may present a number of risks primarily relating to reduced control of the functions that are outsourced and may entail significant third party expenses, which will be borne by the relevant Fund. In addition, if a Fund is unable to timely engage third-party providers, its ability to make investments could be adversely affected. Due diligence investigations with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating the investment opportunity. Moreover, there can be no assurance that attempts to identify risks associated with an investment will achieve their desired effect. Prospective investors should regard an investment in a Fund as being speculative and having a high degree of risk.

Instances of fraud, material misrepresentations or omissions, professional negligence and other deceptive practices committed by any seller of securities or assets of a Portfolio Company or such seller's representatives, by a Portfolio Company or any of its affiliates, members of senior management, employees, officers or directors, or by any other third party may undermine the Heritage's due diligence efforts with respect to such companies and, if such fraud or other action or omission occurs, the relevant Fund may suffer a material loss of capital and the value of the Fund's investments may be adversely impacted. The Funds will rely upon the accuracy and completeness of representations made by various persons in the due diligence process and cannot guarantee such accuracy or completeness.

Reliability of Third-Party Information

Heritage may select investments for the Funds, in part, on the basis of information and data made available directly or indirectly by potential Portfolio Companies' management and other third parties or filed by third parties with various government regulators. Heritage may not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information may not be available. In particular, a Fund may invest in early-stage companies, which may be family-owned or closely held by founder-owners, and in such cases, information may be more likely to be incomplete, inaccurate or unavailable.

Expedited Transactions

Investment analyses and decisions by Heritage may be undertaken on an expedited basis in order for a Fund to take advantage of investment opportunities. In such cases, the information available to such Fund at the time of an investment decision may be limited, and the Fund may not have access to the detailed information necessary for a full evaluation of the investment opportunity.

Uncertain Exit Strategies

Due to the illiquid nature of the investments which the Funds make and expect to make, there can be no assurances as to what, if any, exit strategy will ultimately be available for any given investment position. Exit strategies which appear to be viable when an investment is initiated may be precluded when the investment is deemed to be ready for realization due to economic, legal, political or other factors. The larger the transaction, the greater the risk to a Fund's total returns and success if there is uncertainty around the Fund's exit strategy.

Minority Investments

A Fund may, under certain circumstances, make minority investments in entities where the Fund does not participate in the management or otherwise control the business or affairs of such entities or has only limited participation in the management of such entities. The General Partner will monitor the performance of each investment and maintain an ongoing dialogue with each Portfolio Company's management team. However, it will be primarily the responsibility of the management of the Portfolio Company to operate such Portfolio Company on a day-to-day basis. Although it is the intent of Heritage to invest in Portfolio Companies with strong operating management that has a successful track record and with significant minority governance, there can be no assurance that a Portfolio Company's management team will be able to operate the Portfolio Company successfully or that a Fund can exercise affirmative controls to effect decisions without the support of management.

Special Risks Associated with Non-U.S. Investments

A Fund may invest in Portfolio Companies that are organized and operating primarily outside of United States. These investments may involve special risks not typically associated with investments in securities of U.S. issuers, including: (a) economic and political factors, such as the risk of expropriation, restrictions on repatriation of profits, and political and social instability; (b) differences among U.S. and foreign practices, including the absence of uniform accounting, auditing, and financial reporting standards in foreign markets, the relatively greater price volatility and illiquidity of foreign securities markets; (c) currency exchange risks, including the cost of converting investment cash flows from one currency into another; and (d) tax-related issues, including the possibility of withholding taxes, confiscatory foreign taxes, and double taxation of income earned overseas.

Exclusion

Under certain circumstances, the relevant General Partner may prohibit a Limited Partner from participating in an investment. Exclusion of any Limited Partner's participation in one or more investments would reduce the diversification for both the excluded Limited Partner and the other Limited Partners and could magnify the adverse impact on the Limited Partners of any investment's underperformance.

Need for Follow-On Investments

Following its initial investment in a given Portfolio Company, a Fund may decide to provide additional funds to such Portfolio Company or may have the opportunity to increase its investment in a successful Portfolio Company. There is no assurance that such Fund will make such follow-on investments or that the 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 or may result in a lost opportunity for the Fund to increase its participation in a successful operation.

Limited Access to Information

Limited Partners' rights to information regarding the Funds will be specified, and strictly limited, in the relevant Fund Agreement, although certain Limited Partners may have the right to additional information pursuant to rights in side letters or similar agreements. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information related to the relevant Fund's investments and prospective investments that will not be disclosed to Limited Partners because such disclosure is prohibited by contractual, legal or other obligations or the General Partner determines not to disclose such information for other reasons. Decisions by the General Partner to withhold information may have adverse consequences for Limited Partners in a variety of circumstances. Decisions to withhold information also may make it difficult for Limited Partners to monitor the General Partner and its performance. Additionally, it is expected that Limited Partners who designate representatives to participate on a Fund's advisory committee may, by virtue of such participation, have more information about the Fund and investments in certain circumstances than other Limited Partners generally and may be disseminated information in advance of communication to other Limited Partners generally.

Difficulty in Valuing Investment Portfolio

A Fund's General Partner will value the Portfolio Company investments of the Fund from time to time at their fair market values. Fund assets that are publicly traded securities for which market prices are readily available will be valued based on their trading prices; however, for almost every Portfolio Company, there will likely be no public market for its securities. Thus, the valuation of Portfolio Company investments inherently is highly subjective and imprecise and requires the use of techniques that are costly and time consuming and ultimately provide no more than an estimate of value. In establishing the value of a Fund's Portfolio Company investments, the General Partner may also consult with accounting firms, investment banks and other third parties when needed, to assist with the valuation of the Fund's investments. The value set by the General Partner (or such third party) may not reflect the price at which the Fund could dispose of its interests in a particular Portfolio Company at any given time.

Dilution from Subsequent Closings

Investors subscribing for Interests in a Fund at subsequent closings will participate in existing investments, diluting the Interest of existing investors therein. Although new investors will contribute their pro rata share of previously made capital contributions (plus an additional amount thereon as further described herein), there can be no assurance that this payment will reflect the fair value of such Fund's existing investments at the time such additional investors subscribe for their Interests.

Heritage, the Clients, their affiliates, service providers, other market participants and the Funds' Portfolio Companies increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect Heritage, a Fund and its investors, despite the efforts of Heritage and the Fund's service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of Heritage, a Fund's service providers, counterparties or data within these systems. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Heritage's, a Fund's and/or a Portfolio Company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors).

Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of Heritage's systems to disclose sensitive information in order to gain access to Heritage's data or that of the Funds' investors. A successful penetration or circumvention of the security of such systems could result in the loss, theft or corruption of an investor's data, a loss of Fund data, a loss of funds, the inability to access electronic systems, overall disruption in operations systems, loss, theft or corruption of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. These threats may also indirectly affect the Funds through cyber incidents with third-party service providers or counterparties. Data taken in such breaches may be used by criminals in identity theft, obtaining loans or payments under false identities, and other crimes that could affect a Fund's investors directly as well as affect the value of assets in which the Fund invests. These risks can disrupt the ability to engage in transactional business, cause direct financial loss and reputational damage, lead to violations of applicable laws related to data and privacy protection and consumer protection or incur regulatory penalties, all or part of which may not be covered by insurance. Cybersecurity risks also result in ongoing prevention and compliance costs. In addition, Heritage and/or the Funds may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information and adverse reputational reaction or litigation.

Similar types of operational and technology risks are also present for the Portfolio Companies in which the Funds invest, which could have material adverse consequences for such companies, and may cause a Fund's investments to lose value and negatively impact returns to investors.

Internal Controls and Employee Misconduct

Heritage has developed internal procedures and practices with the intention of detecting and preventing unauthorized trading, the misappropriation of the Funds' property, and other misconduct and violations of law by employees of Heritage and other agents of Heritage. There can be no assurance, however, that such procedures and practices will be effective. Any violation of such procedures and practices, including acts of fraud and dishonesty by employees or agents of Heritage, or even unsubstantiated allegations of such misconduct, could result in material losses or costs, which generally will be borne by the relevant Fund(s).

Natural Disasters, Terrorist Acts and Similar Dislocations

Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war, riot or civil unrest, the impacted country may not efficiently and quickly recover from such event, which can have a materially adverse effect on Portfolio Companies and other developing economic enterprises in such country. Terrorist attacks and related events can result in increased short-term economic volatility. U.S. military and related actions in Afghanistan and Iraq, other events in the Middle East, and terrorist actions worldwide could have significant adverse effects on U.S. and other economies and securities markets. The effects of future terrorist acts (or threats thereof), military action or similar events on the economies and securities markets of countries cannot be predicted. Such disruptions of the global financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to a Fund's investments.

Disease and Epidemics

The impact of disease and epidemics may have a negative impact on our business, our funds and their performance and financial position. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses and could also result in a general economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains. Moreover, our operations and those of our Funds or Portfolio Companies could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on our business, our funds and underlying Portfolio Company investments. The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The speed and extent of the spread of the coronavirus, and the duration and intensity of resulting business disruption and related financial and social impact, are uncertain, and such adverse effects may be material. While governmental agencies and private sector participants will seek to mitigate the adverse effects of the coronavirus, which may include such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel, and other restrictions, and the medical community is seeking to develop vaccines and other treatment options, the efficacy of such measures is uncertain. Our operations and business results, including with respect to any particular Fund or other Client or their Portfolio Companies, could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) impacts business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

Global Economic Conditions; Market Dislocation

General global economic conditions may affect a Fund's activities. Interest rates, general levels of economic activity, fluctuations in the market prices of securities and participation by other investors in the financial

markets may affect the value of investments made by the Fund. Instability in the securities markets may increase the risks inherent in Portfolio Company investments made by a Fund and instability in the fixed income markets may cause significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high yield bond markets, as well as in the wider global financial markets. To the extent a Fund's Portfolio Companies participate in such markets, the results of their operations may suffer. In addition, certain market events may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect the financial resources of a Fund's Portfolio Companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, such Fund could lose both invested capital in and anticipated profits from such Portfolio Companies.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect the Fund. For example, from time to time, the market for private investment fund transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. In addition, private investment funds and their investment advisers may be subject to increased regulation, taxation or other scrutiny by regulators or other market participants. There can be no assurance as to whether any such scrutiny or initiatives will have an adverse impact on the private investment fund industry generally or on the Funds or Heritage, including the ability of a Fund to take the measures necessary to effect operating improvements or restructurings of Portfolio Companies or otherwise achieve its objectives.

Brexit; Uncertainty Regarding the United Kingdom's Referendum on Withdrawal from the European Union

The United Kingdom is due to leave the European Union. However, there remains uncertainty around the United Kingdom's withdrawal from the European Union, including but not limited to the date of the United Kingdom's withdrawal from the European Union and whether a revoking referendum will be called. Negotiations between the United Kingdom and the European Union remain ongoing and are complex, and there can be no assurance regarding the terms (if any) or timing of any resulting agreement. The withdrawal process has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and this may have political consequences not only in the United Kingdom but also in the remaining European member states.

These developments, and the potential consequences of them, have had and may continue to have a material adverse effect upon global economic conditions and the stability of global financial markets and, further, could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings have been and may continue to be subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations, and the terms upon which United Kingdom businesses may continue to access European markets—including financial laws and regulations, tax and free trade agreements, immigration and employment laws—could increase costs, depress economic activity, impair ability to attract and retain qualified personnel, and have other adverse consequences. Any of these factors may have a material adverse effect on the ability of the Funds and their Portfolio Companies to execute their respective strategies and to access capital.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks

involved in an investment in a Fund. Prospective investors should read the Private Placement Memorandum for each Fund and consult their own counsel and advisors before deciding to invest in a Fund.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no disclosures applicable to this Item.

Item 10: Other Financial Industry Activities and Applications

We are a registered investment adviser with the SEC. We act as investment adviser to the Funds, and the General Partners of the Funds are our affiliates. These affiliated entities operate as a single advisory business together with Heritage and serve as general partners or managers of private investment funds and other pooled vehicles and share common owners, officers, partners, and employees. All of these affiliated entities are under common control and subject to the code of ethics ("Code") and compliance programs adopted by Heritage pursuant to the requirements of the Advisers Act.

Item 11: Code of Ethics

Heritage has adopted the Code designed to comply with Rule 204A-1 under the Advisers Act. The Code establishes rules of conduct for employees and addresses employee personal securities trading, misuse of confidential information, misuse of material non-public information and political contributions. Our Code includes policies and procedures for the periodic review of personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Heritage's "Supervised Persons" (as defined in the Code). Among other things, our Code also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code provides for oversight, enforcement and recordkeeping.

Certain employees of Heritage may invest in Funds either through their General Partners, as limited partners or otherwise. We or our related parties share in the profits and losses generated by those investments. A Fund may, in the sole discretion of its General Partner, not charge or reduce all or a portion of the management fee and performance allocation related to investments held by such persons.

This and other operating relationships among our affiliates and Funds have the potential for creating conflicts of interest. In situations where actual or potential conflicts of interest between us and our affiliates and the Funds are identified, procedures contained in the Documents of the affected Funds generally provide for submission of the proposed transaction to an investor committee for review and resolution. The specific procedures for each Fund we advise are set forth in the Documents of the Fund.

The following factors may alleviate, but will not eliminate, conflicts of interest between and among Funds:

- A Fund will not make any investment unless Heritage and the Fund's General Partner believe that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- Many important conflicts of interest may be resolved pursuant to set procedures, restrictions or other provisions contained in the relevant Documents for the Funds; and

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- With respect to the Funds, the advisory committees for a Fund, whose members are not affiliated with the General Partner of such Fund, play an important role in resolving conflicts of interest by approving or disapproving decisions that involve certain conflicts of interest referred to it by such Fund's General Partner in accordance with the relevant Documents for the Fund.

In connection with its investment activities, Heritage may encounter situations in which it must determine how to allocate investment opportunities among various Funds and other persons, which may include, but are not limited to, the following:

- One or more of the Funds;
- Any parallel investment entities that have been formed to invest side-by-side with one or more Funds;
- Any alternative investment vehicles that have been formed to address, for example, specific tax, legal, business, accounting or regulatory-related matters that may arise in connection with a transaction or transactions;
- Any co-investment entities that have been formed to invest side-by-side with one or more Funds (the investors in such co-investment entities may include individuals and entities that are also investors in one or more Funds (collectively, for purposes of this Item, "Heritage Investors") and/or individuals and entities that are not investors in any Funds (collectively, "Third Parties")); and
- Heritage Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Funds.

For each such Fund or other person discussed above, subject to applicable legal, contractual or similar restrictions, Heritage generally may decide, in its sole discretion, whether Heritage or a related person may seek to charge any fees or to receive any performance-based compensation or allocations in connection with such investment opportunities.

Subject to any restrictions contained in the Documents of the relevant Fund or any side-letter or other terms negotiated with respect to such Fund, in general, (i) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Heritage and in line with Heritage's Co-Investment Policy, (ii) co-investment opportunities may, and typically will, be offered to some and not other Heritage Investors, in the sole discretion of Heritage, and (iii) certain persons (e.g., Third Parties) may be offered co-investment opportunities, in the sole discretion of Heritage.

From time to time, Heritage may come into possession of material, nonpublic information. In such cases, Funds could be restricted indefinitely in transactions involving a particular issuer. Consequently, the possession of material, non-public information by Heritage may limit the ability of a Fund to buy and sell investments. In addition, Heritage may be restricted by contract from using confidential information that it has for the benefit of a Fund.

It is expected that most or all of the employees responsible for advising a Fund will have responsibilities with respect to other Funds advised by Heritage including funds that may be raised in the future. Conflicts of

interest may arise in allocating time, services or functions of these employees.

Generally, Heritage does not affect cross transactions between Funds (a “cross-fund transaction”). In the event that Heritage does effect cross-fund transactions between Funds, Heritage shall seek to ensure that such transactions and any related disclosures are made consistent with applicable laws and agreements (including obtaining any requisite approvals thereunder) and Heritage’s policies and procedures. Neither Heritage nor any of its affiliates may receive any compensation for effecting a cross-fund transaction.

The General Partners of the Funds are entitled to a carried interest under the terms of the Documents of such Funds. Such General Partners are affiliates of Heritage. The existence of the General Partners’ carried interest may create an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of carried interest.

The Funds may have tax-exempt, taxable, foreign and other investors, whereas most members of the General Partners are taxable at individual U.S. rates. Potential conflicts exist with respect to various structuring, investment and other decisions because of divergent tax, economic or other interests, including conflicts among the interests of taxable and tax-exempt investors, conflicts among the interests of domestic and foreign investors, and conflicts between the interests of investors and the members of the General Partners. For these reasons, among others, decisions may be more beneficial for one investor than for another investor, particularly with respect to investors’ individual tax situations.

Heritage’s reputation for fair and honest dealing has taken considerable time to build. The Code reminds employees of the ethical standards maintained by Heritage and its affiliates. All employees are required to acknowledge receipt of the Code of Ethics annually. A copy of the Code of Ethics is available to existing investors in the Funds upon request.

Potential Conflicts of Interest

The following discussion addresses certain potential conflicts of interest but does not describe all of the conflicts that may potentially face a Fund.

Generally

Heritage and its affiliates may encounter potential conflicts of interest in connection with the Funds’ interests, assets or activities (including certain conflicts of interest as among the interests of different Fund vehicles). On any issue involving conflicts of interest, the Heritage will be guided by its good faith judgment. In certain circumstances, a Fund’s General Partner may present potential conflicts of interest to the Fund’s advisory committee for approval.

Transactions between Portfolio Companies

Heritage has an incentive 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 Heritage has an incentive to maintain goodwill between it and its former, existing and prospective Portfolio Companies.

Broken Deal Expenses

In connection with pursuing investment opportunities in furtherance of a Fund’s investment strategy,

Heritage, the Fund, the General Partner and their respective affiliates expect to incur fees, costs and expenses in connection with prospective investments and other transactions that are not consummated, including, without limitation, all due diligence fees, costs and expenses, legal and accounting fees, costs and expenses, fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for such prospective investment or other transaction, deposits or draw-down payments that are forfeited in connection therewith, and reverse break-up fees or termination fees, expense reimbursement amounts or other amounts payable to the sellers, targets, advisors, service providers or other counterparties or third-parties, related to such transaction, or other liabilities or obligations in respect of such unconsummated transactions or investment opportunities, and travel costs and ancillary expenses (which may include first or business class commercial airfare) in connection therewith (including, without limitation, airfare, ground transportation, accommodations, meals and travel agency fees), and costs and expenses of any representation and warranty insurance and/or other similar insurance (collectively, "Broken Deal Expenses"). Broken Deal Expenses could be significant, and accordingly, such Fund could incur substantial costs and expenses with no opportunity for a return.

Use of Subscription Lines

A Fund may fund the making of investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which can be, for example, the undrawn capital commitments of investors, i.e., subscription lines) prior to calling capital commitments. The interest expense and other costs of any such borrowings will be borne by the applicable Fund and, accordingly, may decrease net returns of such Fund. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the applicable fund. In light of the foregoing, we have an incentive to cause such vehicle to borrow in this manner in lieu of drawing down capital commitments, subject to the operating and offering documents of each Fund.

Sell Down Activity

From time to time, for strategic and other reasons, a co-investment vehicle may purchase a portion of an investment from a Fund after such Fund has consummated its investment in the Portfolio Company. Any such purchase from a Fund by a co-investment vehicle generally would occur shortly after the Fund's completion of the investment (also known as a post-closing sell down or transfer) to avoid any changes in the valuation of the investment. The participants in the co-investment vehicle (other than the Funds) may be charged interest on the purchase to compensate the applicable Funds for the applicable holding period.

Conflicts Related to the Withholdings of Certain Information

In some cases, Heritage withholds information from certain investors in a Fund for regulatory or other reasons. For example, information may at times be withheld from investors that are subject to the Freedom of Information Act or similar requirements. Heritage will also from time to time elect to withhold certain information for reasons relating to overall business strategy, despite the potential benefits to investors of receiving such information.

Other Benefits

Heritage and its respective affiliates and their respective personnel can be expected to receive certain benefits, rebates and/or discounts and/or perquisites arising or resulting from their activities on behalf of a

Fund that will not offset or reduce the management fee or otherwise be shared with the Limited Partners and/or Portfolio Companies. For example, airline travel or hotel stays incurred as Fund expenses may result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not *de minimis* or difficult to value, inure exclusively to Heritage and/or its respective affiliates and/or their respective personnel (and not the Fund and/or Portfolio Companies) even though the cost of the underlying service is borne by the Fund and/or its Portfolio Companies. Heritage, its personnel and other related persons also may receive discounts on products and services provided by Portfolio Companies and/or customers or suppliers of such Portfolio Companies. Such other benefits or fees may give rise to conflicts of interest in connection with a Fund’s investment activities, and while Heritage will seek to resolve any such conflicts in a fair and equitable manner, there is no assurance that any such conflicts will be resolved in favor of the Fund.

Item 12: Brokerage Practices

As a general matter, Heritage does not engage in brokerage transactions as the Clients primarily invest in private securities. In the limited circumstances where the Clients may purchase public securities as part of a private equity transaction or have such securities as a result of a Portfolio Company going public, Heritage intends to follow applicable SEC guidelines and seek to obtain best execution in completing such transactions.

Heritage may hire or engage investment banks to assist with certain potential Portfolio Company transactions, primarily in connection with the potential acquisition or sale of a Portfolio Company.

In selecting brokers, Heritage’s main consideration is to obtain the most favorable net result for the Clients under the circumstances, which may not involve the lowest possible commission cost. If, consistent with our goal of seeking best execution, Heritage determines that it will engage a broker to assist with the structuring of a particular transaction, such broker may be selected on the basis of some of the following, as applicable:

- expertise in the particular market;
- market reach, financial stability, and liquidity;
- history of similar transactions;
- the fees and other cost associated with its services;
- its reputation;
- our past experience with the firm;
- willingness and ability to commit capital to complete the deal, if necessary; and
- responsiveness of staff.

We do not take the availability of soft dollars into consideration as it is our policy not to accept research or services in exchange for soft dollars.

Item 13: Review of Accounts

Heritage provides ongoing supervision and review of its Clients’ accounts. Heritage professionals continually review and analyze existing investments to attempt to identify issues early on and to take action when necessary. Heritage’s management group meets monthly to review the financial and operating performance of each operating company. In addition, the management group gathers weekly to discuss any major activities in the operating company.

The General Partner of each Fund distributes quarterly and annual written reports to the investors in the Funds as established in each Fund's Documents. The quarterly reports typically contain financial and business reviews, including valuations, of the Portfolio Company investments. Annual reports for institutional accounts generally include a listing of investments and the audited financial statements of the operating company by a Public Company Accounting Oversight Board registered accounting firm. Annual reports for investors in the Funds generally include individual capital account statements as of the end of such fiscal year, a listing of investments held by the Fund, the audited financial statements of the Fund by a Public Company Accounting Oversight Board registered accounting firm, and tax information necessary for the completion of tax returns.

Heritage generally does not provide formal written reports to any Fund unless specifically requested by the General Partner of the Fund. In addition to the information provided to all investors, Heritage may provide certain investors with additional information or more frequent reports that other investors will not receive.

Item 14: Client Referrals and Other Compensation

Heritage may from time to time engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. If engaged, a legal agreement will be executed that describes the terms of the engagement and will include, among other requirements, that the placement agent abide by federal securities laws in discharging activities on behalf of Heritage. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Any fees and expenses payable to any such placement agents will be borne by Heritage directly.

Item 15: Custody

Due to our access to funds and authority to deduct fees and other expenses from a Client's account and services by our affiliates as general partners of our Funds, we are deemed under Rule 206(4)-2 of the Advisers Act (the "custody rule") to have custody of our Clients' funds. Heritage's policy is to safeguard all Client funds, securities or assets and comply with the custody rule. We utilize the services of a bank or other qualified custodian (as defined under the custody rule) to hold all funds and securities of any of our Clients, to the extent required by the Advisers Act and SEC guidance. We also ensure that the qualified custodian maintains these funds in accounts that contain only Clients' funds and securities, under our name as agent or trustee for the clients.

While the custody rule generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, we are not subject to this requirement because Heritage's Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each of the Funds' respective investors. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of Fund's fiscal year end. In addition, upon the final liquidation of any such Fund, Heritage will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

Item 16: Investment Discretion

Heritage provides investment advisory services to each of the Funds pursuant to the Documents of the Fund. Investment advice is provided by Heritage directly to the Funds, subject to the direction and control of the

affiliated General Partner of such Fund. Any restrictions on investments in certain types of securities are established by the General Partner of the applicable Fund and are set forth in the Documents received by each investor prior to investment in such Fund.

As a general policy, Heritage does not allow limited partners to place limitations on this authority. Pursuant to the terms of the applicable Documents and as previously described, however, Heritage may enter into side letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, to provide for reduced fees or the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

Item 17: Voting Client Securities

Because the Funds transact primarily in privately issued securities, Heritage rarely is required to vote proxies. However, because Heritage has the authority to vote proxies for a Client, Heritage has adopted policies and procedures designed to ensure that it votes proxies in the best interest of the Clients, including when there may be material conflicts of interest in voting proxies.

Heritage believes its interests are aligned with its Clients through the General Partners' ownership interest in the Funds and therefore does not generally seek investor approval or direction when voting proxies. If, however, there is or may be a conflict of interest between the General Partner and the Fund in voting proxies, Heritage will address the conflict by seeking guidance and approval from a Fund's advisory committee or its investors, as appropriate.

If you are a Client or investor in the Funds and would like to obtain a copy of Heritage's proxy voting policies or additional information on how proxies have been voted, please contact Nicole Norris (CCO) at 617-428-3616.

Item 18: Financial Information

Currently, there is no known financial condition that is reasonably likely to impair Heritage's ability to meet its contractual commitments with its Clients.