

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-38021

HAMILTON LANE INCORPORATED

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

26-2482738
(I.R.S. Employer
Identification No.)

One Presidential Blvd., 4th Floor
Bala Cynwyd, PA
(Address of principal executive offices)

19004
(Zip Code)

Registrant's telephone number, including area code: **(610) 934-2222**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|--|---|
| <u>Class A Common Stock, \$0.001 par value per share</u> | <u>The Nasdaq Stock Market LLC</u> |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of Class A common stock held by non-affiliates of the registrant on September 29, 2017, based on the closing price of \$26.85 for shares of the registrant's Class A common stock as reported by the Nasdaq Stock Market, was approximately \$410.6 million.

As of June 11, 2018, there were 23,131,428 shares of the registrant's Class A common stock and 25,700,068 shares of the registrant's Class B common stock outstanding.

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This Annual Report on Form 10-K (“Form 10-K”) includes certain information regarding the historical performance of our specialized funds and customized separate accounts. An investment in shares of our Class A common stock is not an investment in our specialized funds or customized separate accounts. In considering the performance information relating to our specialized funds and customized separate accounts contained herein, prospective Class A common stockholders should bear in mind that the performance of our specialized funds and customized separate accounts is not indicative of the possible performance of shares of our Class A common stock and is also not necessarily indicative of the future results of our specialized funds or customized separate accounts, even if fund investments were in fact liquidated on the dates indicated, and there can be no assurance that our specialized funds or customized separate accounts will continue to achieve, or that future specialized funds and customized separate accounts will achieve, comparable results.

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are owned by us or licensed by us. We also own or have the rights to copyrights that protect the content of our solutions. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this Form 10-K are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, trade names and copyrights.

This Form 10-K may include trademarks, service marks or trade names of other companies. Our use or display of other parties’ trademarks, service marks, trade names or products is not intended to, and does not imply a relationship with, or endorsement or sponsorship of us by, the trademark, service mark or trade name owners.

Unless otherwise indicated, information contained in this Form 10-K concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, other third-party sources (including industry publications, surveys and forecasts), and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets that we believe to be reasonable. Although we believe the data from these third-party sources is reliable, we have not independently verified any third-party information.

Unless otherwise indicated or the context otherwise requires, all references in this Form 10-K to “we,” “us,” “our,” the “Company,” “Hamilton Lane” and similar terms refer to Hamilton Lane Incorporated and its consolidated subsidiaries. As used in this Form 10-K, (i) the term “HLA” refers to Hamilton Lane Advisors, L.L.C. and (ii) the terms “Hamilton Lane Incorporated” and “HLI” refer solely to Hamilton Lane Incorporated, a Delaware corporation, and not to any of its subsidiaries.

Cautionary Note Regarding Forward-Looking Information

Some of the statements in this Form 10-K may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. Words such as “will,” “expect,” “believe” and similar expressions are used to identify these forward-looking statements. Forward-looking statements discuss management’s current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business. All forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different, including risks relating to our ability to manage growth, fund performance, risk, changes in our regulatory environment and tax status; market conditions generally; our ability to access suitable investment opportunities for our clients; our ability to maintain our fee structure; our ability to attract and retain key employees; our ability to manage our obligations under our debt agreements; defaults by clients and third-party investors on their obligations to us; our ability to comply with investment guidelines set by our clients; our ability to consummate planned acquisitions and successfully integrate the acquired businesses with ours; and our ability to receive distributions from HLA to fund our payment of dividends, taxes and other expenses.

The foregoing list of factors is not exhaustive. For more information regarding these risks and uncertainties as well as additional risks that we face, you should refer to Part I, Item 1A of this Form 10-K under the heading “Risk Factors” and in our subsequent reports filed from time to time with the Securities and Exchange Commission (the “SEC”). The forward-looking statements included in this Form 10-K are made only as of the date we filed this report. We undertake no obligation to update or revise any forward-looking statement as a result of new information or future events, except as otherwise required by law.

PART I

Item 1. Business

Our Company

We are a global private markets investment solutions provider with approximately \$54 billion of assets under management (“AUM”), and approximately \$397 billion of assets under advisement (“AUA”). We work with our clients to conceive, structure, build out, manage and monitor portfolios of private markets funds and direct investments, and we help them access a diversified set of such investment opportunities worldwide. Our clients are principally large, sophisticated, global investors that rely on our private markets expertise, deep industry relationships, differentiated investment access, risk management capabilities, proprietary data advantages and analytical tools to navigate the increasing complexity and opacity of private markets investing. While some maintain their own internal investment teams, our clients look to us for additional expertise, advice and outsourcing capabilities. We were founded in 1991 and have been dedicated to private markets investing for more than two decades. We currently have approximately 340 employees, including over 110 investment professionals, operating throughout the United States and in London, Hong Kong, Munich, Rio de Janeiro, Seoul, Sydney, Tel Aviv and Tokyo. A significant majority of our employees have equity interests in our Company.

We offer a variety of investment solutions to address our clients’ needs across a range of private markets, including private equity, private credit, real estate, infrastructure, natural resources, growth equity and venture capital. These solutions are constructed from a range of investment types, including primary investments in funds managed by third-party managers, direct/co-investments alongside such funds and acquisitions of secondary stakes in such funds, with a number of our clients utilizing multiple investment types. These solutions are offered in a variety of formats covering some or all phases of private markets investment programs:

- *Customized Separate Accounts:* We design and build customized portfolios of private markets funds and direct investments to meet our clients’ specific portfolio objectives with regard to return, risk tolerance, diversification and liquidity. We generally have discretionary investment authority over our customized separate accounts, which comprised approximately \$43 billion of our AUM as of March 31, 2018.
- *Specialized Funds:* We organize, invest and manage specialized primary, secondary and direct/co-investment funds. Our specialized funds invest across a variety of private markets and include equity, equity-linked and credit funds offered on standard terms as well as shorter duration, opportunistically oriented funds. We launched our first specialized fund in 1997, and our product offerings have grown steadily, comprising approximately \$11 billion of our AUM as of March 31, 2018.
- *Advisory Services:* We offer investment advisory services to assist clients in developing and implementing their private markets investment programs. Our investment advisory services include asset allocation, strategic plan creation, development of investment policies and guidelines, the screening and recommending of investments, legal negotiations, the monitoring of and reporting on investments and investment manager review and due diligence. Our advisory clients include some of the largest and most sophisticated private markets investors in the world. We had approximately \$397 billion of AUA as of March 31, 2018.

- *Distribution Management:* We offer distribution management services to our clients through active portfolio management to enhance the realized value of publicly traded stock they receive as distributions from private equity funds.
- *Reporting, Monitoring, Data and Analytics:* We provide our clients with comprehensive reporting and investment monitoring services, usually bundled into our broader investment solutions offerings, but occasionally on a stand-alone, fee-for-service basis. Private markets investments are unusually difficult to monitor, report on and administer, and our clients are able to benefit from our sophisticated infrastructure, which provides real-time access to reliable and transparent investment data, and our high-touch service approach, which allows for timely and informed responses to the multiplicity of issues that can arise. We also provide comprehensive research and analytical services as part of our investment solutions, leveraging our large, global, proprietary and high-quality database of private markets investment performance and our suite of proprietary analytical investment tools.

Our client and investor base included over 450 institutions and intermediaries as of March 31, 2018, and is broadly diversified by type, size and geography. Our client base primarily comprises institutional investors that range from those seeking to make an initial investment in alternative assets to some of the world's largest and most sophisticated private markets investors. As a highly customized, flexible outsourcing partner, we are equipped to provide investment services to institutional clients of all sizes and with different needs, internal resources and investment objectives. Our clients include prominent institutional investors in the United States, Europe, the Middle East, Asia, Australia and Latin America. We provide private markets solutions and services to some of the largest global pension, sovereign wealth, and U.S. state pension funds. In addition, we believe we are a leading provider of private markets solutions for U.S. labor union pension plans, and we serve numerous smaller public and corporate pension plans, sovereign wealth funds, financial institutions and insurance companies, endowments and foundations, as well as family offices and selected high-net-worth individuals.

Our intermediary clients enable us to provide our investment products to an expanded range of high-net-worth individuals and families. We have a diversified revenue stream from a variety of client types in multiple geographic regions, with no single client representing more than 5% of management and advisory fee revenues. For the year ended March 31, 2018, our top 10 clients generated approximately 23% of management and advisory fee revenues, and our top 20 clients generated approximately 36% of management and advisory fee revenues with 95% of our top 20 clients having multiple allocations, products or services with us. A significant portion of our revenue base is recurring and is based on the long-term nature of our specialized funds and customized separate accounts as well as long-term relationships with many of our clients, providing highly predictable cash flows. Refer to Note 2, "Summary of Significant Accounting Policies" in the notes to the consolidated financial statements in Part II, Item 8 for further detail on our total revenues by geographic regions.

Since our inception, we have experienced consistent, strong growth, which continues to be reflected in our more recent AUM and AUA growth. As of March 31, 2018, we had AUM of approximately \$54 billion, reflecting a 17% compound annual growth rate ("CAGR") from March 31, 2014, and our AUM increased in each fiscal year during this timeframe. We had approximately \$397 billion of AUA as of March 31, 2018, reflecting a 26% CAGR from March 31, 2014, and our AUA increased in each fiscal year during this timeframe.

Finally, we believe that our strong culture is a key factor driving our success in developing and maintaining high quality relationships with clients, prospects, other business partners and current/potential employees. We are proud that this culture has been recognized by several prominent trade

organizations and publications through numerous awards. For example, we were one of a select group of companies named as a “Best Place to Work in Money Management” in 2017 by Pensions & Investments. Our firm is the only firm in the “Alternatives Manager” category that has appeared on this list every year since Pensions & Investments initiated this category in 2012. Additionally, the firm has received accolades from publications and organizations including Inc. (Hire Power Award: 2013; Fastest-Growing Private Companies in America: 2012 and 2017), Best Companies Group (Best Places to Work in PA: 2012-17) and the Philadelphia Business Journal (Advancing Women Company Award: 2014). Additionally, the strong representation of women in our workforce led the Forum of Executive Women to recognize us as a Top Global Company for the Professional Advancement of Women in 2014. As of March 31, 2018, approximately 40% of our employees were women, including over 30% of employees serving in senior roles. We believe that our culture will continue to play an important role in supporting our future growth.

Below are highlights of our key accomplishments during fiscal 2018, illustrating the execution of our strategic objectives.

- We continued to selectively expand our team of professionals worldwide, as well as our global footprint with the addition of three new offices in Sydney, Australia; Munich, Germany; and Portland, Oregon. We believe these new offices further enhance our reach as an organization and position us well to capture new business opportunities and higher investment deal flow driven by increased proximity to local markets.
- We completed fundraising on our latest flagship secondary fund, Hamilton Lane Secondary Fund IV, L.P., on \$1.9 billion in commitments, which is more than twice the size of its predecessor fund. We also completed fundraising on our credit-focused annual series fund, Hamilton Lane Strategic Opportunities Fund 2017, on \$435 million in commitments, which is also more than twice the size of the prior year’s fund.
- Our fee earning AUM increased each quarter, growing by approximately 14% during fiscal 2018. As a consequence of our increased fee earning AUM, our management and advisory fee revenues for fiscal 2018 grew to \$195 million, 13% higher than in fiscal 2017.
- In August 2017, we closed the acquisition of Real Asset Portfolio Management, LLC (“RAPM”), which we believe significantly expanded our resources and footprint in the real asset space and broadened our private market real asset investment capabilities, a fast-growing vertical within the alternative asset management space.
- We maintained our efforts to make the private markets a more transparent and efficient asset class. We partnered with Ipreo to form our joint venture Private Market Connect (“PMC”), which helps address the existing data challenges faced by limited partners and the information inefficiencies that exist throughout the private markets globally. PMC focuses on scaling, automating and normalizing the information flow between general partners and limited partners.

Organizational Structure

Initial Public Offering and Reorganization

HLI was incorporated in the State of Delaware on December 31, 2007. As of March 6, 2017, following our initial public offering (“IPO”) and related transactions, it became a publicly traded entity. HLI is a holding company with no direct operations. Its principal asset is an equity interest in HLA. It serves as the managing member of HLA and operates and controls all of HLA’s business and affairs.

In connection with the IPO, we completed a series of transactions in order to effect a corporate reorganization, including the following:

- the certificate of incorporation of HLI was amended and restated to, among other things, (i) provide for Class A common stock and Class B common stock, (ii) set forth the voting rights of the Class A common stock (one vote per share) and Class B common stock (ten votes per share) and (iii) establish a classified board of directors;
- the limited liability company agreement of HLA was amended and restated to, among other things, (i) appoint HLI as the sole managing member of HLA and (ii) classify the interests that were acquired by HLI as Class A Units, the voting interests held by the continuing members of HLA as Class B Units, and the non-voting interests held by the continuing members of HLA as Class C Units;
- HLA effectuated a reverse unit split of 0.68-for-1 for each unit class;
- certain HLA members exchanged their HLA units for 3,899,169 shares of Class A common stock of HLI;
- HLI issued to the Class B Holders of HLA one share of Class B common stock for each Class B unit that they owned, in exchange for a payment of its par value;
- certain Class B Holders of HLA entered into a stockholders agreement pursuant to which they agreed to vote all their shares of voting stock in accordance with the instructions of HLA Investments, LLC (“HLAI”), our controlling stockholder; and
- HLI entered into an exchange agreement with the direct owners of HLA pursuant to which they will be entitled to exchange HLA units for shares of HLI’s Class A common stock on a one-for-one basis.

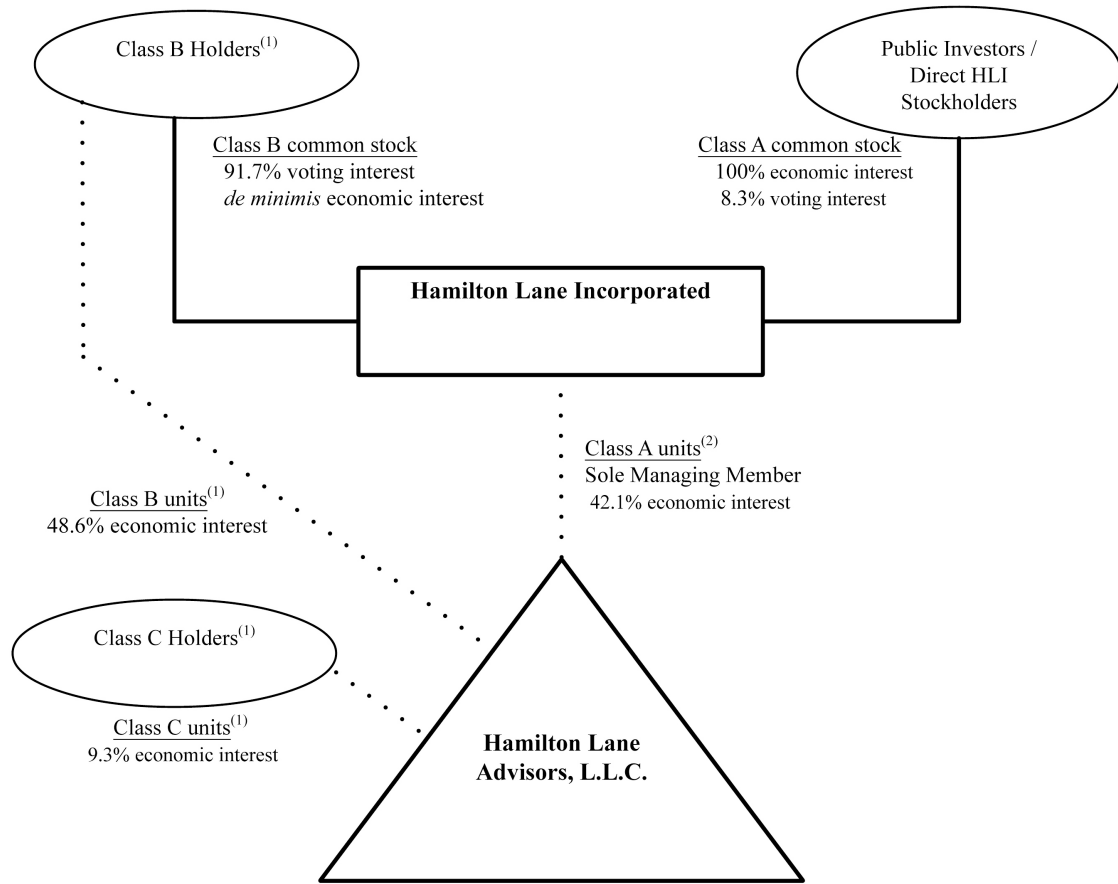
See Note 1 to the consolidated financial statements included in Part II, Item 8 and “Related-Party Transactions” included in Part III, Item 13 for more information about the above-mentioned transactions as well as the other transactions completed in connection with the IPO, which we refer to collectively as the “Reorganization.”

2018 Offering

In March 2018, we and certain selling stockholders completed a registered offering of an aggregate of 4,531,001 shares of Class A common stock at a price of \$34.25 per share (the “2018 Offering”). The purpose of the 2018 Offering was to provide liquidity to significant direct and indirect owners of HLA. The shares sold consisted of (i) 696,315 shares held by the selling stockholders and (ii) 3,834,686 newly issued shares by us. We received approximately \$125.2 million in proceeds from the sale of our shares, net of underwriting discounts and commissions and estimated offering expenses, and used all of the net proceeds to settle in cash exchanges by certain members of HLA of a total of 2,235,187 Class B units and 1,599,499 Class C units. In connection with the exchange of the Class B units, we also repurchased for par value and canceled a corresponding number of shares of Class B common stock. We did not receive any proceeds from the sale of shares by the selling stockholders. See “—HLA Operating Agreement,” “—Exchange Agreement” and “—2018 Offering” under the heading “Related-Party Transactions” included in Part III, Item 13.

Structure Chart

Our structure reflects what is commonly referred to as an “Up-C” structure, which provides our pre-IPO owners with the tax advantage of continuing to own interests in a pass-through structure and provides potential future tax benefits for both the public company and the legacy owners (through the tax receivable agreement) when they ultimately exchange their pass-through interests for shares of Class A common stock. The below chart summarizes our current organizational structure.



(1) The Class B Holders, who hold Class B units, and Class C Holders, who hold Class C units, are pre-IPO owners of our business who continue to hold their interests directly in HLA. Class B units and Class C units may be exchanged for shares of Class A common stock or, at our election, for cash, pursuant to and subject to the restrictions set forth in the exchange agreement.

(2) We hold all of the Class A units of HLA, representing the right to receive approximately 42.1% of the distributions made by HLA. We act as the sole manager of HLA and operate and control all of its business and affairs.

Class A and Class B Common Stock

Our Class A common stock is our publicly traded stock and is listed on the Nasdaq Stock Market (“Nasdaq”) under the symbol “HLNE”. Our Class B common stock was issued as part of the Reorganization to the holders of our Class B units, who are certain significant outside investors, members

of management and significant employee owners. There is no trading market for our Class B common stock.

Economic Rights

Holders of Class A common stock are entitled to full economic rights, including the right to receive dividends when and if declared by our board of directors, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock.

Holders of Class B common stock are entitled to receive only the par value of the Class B common stock upon exchange of the corresponding Class B unit pursuant to the exchange agreement. The exchange of a Class B unit will result in the redemption and cancellation of the corresponding share of Class B common stock. See “Related-Party Transactions—Exchange Agreement” and “Related-Party Transactions—HLA Operating Agreement” in Part III, Item 13 for additional information.

Voting Rights

Except as provided in our certificate of incorporation or by applicable law, holders of Class A common stock and Class B common stock vote together as a single class. Our Class A common stock entitles the holder to one vote per share. Our Class B common stock entitles the holder to ten votes per share until a Sunset becomes effective. After a Sunset becomes effective, each share of Class B common stock will then entitle the holder to one vote.

A “Sunset” is triggered by any of the following: (i) Hartley R. Rogers, Mario L. Giannini and their respective permitted transferees collectively cease to maintain direct or indirect beneficial ownership of at least 10% of the outstanding shares of Class A common stock (determined assuming all outstanding Class B units and Class C units have been exchanged for Class A common stock); (ii) Mr. Rogers, Mr. Giannini, their respective permitted transferees and employees of us and our subsidiaries cease collectively to maintain direct or indirect beneficial ownership of an aggregate of at least 25% of the aggregate voting power of our outstanding Class A common stock and Class B common stock; (iii) Mr. Rogers and Mr. Giannini both voluntarily terminate their employment and all directorships with HLA and us (other than by reason of disability, incapacity or retirement, in each case as determined in good faith by our board of directors, or death); or (iv) the occurrence of the later of March 31, 2027 or the end of the fiscal year in which occurs the fifth anniversary of the death of the second to die of Mr. Rogers and Mr. Giannini. A Sunset triggered under clauses (i), (ii) and (iii) during the first two fiscal quarters will generally become effective at the end of that fiscal year, and a Sunset triggered under clauses (i), (ii) and (iii) during the third or fourth fiscal quarters will generally become effective at the end of the following fiscal year. A Sunset pursuant to clause (iv) will become effective on the occurrence of the latest event listed in clause (iv), unless a Sunset is also triggered under clause (i) or (ii) that would result in an earlier Sunset, in which case the earlier Sunset will result.

If Mr. Rogers or Mr. Giannini voluntarily terminates his employment and directorships as contemplated by clause (iii) after the death of the other, then the Sunset will become effective on the timing set out in clause (iii). Otherwise, a voluntary termination as to only one of them will result in a Sunset becoming effective on the timing set out in clause (iv). Because a Sunset may not take place for some time, or at all, certain of the Class B Holders will, by virtue of their voting control of us and the stockholders agreement described below, continue to control us for the near future.

Our Class B common stockholders collectively hold approximately 91.7% of the combined voting power of our common stock. As described in “Related-Party Transactions” in Part III, Item 13, certain of the holders of our Class B common stock who are significant outside investors, members of management

and significant employee owners have, pursuant to a stockholders agreement, agreed to vote all of their shares in accordance with the instructions of HLAI, our controlling stockholder. The parties to the stockholders agreement control over 90% of the combined voting power of our common stock. This group is therefore able to exercise control over all matters requiring the approval of our stockholders, including the election of our directors and the approval of significant corporate transactions.

When a Class B Holder exchanges Class B units pursuant to the exchange agreement, it will result in the redemption and cancellation of the corresponding number of shares of our Class B common stock in exchange for a cash payment of the par value of such shares and, therefore, will decrease the aggregate voting power of our Class B Holders.

Business Strategy

The alternative investment industry has experienced significant and consistent growth, which we expect to continue and contribute to our future growth. Given our leading market position and strong reputation in investing and client service, our objective is to continue to leverage the following strategic advantages to exceed the industry growth rate.

Develop innovative private markets solutions. Many of our clients engage us because of our ability to create customized programs that meet their particular investment needs and provide access to a broad spectrum of private markets investment opportunities. We believe that a broad range of solutions across almost every private markets asset class enables us to remain a leader in structuring private markets investment portfolios and to continue to provide the best solutions for our existing and future clients. We intend to continue to meet our clients' demands for alternative investments via primary, secondary and direct/co-investment opportunities, which provide attractive return characteristics, as well as innovative specialized fund products, while at the same time allowing us to benefit from economies of scale. In addition, we intend to expand into adjacent asset classes, which will allow us to further broaden our solutions capabilities, diversify our business mix and allow us to benefit from growth in private markets asset classes, such as private debt.

Expand distribution channels. We continue to build a scalable, cost-effective global institutional sales organization, which provides us with a strong local presence in several markets. Our sales organization comprises a 48-person team across our business development and product groups dedicated to marketing our services and products globally. In addition, we intend to increase our profile with influential intermediaries that advise individual and institutional clients, particularly small and medium-sized institutions and high-net-worth families and family offices. We may also enter into strategic distribution partnerships with financial institutions in certain geographical regions and market sectors to gain access to their captive client bases. As we continue to explore different ways to access alternative distribution channels, we are also acting as "sub-advisor" for financial intermediaries with significant distribution strength. In this role, we perform a range of investment services from portfolio construction to investment management, while the distribution partner focuses on product distribution and client service. In the context of these partnerships, the distribution partner often aims to provide its clients with products under its own brand, which we achieve by rebranding our existing offerings or by creating customized offerings carrying the distribution partner's name. We anticipate increasing sub-advisory opportunities as we continue to target high-net-worth individuals and families.

Diversify and grow client base. We aim to continue to expand our relationships with existing clients and intend to capitalize on significant opportunities in new client segments globally, such as smaller institutions and high-net-worth investors. We believe these investors offer an attractive opportunity to

further diversify and grow our client base because many of them only recently have begun to invest in, or increase their allocations to, alternative investments.

Expand private markets solutions and products to defined contribution, retail and similar pools of investable assets. We believe we are pioneers in the creation, distribution, and management of products such as specialized secondaries, direct/co-investments and specialty credit strategies that are designed to serve defined contribution retirement plans and similar entities. Many of our defined contribution retirement plan clients are based outside of the United States, ranging across Australia, Europe, and Latin America, among other geographies. While these clients tend to have lower private markets allocations than those of defined benefit pension plans, their comfort with, interest in and allocations to private markets alternative investments have tended to increase over time, due in part to significant advancements in the areas of private markets data and benchmarking, where we believe we play a leading role. Therefore, we intend to continue to develop, market and manage investment solutions and products specifically aimed at helping these investors create appropriately structured private markets alternatives programs.

Expand globally. Over the past 16 years, we have substantially grown our global presence, both in terms of clients and investments, by expanding our international offices as well as our client presence. We have built a significant presence to serve clients in Europe, Latin America, the Middle East, Asia and Australia, and we have offices in London, Munich, Rio de Janeiro, Tel Aviv, Hong Kong, Seoul, Tokyo and Sydney. In each of these places, we serve major institutional clients, and we review and commit capital to established local private markets funds on behalf of our clients. Our aim is to continue expanding our global presence through further direct investment in personnel, development of client relationships and increased investments with, and direct and co-investments alongside, established private markets fund managers.

We believe that many institutional investors outside the United States are currently underinvested in private markets asset classes and that capturing capital inflows into private capital investing from non-U.S. global markets represents a significant growth opportunity for us. We think that investors from developing regions will increasingly seek branded multi-capability alternative investment managers with which to invest. We believe that geographically and economically diverse non-U.S. investors will require a highly bespoke approach and will demand high levels of transparency, governance and reporting. We have seen this pattern developing in many places, including Europe, the Middle East, Latin America, Australasia, Japan, South Korea, Southeast Asia and China, and have positioned ourselves to take advantage of it by establishing local presences with global investment capabilities.

We believe we are uniquely capable of pursuing the opportunities arising from increased allocations among institutional investors and the rapid wealth creation globally among high-net-worth individuals because of our strong brand recognition, multi-office resources, experienced team of investment professionals and comprehensive suite of products and services.

Leverage proprietary databases and analytics to enhance our existing service offerings and develop new products and services. When compared to more liquid investment areas, the private markets industry is characterized by the limited availability and inconsistency of quality information. We believe that the general trend toward transparency and consistency in private markets reporting will create new opportunities for us. We intend to use the advantages afforded to us by our proprietary databases, analytical tools and deep industry knowledge to drive our performance and provide our clients with customized solutions across private markets asset classes. We expect that our data and analytical capabilities will play an important role in continuing to differentiate our products and services from those of our competitors.

In addition to continually expanding our own database, we develop strategic partnerships with, and opportunistically seek minority stakes in, innovative solutions providers such as iLevel (data collection and reporting), Private Market Connect (data collection and management), DealCloud (investment workflow management), Black Mountain (allocation software) and Bison Cobalt (benchmarking and diligence).

Investment Types

We provide our clients access to private markets investment opportunities diversified across financing stages, geographic regions and industries through the investment types described below.

- *Primary Investments.* Primary investments are investments in private markets funds at the time the funds are initially launched. At the time we commit capital to a fund on behalf of our specialized funds or customized separate accounts, the investments that the fund will make are generally not known and investors typically have very little or no ability to influence the investments that are made during the fund's investment period. Primary funds usually have a contractual duration of between 10 and 15 years, with the capital deployed over a period of typically four to six years. For advisory and customized separate account clients, our investment recommendations and decisions are designed to achieve specific portfolio construction and return objectives mutually developed by us and the clients. Subject to specific client investment guidelines, we rarely invest in "first time" funds unless the management team has previously worked successfully together and built a credible and impressive track record.
- *Secondary Investments.* Secondary investments are investments in private markets funds through secondary market purchases of existing fund interests from existing limited partners in those funds. The private secondary market is a non-regulated private market in which buyers and sellers directly negotiate the terms of transactions. The secondary market has grown dramatically in the last 20 years and today provides a reliable liquidity option for owners of private markets interests as well as attractive buying opportunities for secondary investors. Institutional investors utilize the secondary market for strategic portfolio rebalancing, rationalizing overlapping positions resulting from mergers and acquisitions or providing liquidity when facing cash constraints.

Secondary transactions typically fall within the following categories:

- *Single Funds:* These transactions are often too small for the larger secondary funds and brokers and can be accessed through proprietary or less competitive sourcing methods.
- *Subset Portfolios:* In these transactions, we typically target a multi-fund portfolio with limited information and/or transfer restrictions.
- *Structured/Direct Transactions:* These transactions typically involve the direct purchase of companies alongside an existing or new manager, including fund manager spin-outs and fund manager restructurings.
- *Direct/co-investments.* Direct/co-investments are direct investments alongside private markets funds in underlying portfolio companies. Our direct/co-investment strategy starts with actively soliciting the managers of private markets funds in which we have made investments to offer our specialized funds and customized separate accounts all direct/co-investment opportunities that may arise from their investment operations.

The investment team analyzes and considers each deal to select those opportunities that best suit the direct/co-investment funds' investment objectives and create an appropriate diversity of

investment type, industry, geography and manager. We generally make direct/co-investments on a parallel basis with the private markets funds and managers leading the investments, by purchasing similar securities on similar terms with exit provisions that allow the direct/co-investment funds through which we invest to realize their investments at the same time and on a pro rata basis.

- *Strategic Opportunities funds:* Our Strategic Opportunities funds are short duration, private markets funds that seek to create a portfolio of opportunistically oriented, private markets investments that generate attractive risk-adjusted returns through a flexible and diversified investment strategy. The funds seek to invest across the entire capital structure and primarily utilize credit direct/co-investments, as well as tail-end secondary investments, to create a portfolio biased toward shorter-duration exposures and downside protection, including a current yield component. The Strategic Opportunities funds also may seek to layer into the portfolio construction opportunistic investments, including unique equity positions and investments in areas of market dislocation. These funds leverage our existing platform to generate additional attractive deal flow.

Investment Process and Monitoring

Our investment team includes over 110 investment professionals and is divided into five dedicated teams for primary investments, secondary investments, direct/co-investments, real assets and research. Primary investments, secondary, direct/co-investments and real assets have their own discrete investment committees, although there is significant overlap among committee members.

Our investment process has six key steps: investment origination; preliminary screening; due diligence evaluation; financial analysis; investment evaluation and decision-making; and negotiation, documentation and closing. Each step is described below:

- *Investment Origination.* Fund managers raising new funds and seeking institutional investors typically market their funds directly to us. For secondary investments and direct/co-investments, we aggressively pursue attractive opportunities through our network of fund manager relationships, consultants and, to a lesser extent, third-party distributors.
- *Preliminary Screening.* For primary fund investment opportunities, including real estate, the screening process consists of a formal review of any private placement memorandum that we receive from a prospective fund manager. A screening memo is prepared by the fund investment team and the investment committee makes a decision whether to proceed to due diligence or decline the investment opportunity. For secondary and direct/co-investment opportunities, each investment is evaluated by the respective investment teams and the most attractive opportunities are reviewed in a formal screening process by the investment committee.
- *Due Diligence Evaluation.* For primary fund investments that proceed past the initial screening process, we meet in person with the fund manager. A meeting memo prepared by the investment team based on the meeting is presented to the investment committee for a formal vote. If we elect to move forward, we issue a detailed questionnaire to the fund manager. We subsequently conduct a site visit at the fund manager's office. Lastly, we prepare a final investment report, which provides details on the manager's performance, merits and issues, as well as in-depth analysis of the portfolio.

Among the direct/co-investment opportunities we review, only the most attractive move to more intensive due diligence. The initial due diligence may include meeting and interviewing management and company personnel, multiple meetings and discussions with the lead sponsor,

review of materials and reports developed by the private markets fund manager and external consultants to evaluate the investment and engaging additional advisors when appropriate. In addition, we conduct industry and competitive analyses and a risk analysis on the opportunity.

- *Financial Analysis.* All investment opportunities that pass the initial due diligence review undergo a quantitative, rigorous financial and valuation review. For primary investments, financial analysis includes a thorough review of the fund manager’s historical track record, in which we seek to identify the drivers of return.

Our secondary investment analysis involves both a bottom-up and a top-down analysis of each potential investment. The bottom-up analysis calculates individual values for each underlying portfolio company within the fund. The top-down analysis focuses on assessment of the markets, both public and private, as well as a rigorous review of the fund manager. This review includes historical returns, average holding periods, investment style and risk profile. These two separate analyses are then combined and weighted in order to calculate an offering price for the portfolio.

For direct/co-investments, the company financial projections are studied, as well as the prospective capital structure and credit risk, and sensitivity analyses of the direct/co-investment’s projected returns.

- *Investment Evaluation and Decision-Making.* Throughout the due diligence process, the investment team meets periodically with members of the investment committee in an iterative, dynamic “give and take” process leading to the investment decision stage.

For primary investments, the investment committee votes on each opportunity three times before it is formally approved: (i) at the screening stage; (ii) after the initial meeting; and (iii) when the final due diligence report is completed. At each stage, the investment team prepares a memorandum to the committee summarizing the diligence efforts to that point. The investment is then discussed formally by the investment team and the investment committee members to determine if it is attractive enough to move forward or, in the last stage, make an investment.

For secondary investments and direct/co-investments, the investment committee processes are more iterative. Opportunities are reviewed in investment committee meetings, and the discussion among the investment teams and the committee guides the diligence process. As the diligence process progresses, the investment committee makes the decision of whether to continue working on the transaction or to decline. At the final decision stage, a formal vote is required from the investment committee to make an investment.

- *Negotiation, Documentation and Closing.* Upon recommendation of an investment, we attend to all aspects of the negotiation, documentation and closing processes. Our in-house legal team is mobilized to review the transaction documents, including, in the case of direct/co-investments, the governing documents of the direct/co-investment vehicle and stockholders or comparable agreement setting forth the rights of the direct/co-investors. Throughout the documentation and closing process, the investment team and the legal team work closely together to maximize economic terms and legal rights and protections for our clients and our specialized funds.

Investment Performance

The following tables present information relating to the historical performance of our discretionary investment accounts. The data for these investments is presented from the date indicated through December 31, 2017 and have not been adjusted to reflect acquisitions or disposals of investments subsequent to that date.

When considering the data presented below, you should note that the historical results of our discretionary investments are not indicative of the future results you should expect from such investments, from any future investment funds we may raise or from an investment in our Class A common stock, in part because:

- market conditions and investment opportunities during previous periods may have been significantly more favorable for generating positive performance than those we may experience in the future;
- the performance of our funds is generally calculated on the basis of the net asset value (“NAV”) of the funds’ investments, including unrealized gains, which may never be realized;
- our historical returns derive largely from the performance of our earlier funds, whereas future fund returns will depend increasingly on the performance of our newer funds or funds not yet formed;
- our newly established funds may generate lower returns during the period that they initially deploy their capital;
- in recent years, there has been increased competition for investment opportunities resulting from the increased amount of capital invested in private markets alternatives and high liquidity in debt markets, and the increased competition for investments may reduce our returns in the future; and
- the performance of particular funds also will be affected by risks of the industries and businesses in which they invest.

The historical and potential future returns of the investment funds we manage are not directly linked to returns on our Class A common stock. Therefore, you should not conclude that continued positive performance of the investment funds we manage will necessarily result in positive returns on an investment in our Class A common stock. As used in this discussion, IRR is calculated on a pooled basis using daily cash flows. Gross IRR is presented net of management fees, carried interest and expenses charged by the general partners of the underlying investments, but does not include our management fees, carried interest or expenses. See “—Performance Methodology” below for more information on how our returns are calculated.

Specialized Fund Performance

We organize, invest and manage primary, secondary and direct/co-investment funds. Our funds invest across a variety of private markets and include equity, equity-linked and credit funds offered on standard terms, as well as shorter duration, opportunistically oriented funds. Below is performance information across our various specialized funds. All of these funds are globally focused, and they are grouped by the investment strategy utilized.

Gross Returns — Realized

| Fund | Vintage year | Fund size (\$M) | Realized Capital invested (\$M) | Realized Gross multiple | Realized Gross IRR (%) | Realized Gross Spread vs. S&P 500 PME | Realized Gross Spread vs. MSCI World PME |
|--|--------------|-----------------|---------------------------------|-------------------------|------------------------|--|--|
| Primaries (Diversified) | | | | | | | |
| PEF I | 1998 | 122 | 117 | 1.3 | 5.4% | 378 bps | 322 bps |
| PEF IV | 2000 | 250 | 238 | 1.7 | 16.2% | 1,302 bps | 1,171 bps |
| PEF V | 2003 | 135 | 127 | 1.7 | 15.2% | 952 bps | 1,066 bps |
| PEF VI | 2007 | 494 | 453 | 1.6 | 12.8% | 200 bps | 535 bps |
| PEF VII | 2010 | 262 | 117 | 1.6 | 19.0% | 354 bps | 773 bps |
| PEF VIII | 2012 | 427 | 5 | 1.7 | 19.3% | 901 bps | 1,270 bps |
| PEF IX | 2015 | 517 | 14 | 1.5 | 50.3% | 3,030 bps | 3,145 bps |
| Secondaries | | | | | | | |
| Pre-Fund | — | — | 363 | 1.5 | 17.1% | 1,320 bps | 1,166 bps |
| Secondary Fund I | 2005 | 360 | 353 | 1.2 | 5.2% | 114 bps | 341 bps |
| Secondary Fund II | 2008 | 591 | 534 | 1.6 | 22.1% | 687 bps | 1,096 bps |
| Secondary Fund III | 2012 | 909 | 207 | 1.7 | 30.2% | 1,472 bps | 1,941 bps |
| Secondary Fund IV | 2016 | 1,917 | 45 | 1.4 | 37.9% | 1,672 bps | 1,751 bps |
| Co-investments | | | | | | | |
| Pre-Fund | — | — | 239 | 2.0 | 21.7% | 1,716 bps | 1,658 bps |
| Co-Investment Fund | 2005 | 604 | 375 | 1.4 | 5.3% | (48) bps | 196 bps |
| Co-Investment Fund II | 2008 | 1,195 | 765 | 2.5 | 22.8% | 1,035 bps | 1,408 bps |
| Co-Investment Fund III | 2014 | 1,243 | 15 | 5.1 | 136.9% | 12,944 bps | 13,530 bps |
| Strategic Opportunities (Tail-end secondaries and credit) | | | | | | | |
| Fund | Vintage year | Fund size (\$M) | Realized Capital invested (\$M) | Realized Gross multiple | Realized Gross IRR (%) | Realized Gross Spread vs. CS HY II PME | Realized Gross Spread vs. ML HY II PME |
| Strat Opps 2015 | 2015 | 71 | 27 | 1.3 | 24.5% | 1,419 bps | 1,871 bps |
| Strat Opps 2016 | 2016 | 214 | 32 | 1.2 | 44.9% | 3,285 bps | 3,804 bps |
| Strat Opps 2017 | 2017 | 435 | — | — | — | — | — |

Gross Returns — Realized and Unrealized

| Fund | Vintage year | Fund size (\$M) | Capital invested (\$M) | Gross multiple | Net Multiple | Gross IRR (%) | Net IRR (%) | Gross Spread vs. S&P 500 PME | Net Spread vs. S&P 500 PME | Gross Spread vs. MSCI World PME | Net Spread vs. MSCI World PME |
|--------------------------------|--------------|-----------------|------------------------|----------------|--------------|---------------|-------------|------------------------------|----------------------------|---------------------------------|-------------------------------|
| Primaries (Diversified) | | | | | | | | | | | |
| PEF I | 1998 | 122 | 117 | 1.3 | 1.2 | 5.4% | 2.5% | 378 bps | 76 bps | 322 bps | 16 bps |
| PEF IV | 2000 | 250 | 238 | 1.7 | 1.5 | 16.2% | 11.2% | 1,302 bps | 828 bps | 1,171 bps | 707 bps |
| PEF V | 2003 | 135 | 132 | 1.7 | 1.6 | 14.7% | 10.0% | 875 bps | 400 bps | 987 bps | 506 bps |
| PEF VI | 2007 | 494 | 507 | 1.6 | 1.6 | 12.3% | 9.5% | 122 bps | (116) bps | 456 bps | 213 bps |
| PEF VII | 2010 | 262 | 273 | 1.5 | 1.5 | 14.6% | 10.2% | (2) bps | (439) bps | 394 bps | (51) bps |
| PEF VIII | 2012 | 427 | 318 | 1.2 | 1.2 | 11.8% | 7.9% | (204) bps | (608) bps | 90 bps | (318) bps |
| PEF IX | 2015 | 517 | 263 | 1.2 | 1.2 | 20.1% | 19.6% | 247 bps | 26 bps | 422 bps | 152 bps |
| Secondaries | | | | | | | | | | | |
| Pre-Fund | — | — | 363 | 1.5 | N/A | 17.1% | N/A | 1,320 bps | N/A | 1,166 bps | N/A |
| Secondary Fund I | 2005 | 360 | 353 | 1.2 | 1.2 | 5.2% | 3.8% | 114 bps | (58) bps | 341 bps | 161 bps |
| Secondary Fund II | 2008 | 591 | 571 | 1.6 | 1.5 | 20.6% | 14.6% | 517 bps | (85) bps | 931 bps | 317 bps |
| Secondary Fund III | 2012 | 909 | 797 | 1.4 | 1.3 | 19.9% | 16.2% | 601 bps | 185 bps | 979 bps | 566 bps |
| Secondary Fund IV | 2016 | 1,917 | 559 | 1.2 | 1.3 | 35.6% | 70.5% | 1,519 bps | 4,905 bps | 1,608 bps | 4,905 bps |
| Co-investments | | | | | | | | | | | |
| Pre-Fund | — | — | 244 | 2.0 | N/A | 21.4% | N/A | 1,650 bps | N/A | 1,601 bps | N/A |
| Co-Investment Fund | 2005 | 604 | 577 | 1.1 | 1.0 | 1.4% | 0.0% | (472) bps | (641) bps | (220) bps | (394) bps |
| Co-Investment Fund II | 2008 | 1,195 | 1,129 | 2.1 | 1.8 | 20.2% | 16.3% | 762 bps | 361 bps | 1,136 bps | 730 bps |
| Co-Investment Fund III | 2014 | 1,243 | 1,173 | 1.3 | 1.3 | 22.9% | 18.0% | 715 bps | 219 bps | 951 bps | 430 bps |

| Fund | Vintage year | Fund size (\$M) | Capital invested (\$M) | Gross multiple | Net Multiple | Gross IRR (%) | Net IRR (%) | Gross Spread vs. CS HY II PME | Net Spread vs. CS HY II PME | Gross Spread vs. ML HY II PME | Net Spread vs. ML HY II PME |
|--|--------------|-----------------|------------------------|----------------|--------------|---------------|-------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Strategic Opportunities (Tail-end secondaries and credit) | | | | | | | | | | | |
| Strat Opps 2015 | 2015 | 71 | 67 | 1.2 | 1.2 | 16.2% | 12.6% | 599 bps | 240 bps | 1,021 bps | 657 bps |
| Strat Opps 2016 | 2016 | 214 | 213 | 1.2 | 1.1 | 16.9% | 14.5% | 776 bps | 557 bps | 1,122 bps | 913 bps |
| Strat Opps 2017 | 2017 | 435 | 271 | 1.0 | 1.0 | 8.9% | 9.1% | 429 bps | 315 bps | 486 bps | 476 bps |

Performance Methodology

The indices presented for comparison are the S&P 500, MSCI World, Credit Suisse High Yield II (“CS HY II”) and Bank of America Merrill Lynch High Yield Master II (“ML HY II”), calculated on a PME basis. We believe these indices are commonly used by private markets and credit investors to evaluate performance. The PME calculation methodology allows private markets investment performance to be evaluated against a public index and assumes that capital is being invested in, or withdrawn from, the index on the days the capital was called and distributed from the underlying fund managers. The S&P 500 Index is a total return capitalization-weighted index that measures the performance of 500 U.S. large cap stocks. The MSCI World Index is a free float-adjusted market capitalization-weighted index of over 1,600 world stocks that is designed to measure the equity market performance of developed markets. The CS HY II Index, formerly known as the DLJ High Yield Index, is designed to mirror the investable universe of the U.S. dollar denominated high yield debt market. Prices for the CS HY II Index are available on a weekly basis. The ML HY II Index consists of below investment grade U.S. dollar denominated corporate bonds that are publicly issued in the U.S. domestic market. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3, but are not in default.

Our IRR represents the pooled IRR for all discretionary investments for the period from inception to December 31, 2017. The returns are net of management fees, carried interest and expenses charged by the underlying fund managers, but do not include our management fees, carried interest or expenses. Our IRR would decrease with the inclusion of our management fees, carried interest and expenses.

The “Realized IRR” represents the pooled IRR for those discretionary investments that we consider realized for purposes of our track record, which are investments where the underlying investment fund has been fully liquidated, has generated a distributions to paid-in capital ratio (“DPI”) greater than or equal to 1.0, or is older than six years and has a residual value to paid-in capital ratio (“RVPI”) less than or equal to 0.2. Hamilton Lane Secondary Realized includes investments that have been fully liquidated, have a DPI greater than or equal to 1.0, or a RVPI less than or equal to 0.2. Hamilton Lane Realized Co-Investment and Hamilton Lane Realized Strategic Opportunities include investments that have been fully liquidated or have a DPI greater than or equal to 1.0. “Unrealized” includes all investments that do not meet the aforementioned criteria. DPI represents total distributions divided by total invested capital. RVPI represents the remaining market value divided by total invested capital. “Capital Invested” refers to the total amount of all investments made by a fund, including commitment-reducing and non-commitment-reducing capital calls. “Multiple” represents total distributions from underlying investments to the fund plus the fund’s market value divided by total contributed capital. “Gross Multiple” is presented net of management fees, carried interest and expenses charged by the fund managers of the underlying investments.

Specialized fund and pre-fund performance does not include ten funds-of-funds that have investor-specific investment guidelines.

Certain of our specialized funds utilize revolving credit facilities, which provide capital that is available to fund investments or pay partnership expenses and management fees. Borrowings may be paid down from time to time with investor capital contributions or distributions from investments. The use of a credit facility affects the fund’s return and magnifies the performance on the upside or on the downside.

Assets Under Management and Advisement

As of March 31, 2018, we had total AUA and AUM of approximately \$451 billion, of which \$54 billion represents AUM from our customized separate accounts and specialized funds, and \$397 billion represents AUA managed on behalf of our advisory accounts. Our AUM and AUA have distinctive terms and fee arrangements, and therefore are presented separately in this section.

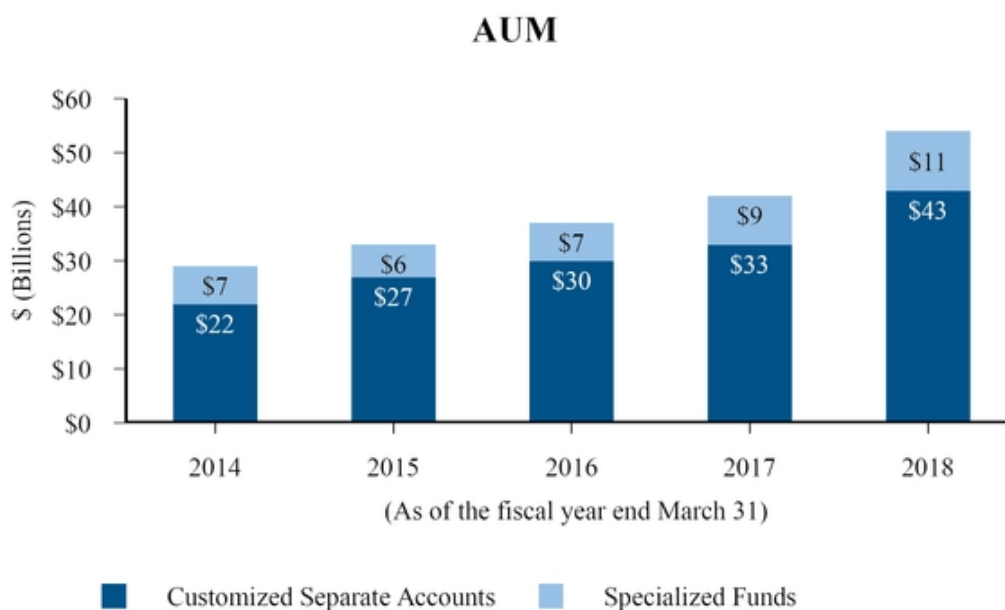
AUM

Our AUM comprises primarily the assets associated with our customized separate accounts and specialized funds. We classify assets as AUM if we have full discretion over the investment decisions in an account. We calculate our AUM as the sum of:

- (1) the NAV of our clients’ and funds’ underlying investments;
- (2) the unfunded commitments to our clients’ and funds’ underlying investments; and
- (3) the amounts authorized for us to invest on behalf of our clients and fund investors but not committed to an underlying investment.

Management fee revenue is based on a variety of factors and is not linearly correlated with AUM. However, we believe AUM is a useful metric for assessing the relative size and scope of our asset management business.

Our AUM has grown from approximately \$29 billion as of March 31, 2014 to approximately \$54 billion as of March 31, 2018, representing a CAGR of 17%. The following chart summarizes this growth.

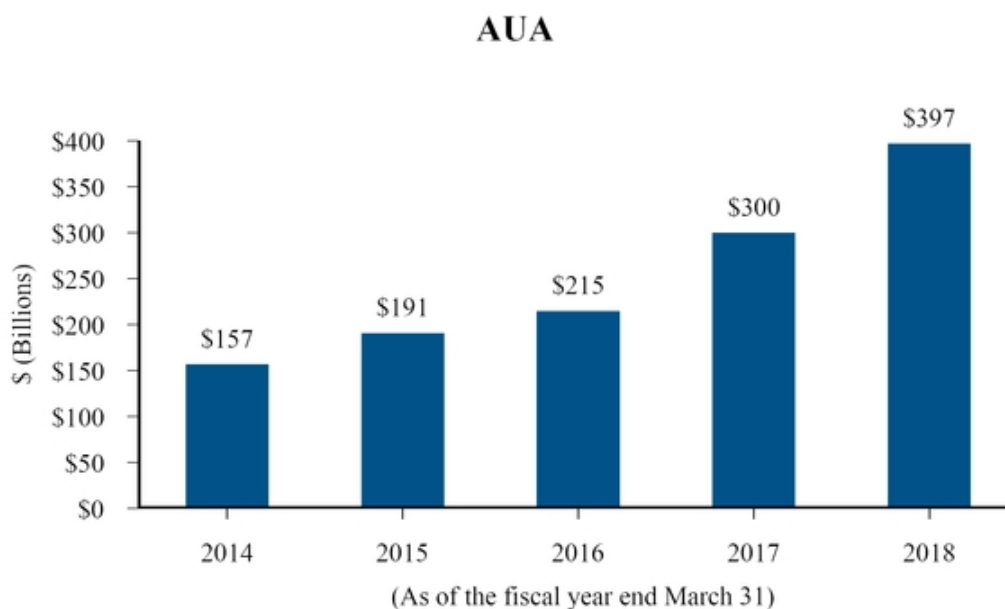


AUA

Our AUA comprise assets from clients for which we do not have full discretion to make investments in their account. We generally earn revenue on a fixed fee basis on our AUA client accounts for services including asset allocation, strategic planning, development of investment policies and guidelines, screening and recommending investments, legal negotiations, monitoring and reporting on investments and investment manager review and due diligence. Advisory fees vary by client based on the amount of annual commitments, services provided and other factors. Since we earn annual fixed fees from the majority of our AUA clients, the growth in AUA from existing accounts does not have a material impact on our revenues. However, we view AUA growth as a meaningful benefit in terms of the amount of data we are able to collect and the degree of influence we have with fund managers.

Assets related to our advisory accounts have increased from approximately \$157 billion as of March 31, 2014, to approximately \$397 billion as of March 31, 2018, representing a CAGR of 26%. Our AUA clients are predominately large institutional investors with 48% of AUA related to public pension funds and 38% related to sovereign wealth funds. Our AUA is diversified across geographies with nearly 50% derived from clients based outside of the United States.

The following chart summarizes the growth of our AUA since fiscal year 2014.



Diversification of Assets

Given our goal of achieving strong investment returns and portfolio diversification for clients, investments are made across multiple private markets sub-asset classes, including corporate finance/buyout, growth equity, venture capital, mezzanine, distressed debt and other special situation funds (e.g., industry-focused funds and multi-stage funds). Because we have a considerable volume of investment opportunities globally, we selectively invest not only across sub-asset classes, but also across all major geographic regions, including North America, Europe, Asia, Australasia, Latin America, the Middle East and Africa.

Fee-Earning Assets Under Management

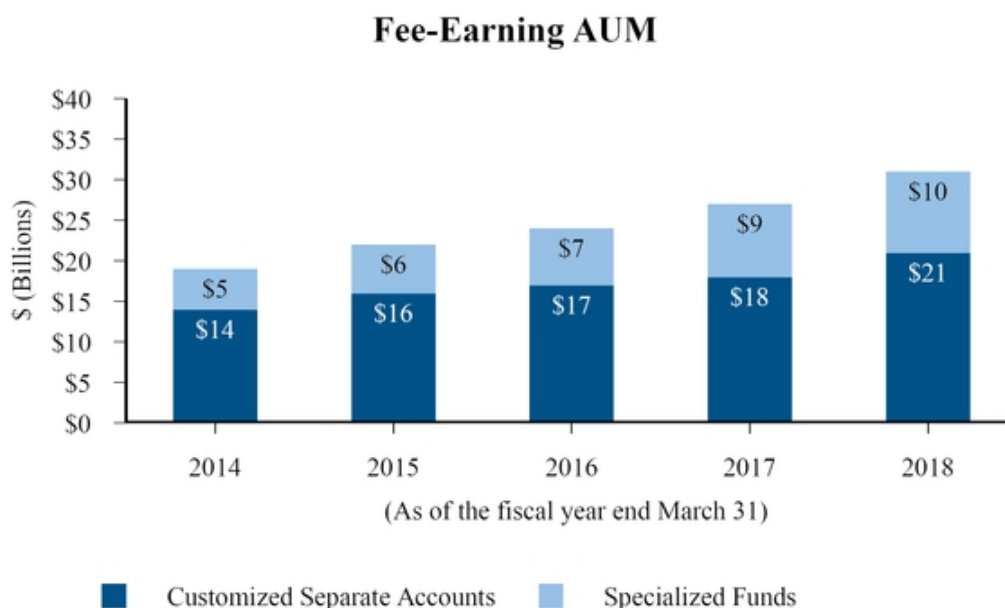
We view fee-earning AUM as a metric to measure the assets from which we earn management fees. Our fee-earning AUM comprise assets in our customized separate accounts and specialized funds from which we derive management fees. We classify customized separate account revenue as management fees if the client is charged an asset-based fee, which includes the majority of our discretionary AUM accounts but also includes certain non-discretionary AUA accounts. Our fee-earning AUM is equal to the amount of capital commitments, net invested capital and NAV of our customized separate accounts and specialized funds depending on the fee terms. Substantially all of our customized separate accounts and specialized funds earn fees based on commitments or net invested capital, which are not affected by market appreciation or depreciation. Therefore, revenues and fee-earning AUM are not significantly affected by changes in market value.

Our calculations of fee-earning AUM may differ from the calculations of other asset managers, and as a result, this measure may not be comparable to similar measures presented by other asset managers. Our

definition of fee-earning AUM is not based on any definition that is set forth in the agreements governing the customized separate accounts or specialized funds that we manage.

As of March 31, 2018, our fee-earning AUM was approximately \$31 billion compared to \$54 billion in AUM. The difference is due primarily to \$18 billion of discretionary AUM earning a flat fee or fee on number of funds for which we categorize revenue as advisory and reporting. This was partially offset by \$3 billion of fee-earning AUM from customized separate accounts clients with non-discretionary AUA. The remaining \$8 billion is non fee-earning AUM.

The following chart summarizes the growth of our fee-earning AUM since fiscal year 2014.



Our Clients

Our client base primarily comprises institutional investors that range from those seeking to make an initial investment in alternative assets to some of the largest and most sophisticated private markets investors. As a highly customized, flexible outsourcing partner, we are equipped to provide investment services to institutional clients of all sizes and with different needs, internal resources and investment objectives. Our clients include prominent institutional investors in the United States, Europe, the Middle East, Asia, Australia and Latin America. We believe we are a leading provider of private markets solutions for U.S. labor union pension plans, and we serve numerous smaller public and corporate pension plans, sovereign wealth funds, financial institutions and insurance companies, endowments and foundations, as well as family offices and selected high-net-worth individuals.

As of March 31, 2018, our client and investor base included over 450 institutions and intermediaries and is broadly diversified by type, size and geography. Our intermediary clients enable us to provide our investment products to an expanded range of high-net-worth individuals and families. We have a diversified revenue stream from a variety of client types in multiple geographic regions, with no single client representing more than 5% of management and advisory fee revenues. Approximately 42% of our

fiscal 2018 management and advisory fee revenues came from clients based outside of the United States. A significant portion of our revenue base is recurring and, based on the long-term nature of our funds as well as long-term relationships with many of our clients, provides highly predictable cash flows. For the year ended March 31, 2018, our top 10 clients generated approximately 23% of management and advisory fee revenues, and our top 20 clients generated approximately 36% of management and advisory fee revenues.

Sales and Marketing

Our business development group consists of 21 employees around the world, including in the United States, United Kingdom, Hong Kong, Japan, South Korea, Brazil, Israel and Australia. We intend to grow our global sales force as we seek to continue to build our client base and pursue growth opportunities in less developed private equity markets such as Asia and Australia. See “—Business Strategy.” The execution of our marketing strategy relies primarily on our own business development group, which historically has generated the substantial majority of our new client engagements. To enhance our access to markets where we do not currently have a local presence or that are dominated by captive client relationship models, we selectively engage highly respected third-party organizations to market our products and services. For example, we use third-party distributors in Asia and Latin America (other than Brazil).

Our business development group is responsible for identifying and contacting prospective clients for our products and services. Our sales people also work directly with consultants that advise smaller and medium-size institutional investors, which often rely on the consultants for advice in the alternative investment area. Following the initial round of meetings and presentations, prospective advisory and customized separate account clients and specialized fund investors that wish to learn more about us often visit our offices with a team to conduct in-depth due diligence of our firm. Our business development people lead this process, coordinate meetings, and continue to be the prospective client’s principal contact with us through the decision-making process.

Client Service

Our client service group includes 79 employees located in the United States, United Kingdom, Japan, Hong Kong, Brazil, Israel and South Korea. At the beginning of the engagement for each advisory account and customized separate account, a member of the relationship management group is assigned as the principal contact person with that client. The relationship managers take primary responsibility for working with the clients to design their strategic plans and to implement those plans in accordance with investment guidelines agreed to by us and the clients. The relationship managers work directly with our allocation committee to ensure that all investment opportunities that are appropriate for their clients are considered. The relationship managers communicate and meet regularly with their clients to discuss potential investments that we are currently considering, funds expected to be raised in the next 12 months, the current status of the clients’ portfolios, investment strategies and overall market conditions.

Within the client service group, our portfolio management services group is dedicated to tracking and reporting on primary investments, secondary investments and direct/co-investments that we manage for our clients. This group also uses the services of third-party administrators and analysts, particularly with respect to specialized funds. We maintain a disciplined investment monitoring process designed to adapt portfolio allocation to enhance returns in our advisory and customized separate account portfolios, as well as in our specialized funds. Once a primary or secondary investment is closed, we have frequent conversations with private markets fund managers, hold periodic in-person meetings and attend annual meetings and advisory board meetings. This process generally is led by members of the investment team

but also includes members of the relationship management team as well as other members of the senior management team. We have active advisory board seats on behalf of our clients and participate on numerous valuation committees.

Our team of professionals closely follows the activities and investments in clients' portfolios. The team measures adherence to the stated strategies and limited partnership agreement terms. The team is in regular contact with fund managers, which allows for early detection of potential issues and timely development of constructive recommendations.

We actively track and report on each investment and on overall portfolios. We provide clients with comprehensive and customized quarterly and annual reports. iLevel, our online, interactive client reporting platform, affords clients always available, secure, Internet-based access to their portfolios. Clients can download timely information on cash flows, adjusted valuations, adjusted capital account schedules, underlying portfolio company information and other data provided by private markets fund managers or developed internally by our in-house reporting team.

Fees and Other Key Contractual Terms

Customized Separate Accounts

We enter into written contracts with each of our customized separate account clients. Within agreed-upon investment guidelines, we generally have full discretion to buy, sell or otherwise effect investment transactions involving the assets in the account, in the name and on behalf of the client, although in some cases certain clients have the right to veto investments. Our discretion generally includes decisions related to, among other matters: voting securities; entering into and terminating contracts; commencing, settling or discontinuing claims or actions; exercising options, conversion or subscription rights; whether to join, dissent from or oppose the reorganization, recapitalization, liquidation, merger, sale, mortgage, pledge or lease of any securities or other property constituting a part of the committed capital; depositing the committed capital with any protective, reorganization or similar committee and paying expenses of such committees and assessments on deposits with them; entering into brokerage accounts in the name of the client; and generally taking or refraining from taking any other action related to the investment or reinvestment of the committed capital. The discretion to invest committed capital generally is subject to investment guidelines established by our clients or by us in conjunction with our clients.

Fees. While the specific terms of our contracts vary significantly from client to client, generally our customized separate account clients are charged asset-based fees annually on committed or net invested capital. These fees often decrease over the life of the contract due to built-in declines in contractual rates and/or as a result of lower net invested capital balances as capital is returned to clients. For some customized separate accounts, we charge clients annual fixed fees, and, in certain cases, we earn an incentive fee based on realized gains, particularly when the investment strategies include secondary investments and direct/co-investments. In certain cases, we provide advisory services and therefore we also receive fees for services such as monitoring and reporting on a client's existing private markets investments. In addition, we may provide for investments in our specialized funds as part of our customized separate accounts, and therefore we also receive incentive fees based on realized gains of investments in our specialized funds under their terms. We reduce the management fees on customized separate accounts to the extent that assets in the accounts are invested in our specialized funds so that our clients do not pay duplicate fees.

Duration and Termination. Customized separate account contracts have varying durations of up to 12 years or indefinite lives, and typically can be terminated by our clients for any reason generally upon 30 to 90 days' notice or can only be terminated for specified reasons. Some contracts provide for termination

on shorter or longer notice. Some contracts provide for penalty fees to be paid to us if termination occurs before the end of the stated term in the absence of cause. See “Risk Factors—Risks Related to Our Business—Customized separate account and advisory account fee revenue is not a long-term contracted source of revenue and is subject to intense competition” included in Part I, Item 1A of this Form 10-K.

Structure. Most of our customized separate accounts are simple contractual arrangements involving an investment management agreement between us and the client. In some cases, at the client’s request, we establish a separate investment vehicle, generally a limited partnership with the client as the sole limited partner and a wholly owned subsidiary of HLA as the general partner. Our capital commitment to the limited partnership is usually 1% of total capital commitments but in certain cases may be higher or lower. We manage the limited partnership under an investment management agreement between the partnership and us. The limited partnership generally is formed in Delaware or a non-U.S. jurisdiction, such as the Cayman Islands, in accordance with the client’s specifications. We manage all aspects of the limited partnership, utilizing the services of third parties as needed, including administrators and custodial banks. Our fees for these customized separate accounts are substantially the same as customized separate accounts that do not involve a separate investment vehicle.

Specialized Funds

Since 1997, we have sponsored 18 primary funds, four secondary funds, five direct/co-investment funds, four Strategic Opportunities funds and one Small Business Investment Company fund. The terms of each fund vary. We have described below the key terms of these funds.

Capital Commitments. Investors in our specialized funds generally make commitments to provide capital at the outset of a fund and deliver capital when called upon by us, as investment opportunities become available and to fund operational expenses and other obligations. The commitments are generally available for investment for three to six years, during what we call the commitment period. However, our Strategic Opportunities funds have one- to two- year commitment periods and, in the case of one of our direct/co-investment funds, the investors do not commit capital at the commencement of the fund but rather have the right to make their own investment decisions as to each investment opportunity that we present to them. We typically have invested the capital committed to our funds, other than our Strategic Opportunities funds, over a three to five-year period.

Structure. We conduct the management of our specialized funds primarily through structures in which limited partnerships organized by us accept commitments or funds from investors. The investors become limited partners in the funds and a separate entity that we form and control acts as the general partner. Our capital commitment to the limited partnership is generally 1% of total capital commitments. HLA, to which we refer as the “Manager,” generally serves as the investment manager of our funds. The Manager is registered as an investment advisor under the Investment Advisers Act of 1940 (the “Investment Advisers Act”). Responsibility for helping a fund’s general partner with all aspects of the day-to-day operations of the fund generally is delegated to the Manager pursuant to an investment management agreement. The material terms of our investment management agreements relate to the scope of services to be rendered by the Manager to the applicable funds and certain rights of termination. The funds themselves do not register as investment companies under the Investment Company Act of 1940, as amended (the “Investment Company Act”), in reliance on exemptions from such registration.

The Manager generally makes all decisions concerning the making, monitoring and disposing of investments pursuant to authority delegated by the specialized fund’s general partner. The limited partners take no part in the conduct or control of the business of the funds, have no right or authority to act for or bind the funds and have no influence over the voting or disposition of the securities or other assets held by the funds. These decisions are made by us as the Manager in our sole discretion pursuant to authority

delegated by the general partner, subject to the investment limitations set forth in the agreements governing each fund. The limited partners often have the right to remove the general partner for cause or effect an early dissolution by supermajority vote, or in certain cases by a simple majority vote. In addition, the governing agreements of our funds typically require the suspension of the commitment period if, depending on the fund, between two and ten designated principals of the Manager cease to devote sufficient professional time to or cease to be employed by the Manager, often called a “key man event”, or in connection with certain other events discussed under “—Duration, Redemption and Termination.” See “Risk Factors—Risks Related to our Business—Our ability to retain our senior management team and attract additional qualified investment professionals is critical to our success” included in Part I, Item 1A of this Form 10-K.

Management Fees. We earn management fees based on a percentage of limited partners’ capital commitments to, or net invested capital in, our specialized funds. The management fee during the commitment period is charged on capital commitments and after the commitment period (or a defined anniversary of the fund’s initial closing) is reduced by a percentage of the management fee for the preceding year or charged on net invested capital. In the case of certain funds, we charge management fees on capital commitments, with the management fee increasing during the early years of the fund’s term and declining in the later years. Management fees for certain funds are discounted based on the amount of the limited partners’ commitments or if the limited partners are investors in our other funds. Management fees would be reduced in the event that any monitoring, consulting, investment banking, advisory, transaction, directors’ or break-up or similar fees are paid to the fund’s general partner, the Manager or any of their affiliates or principals.

Incentive Fees. The incentive fees charged by our specialized funds are generally referred to as “carried interest.” Our primary funds invest the majority of their capital in other private markets funds on a primary basis, and certain of our primary funds earn carried interest on these investments. To the extent that our primary funds also directly make secondary investments and direct/co-investments, they generally earn carried interest equal to a fixed percentage of net profits, subject to a compounded annual preferred return in respect of those investments. Carried interest from these primary funds is earned on a “full return” basis when all invested capital and the applicable preferred return has been received or on a “deal-by-deal” basis when all capital invested and the applicable preferred return has been received either on all realized investments or on each individual investment.

For each of our secondary funds, direct/co-investment funds and Strategic Opportunities funds, we generally earn carried interest equal to a fixed percentage of net profits, subject to a compounded annual preferred return that varies based on fund type. In our secondary funds, we generally earn carried interest on a full-return basis. In the case of certain of our direct/co-investment funds and our Strategic Opportunities funds, we earn carried interest on a deal-by-deal basis.

If, upon the final distribution of any of our specialized funds from which we earn carried interest, the relevant fund’s general partner has received cumulative carried interest in excess of the amount to which it would be entitled from the profits calculated for such investments in the aggregate, or if the limited partners have not received distributions equal to those to which they are entitled, the general partner will return such part of any carried interest to the limited partners as is necessary to ensure that they receive the amounts to which they are entitled, less taxes on the carried interest. We refer to these provisions as “clawbacks.” Most of our funds that provide for carried interest require a full return of capital and expenses to investors before any carried interest is paid to us, which minimizes the risk of a clawback obligation.

Duration, Redemption and Termination. Our specialized funds, other than our Strategic Opportunities funds, generally terminate 10 to 14 years after either the first or last date on which a limited partner is admitted to the fund, or, in the case of certain funds, terminate on a specified anniversary date. Our main primary, secondary and direct/co-investment funds have an average term of approximately 12 years. Our Strategic Opportunities funds terminate five years after the last date on which a limited partner may be admitted to the fund. Our funds are generally subject to extension for up to two years at the discretion of the general partner and thereafter if consent of the requisite majority of limited partners or, in some cases, the fund's advisory committee is obtained.

Limited partnership interests in our specialized funds are not subject to redemption prior to termination of the funds. Termination or dissolution of the funds and the suspension of their commitment periods, however, can generally be accelerated upon the occurrence of certain customary events, including key man events, bankruptcy and similar events and the occurrence of fraud, willful malfeasance or gross negligence and other similar events. Such funds also may be terminated upon the affirmative vote, depending on the fund, of 75% to 85% of the total limited partner interests entitled to vote.

Advisory Services

We enter into written contracts with each of our advisory services clients. Advisory service clients are generally charged annual fixed fees, which vary depending on the services we provide. In limited cases, advisory service clients are charged basis point fees annually based on the amounts they have committed to invest pursuant to their agreements with us. In other cases where our services are limited to monitoring and reporting on investment portfolios, clients are charged a fee based on the number of investments in their portfolio. We generally do not earn incentive fees based on advisory contracts.

Our advisory services contracts have various durations ranging from one year to indefinite terms. A majority of our advisory service contracts have durations of approximately three years and renew at the option of the client at the end of the stated term. Advisory contracts can typically be terminated by our clients for any reason upon short notice, generally 30 to 90 days, although some contracts provide for termination on shorter or longer notice or can only be terminated for specified reasons. Advisory contracts with governmental pension plans typically are subject to a renewal process involving our submission of information in response to a request for proposal ("RFP") issued by the client. We submit extensive, detailed information pursuant to the RFP procedures on a confidential basis, often in competition with other investment advisors bidding on the contract. In these cases, we generally do not know the identity of the other bidders or the substance of their proposals. The RFP procedures prohibit communications between bidders and the issuer of the RFP relating to the proposals during the bidding process.

Distribution Management

We enter into written contracts with each of our distribution management clients. These clients engage us to manage the liquidation of publicly traded securities that they receive as distributions from funds in which they are investors. Our agreements provide for either "managed liquidation" where the securities are sold within 90 days after distribution or "active management" where the securities are sold over a longer period.

Distribution management clients are charged basis point fees on either the net proceeds received from the sale of their securities or the aggregate amount of a client's managed assets and vary depending on whether the account is for managed liquidation or active management services. Alternatively, active management clients may elect an incentive fee structure under which they are charged an asset-based fee plus an incentive fee based on net realized and unrealized gains and income net of realized and unrealized losses. The incentive fee is then credited to a notional account, and we are entitled to a fixed percentage

of any positive balance in the notional account on an annual basis. The remaining portion of any positive balance in the notional account is carried forward to the following year. If the incentive fee calculation results in a negative amount in a given year, that amount is applied to reduce the balance in the notional account. We are not required to repay any negative balance in the notional amount.

Distribution management contracts have varying durations, some with indefinite terms, and typically can be terminated by our clients for any reason generally upon 30 to 90 days' notice. Some contracts provide for termination on shorter or longer notice.

Competition

We compete in all aspects of our business with a large number of asset management firms, commercial banks, broker-dealers, insurance companies and other financial institutions. With respect to our specialized funds, we primarily compete with the alternative asset management businesses of a number of large international financial institutions and established local and regional competitors based in the United States, Europe and Asia, including managers offering funds-of-funds, secondary funds and direct/co-investment funds in the private markets. Our principal competition for customized separate accounts is mostly other highly specialized and independent private markets asset management firms. We compete primarily in the advisory services area of the business with firms that are regionally based and with a select number of large consulting firms for whom private markets investments is only one, often small, portion of their overall business.

In order to grow our business, we must be able to compete effectively to maintain our existing client base and attract additional clients in advisory services, customized separate account and specialized fund areas of the business. Historically, we have competed principally on the basis of the factors listed below:

- Global access to private markets investment opportunities through our size, scale, reputation and strong relationships with private markets fund managers;
- Brand recognition and reputation within the investing community;
- Performance of investment strategies;
- Quality of service and duration of client relationships;
- Ability to provide cost effective and comprehensive range of services and products; and
- Clients' perceptions of our independence and the alignment of our interests with theirs created through our investment in our own products.

The asset management business is intensely competitive, and in addition to the above factors, our ability to continue to compete effectively will depend upon our ability to attract highly qualified investment professionals and retain existing employees.

Legal and Compliance

Our legal team includes 11 attorneys located primarily in our corporate headquarters in Bala Cynwyd, Pennsylvania. Most of our customized separate account clients and certain of our advisory clients rely on us to review, analyze and negotiate the terms of the documents relating to primary, secondary and direct/co-investments. Working together with our investment teams, our attorneys negotiate directly with fund managers and deal sponsors and their counsel the terms of all limited partnership agreements, subscription documents, side letters, purchase agreements and other documents relating to primary, secondary and direct/co-investments. Our attorneys also review and make recommendations regarding amendments and requests for consents presented by the fund managers from time to time. In addition, our legal team is responsible for preparing, reviewing and negotiating all documents relating to the formation and operation of our funds. We utilize the services of outside counsel as we deem necessary.

Our compliance team consists of eight employees, and our chief compliance officer reports to our general counsel. Our chief compliance officer has day-to-day management responsibility for the compliance team. The compliance team is responsible for overseeing and enforcing our policies and procedures relating to compliance with the Investment Advisers Act and related rules and regulations and our code of ethics, as well as the compliance policies and procedures and laws and regulations that apply to our non-U.S. subsidiaries and operations. In addition, the compliance team is responsible for all regulatory matters relating to Hamilton Lane Securities, LLC, our SEC- and FINRA-registered broker-dealer affiliate through which we offer interests in our specialized funds.

Regulatory Environment

Our business is subject to extensive regulation in the United States at both the federal and state level. Under these laws and regulations, the SEC and relevant state securities authorities have broad administrative powers, including the power to limit, restrict or prohibit an investment advisor from carrying on its business if it fails to comply with such laws and regulations. Possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment advisor and other registrations, censures and fines.

SEC Regulation

HLA is registered as an investment advisor with the SEC. As a registered investment advisor, it is subject to the requirements of the Investment Advisers Act, and the rules promulgated thereunder, as well as to examination by the SEC's staff. The Investment Advisers Act imposes substantive regulation on virtually all aspects of our business and our relationships with our clients. Applicable requirements relate to, among other things, fiduciary duties to clients, engaging in transactions with clients, maintaining an effective compliance program, incentive fees, solicitation arrangements, allocation of investments, conflicts of interest, advertising, recordkeeping, reporting and disclosure requirements. The Investment Advisers Act regulates the assignment of advisory contracts by the investment advisor. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act, ranging from fines and censures to termination of an investment advisor's registration. The failure of HLA to comply with the requirements of the Investment Advisor Act or the SEC could have a material adverse effect on us.

Our customized separate accounts and specialized funds are not registered under the Investment Company Act because we only form customized separate accounts for, and offer interests in our specialized funds to, persons who we reasonably believe to be "qualified purchasers" as defined in the Investment Company Act.

ERISA-Related Regulation

Some of our specialized funds are treated as holding “plan assets” as defined under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), as a result of investments in those funds by benefit plan investors. By virtue of its role as investment manager of these funds, HLA is a “fiduciary” under ERISA with respect to such benefit plan investors. ERISA and the Code impose certain duties on persons that are fiduciaries under ERISA, prohibit certain transactions involving benefit plans and “parties in interest” or “disqualified persons” to those plans, and provide monetary penalties for violations of these prohibitions. With respect to these funds, HLA relies on particular statutory and administrative exemptions from certain ERISA prohibited transactions, which exemptions are highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. The failure of HLA or us to comply with these various requirements could have a material adverse effect on our business.

In addition, with respect to other investment funds in which benefit plan investors have invested, but which are not treated as holding “plan assets,” we and HLA rely on certain rules under ERISA in conducting investment management activities. These rules are sometimes highly complex and may in certain circumstances depend on compliance by third parties that we do not control. If for any reason these rules were to become inapplicable, we and HLA could become subject to regulatory action or third-party claims that could have a material adverse effect on our business.

Foreign Regulation

We provide investment advisory and other services and raise funds in a number of countries and jurisdictions outside the United States. In many of these countries and jurisdictions, which include the EU, the European Economic Area (“EEA”), the individual member states of each of the EU and EEA, Australia, Brazil, Hong Kong, Israel, Japan and South Korea, we and our operations, and in some cases our personnel, are subject to regulatory oversight and requirements. In general, these requirements relate to registration, licenses for our personnel, periodic inspections, the provision and filing of periodic reports, and obtaining certifications and other approvals. Across the EU, we are subject to the European Union Alternative Investment Fund Managers Directive (“AIFMD”) requirements regarding, among other things, registration for marketing activities, the structure of remuneration for certain of our personnel and reporting obligations. Individual member states of the EU have imposed additional requirements that may include internal arrangements with respect to risk management, liquidity risks, asset valuations, and the establishment and security of depository and custodial requirements.

Employees

We currently have approximately 340 employees. We consider our relationship with our employees to be good and have not experienced interruptions of operations due to labor disagreements.

Available Information

Our website is located at www.hamiltonlane.com, and our investor relations website is located at <http://ir.hamiltonlane.com>. We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements and other information with the SEC. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, statements of changes in beneficial ownership and amendments to those reports are available for free on our investor relations website as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases as part of our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website in real time by subscribing to email alerts. We also make certain corporate governance documents available on our investor relations website, including board committee charters and our code of conduct and ethics.

The contents of our websites are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-K, you should carefully consider the following factors, which could materially affect our business, financial condition or results of operations. The risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may negatively affect our business, financial condition or results of operations.

Risks Related to Our Business

The historical performance of our investments should not be considered as indicative of the future results of our investments or our operations or any returns expected on an investment in our Class A common stock.

Past performance of our specialized funds and customized separate accounts or the investments that we recommend to our advisory clients is not necessarily indicative of future results or of the performance of our Class A common stock. An investment in our Class A common stock is not an investment in any of our specialized funds or customized separate accounts. In addition, the historical and potential future returns of specialized funds and customized separate accounts that we manage are not directly linked to returns on our Class A common stock. Therefore, you should not conclude that continued positive performance of our specialized funds, customized separate accounts or the investments that we recommend to our advisory clients will necessarily result in positive returns on an investment in our Class A common stock. However, poor performance of our specialized funds or customized separate accounts could cause a decline in our revenue, and could therefore have a negative effect on our performance and on returns on an investment in our Class A common stock.

The historical performance of our funds should not be considered indicative of the future performance of these funds or of any future funds we may raise, in part because:

- market conditions and investment opportunities during previous periods may have been significantly more favorable for generating positive performance than those we may experience in the future;
- the performance of our funds is generally calculated on the basis of NAV of the funds' investments, including unrealized gains, which may never be realized;
- our historical returns derive largely from the performance of our earlier funds, whereas future fund returns will depend increasingly on the performance of our newer funds or funds not yet formed;
- our newly established funds may generate lower returns during the period that they initially deploy their capital;
- in recent years, there has been increased competition for investment opportunities resulting from the increased amount of capital invested in private markets alternatives and high liquidity in debt markets, and the increased competition for investments may reduce our returns in the future; and
- the performance of particular funds also will be affected by risks of the industries and businesses in which they invest.

The success of our business depends on the identification and availability of suitable investment opportunities for our clients.

Our success largely depends on the identification and availability of suitable investment opportunities for our clients, and in particular the success of funds in which our specialized funds, customized separate accounts and advisory accounts invest. The availability of investment opportunities will be subject to market conditions and other factors outside of our control and the control of the private markets fund managers with which we invest. Past returns of our specialized funds, customized separate accounts and advisory accounts have benefited from investment opportunities and general market conditions that may not continue or reoccur, including favorable borrowing conditions in the debt markets, and there can be no assurance that our specialized funds, customized separate accounts, advisory accounts or the underlying funds in which we invest will be able to avail themselves of comparable opportunities and conditions. Further, there can be no assurance that the private markets funds we select will be able to identify sufficient attractive investment opportunities to meet their investment objectives.

Competition for access to investment funds and other investments we make for our clients is intense.

We seek to maintain excellent relationships with general partners and managers of investment funds, including those in which we have previously made investments for our clients and those in which we may in the future invest, as well as sponsors of investments that might provide co-investment opportunities in portfolio companies alongside the sponsoring fund manager. However, because of the number of investors seeking to gain access to investment funds and co-investment opportunities managed or sponsored by the top performing fund managers, there can be no assurance that we will be able to secure the opportunity to invest on behalf of our clients in all or a substantial portion of the investments we select, or that the size of the investment opportunities available to us will be as large as we would desire. Access to secondary investment opportunities is also highly competitive and is often controlled by a limited number of general partners, fund managers and intermediaries.

Customized separate account and advisory account fee revenue is not a long-term contracted source of revenue and is subject to intense competition.

Our revenue in any given period is dependent on the number of fee-paying clients in such period. Our customized separate account and advisory account business operates in a highly competitive environment where typically there are no long-term contracts. While clients of our customized separate account and advisory account businesses may have multi-year contracts, many of these contracts are terminable upon 30 to 90 days' advance notice to us. We may lose clients as a result of the sale or merger of a client, a change in a client's senior management, competition from other financial advisors and financial institutions and other causes. Moreover, a number of our contracts with state government-sponsored clients are secured through such government's RFP process, and can be subject to periodic renewal. If multiple clients were to exercise their termination rights or fail to renew their existing contracts and we were unable to secure new clients, our customized separate account and advisory account fees would decline materially. A significant reduction in the number of fee-paying clients in any given period could reduce our revenue and materially and adversely affect our business, financial condition and results of operations.

Our failure to deal appropriately with conflicts of interest could damage our reputation and materially and adversely affect our business.

As we expand the scope of our business, we increasingly confront potential conflicts of interest relating to our advisory and investment management businesses. For example, we may recommend that various advisory clients invest in specialized funds managed by our investment management business. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. As a registered investment advisor, we owe our clients a fiduciary duty and are required to provide disinterested advice. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially and adversely affect our business in a number of ways, including an inability to raise additional funds and reluctance of our existing clients to continue to do business with us.

We have obligations to investors in our specialized funds and customized separate accounts and may have obligations to other third parties that may conflict with your interests.

Our subsidiaries that serve as the general partners of or advisors to our specialized funds and customized separate accounts have fiduciary and contractual obligations to the investors in those funds and accounts, and some of our subsidiaries may have contractual duties to other third parties. As a result, we may take actions with respect to the allocation of investments among our specialized funds and customized separate accounts (including funds and accounts that have different fee structures), the purchase or sale of investments in our specialized funds and customized separate accounts, the structuring of investment transactions for those specialized funds and customized separate accounts, the advice we provide or other actions in order to comply with these fiduciary and contractual obligations. In addition, because our senior management and other professionals hold their economic interests through HLA, which is not subject to U.S. federal and state entity-level income taxes, and our Class A common stockholders hold their interests through Hamilton Lane Incorporated, which is subject to entity-level taxation as a corporation in the United States, conflicts relating to the selection and structuring of investments or other matters may arise between the members, on the one hand, and the Class A stockholders of Hamilton Lane Incorporated, on the other hand.

Our ability to retain our senior management team and attract additional qualified investment professionals is critical to our success.

Our success depends on our ability to retain our senior management team and to recruit additional qualified investment, sales and other professionals. However, we may not be successful in our efforts to retain our senior management team, as the market for investment professionals is extremely competitive. The individuals that comprise our senior management team possess substantial experience and expertise and, in many cases, have significant relationships with certain of our clients. Accordingly, the loss of any one of our senior management team could adversely affect certain client relationships or limit our ability to successfully execute our investment strategies, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. In addition, the governing agreements of our specialized funds typically require the suspension of the commitment period if, depending on the fund, between two and eight designated members of our senior management team cease to devote sufficient professional time to or cease to be employed by HLA, often called a “key man event,” or in connection with certain other events. The occurrence of a key man event could also trigger an event of default under our term loans and affect investment periods under our limited partnership agreements. See “We may be unable to remain in compliance with the financial or other covenants contained in the Term Loan.” Any change to our senior management team could materially and adversely affect our business, financial condition and results of operations.

We intend to expand our business and may enter into new lines of business, which may result in additional risks and uncertainties in our business.

We currently generate substantially all of our revenue from asset management and advisory services. However, we may grow our business by offering additional products and services and by entering into new lines of business. To the extent we enter into new lines of business, we will face numerous risks and uncertainties, including risks associated with the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, the required investment of capital and other resources and the loss of clients due to the perception that we are no longer focusing on our core business. In addition, we may from time to time explore opportunities to grow our business via acquisitions, partnerships, investments or other strategic transactions. There can be no assurance that we will successfully identify, negotiate or complete such transactions, or that any completed transactions will produce favorable financial results.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. In addition, certain aspects of our cost structure, such as costs for compensation, occupancy and equipment rentals, communication and information technology services, and depreciation and amortization will be largely fixed, and we may not be able to timely adjust these costs to match fluctuations in revenue related to growing our business or entering into new lines of business. If a new business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our business, financial condition and results of operations could be materially and adversely affected.

Our indebtedness may expose us to substantial risks.

We have a Term Loan and Security Agreement (the “Term Loan Agreement”) and a Revolving Loan and Security Agreement (the “Revolving Loan Agreement” and, together with the Term Loan Agreement, the “Loan Agreements”) with First Republic Bank (“First Republic”). The Term Loan Agreement provides for a term loan facility in an aggregate principal amount of \$75 million and also contains an accordion feature that allows us to increase the commitment under the facility by up to \$25 million under certain conditions (the “Term Loan Facility”). At March 31, 2018, approximately \$74.0 million remained

outstanding under the Term Loan Facility. The Revolving Loan Agreement provides for a revolving credit facility up to an aggregate principal amount of \$25 million (the “Revolving Loan Facility”). At March 31, 2018, we had an outstanding balance on the Revolving Loan Facility of approximately \$10.5 million.

We expect to continue to utilize debt to finance our operations, which will expose us to the typical risks associated with the use of leverage. An increase in leverage could make it more difficult for us to withstand adverse economic conditions or business plan variances, to take advantage of new business opportunities, or to make necessary capital expenditures. Any portion of our cash flow required for debt service would not be available for our operations, distributions, dividends or other purposes. Any substantial decrease in net operating cash flows or any substantial increase in expenses could make it difficult for us to meet our debt service requirements or force us to modify our operations. Our level of indebtedness may make us more vulnerable to economic downturns and reduce our flexibility in responding to changing business, regulatory and economic conditions, which could materially and adversely affect our business, financial condition and results of operations.

We may be unable to remain in compliance with the financial or other covenants contained in the Loan Agreements.

The Loan Agreements contain financial and other covenants that impose requirements on us and limit our ability to engage in certain transactions or activities. There can be no assurance that we will be able to maintain leverage levels in compliance with the financial covenants included in the Loan Agreements. Any failure to comply with these financial and other covenants, if not waived, would cause a default or event of default under the Loan Agreements. If such a failure were to occur, there can be no assurance that we would be able to obtain a waiver, refinance or obtain a replacement for such facility on favorable terms, or at all.

Restrictive covenants in agreements and instruments governing our debt may adversely affect our ability to operate our business.

The terms of certain of our indebtedness, including pursuant to the Loan Agreements, contain, and any future debt instruments may contain, various provisions that limit our and our subsidiaries’ ability to, among other things:

- incur additional debt;
- provide guarantees in respect of obligations of other persons;
- make loans, advances and investments;
- make certain payments in respect of equity interests, including, among others, the payment of dividends and other distributions, redemptions and similar payments, payments in respect of warrants, options and other rights, and payments in respect of subordinated indebtedness;
- enter into transactions with investment funds and affiliates;
- create or incur liens;
- enter into negative pledges;
- sell all or any part of the business, assets or property, or otherwise dispose of assets;
- make acquisitions or consolidate or merge with other persons;

- enter into sale-leaseback transactions;
- change the nature of our business;
- change our fiscal year;
- make certain modifications to organizational documents or certain material contracts;
- make certain modifications to certain other debt documents; and
- enter into certain agreements, including agreements limiting the payment of dividends or other distributions in respect of equity interests, the repayment of indebtedness, the making of loans or advances, or the transfer of assets.

These restrictions may limit our flexibility in operating our business. Furthermore, any violation of these or other covenants in the Loan Agreements could result in a default or event of default. Our obligations under the Loan Agreements are secured by substantially all of our assets. In the case of an event of default, creditors may exercise rights and remedies, including the rights and remedies of a secured party, under such agreements and applicable law. See “—We may be unable to remain in compliance with the financial or other covenants contained in the Loan Agreements.”

Dependence on leverage by certain funds and portfolio companies subjects us to volatility and contractions in the debt financing markets and could adversely affect the ability of our specialized funds and customized separate accounts to achieve attractive rates of return on those investments.

Certain of the specialized funds we manage, the funds in which we invest and portfolio companies within our funds and customized separate accounts currently rely on leverage. Fourteen of our specialized funds have an aggregate of \$1.2 billion of credit lines that are available for cash flow management in funding select investment opportunities for those vehicles. As of March 31, 2018, these funds had an aggregate outstanding balance of approximately \$395 million on those credit lines. The total capital committed for the 14 funds to which the credit lines are linked is approximately \$7.3 billion. If our specialized funds or the companies in which our specialized funds or customized separate accounts invest raise capital in the structured credit, leveraged loan and high yield bond markets, the results of their operations may suffer if such markets experience dislocations, contractions or volatility. Any such events could adversely impact the availability of credit to businesses generally, the cost or terms on which lenders are willing to lend, or the strength of the overall economy.

The absence of available sources of sufficient debt financing for extended periods of time or an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. Certain investments may also be financed through fund-level debt facilities, which may or may not be available for refinancing at the end of their respective terms. Finally, the interest payments on the indebtedness used to finance our specialized funds’ investments are generally deductible expenses for income tax purposes, subject to limitations under applicable tax law and policy. Any change in such tax law or policy to eliminate or substantially limit these income tax deductions, as has been discussed from time to time in various jurisdictions, would reduce the after-tax rates of return on the affected investments, which may have an adverse impact on our business, results of operations and financial condition.

Similarly, private markets fund portfolio companies regularly utilize the corporate debt markets to obtain additional financing for their operations. The leveraged capital structure of such businesses increases the exposure of the funds’ portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of such business or its industry.

Any adverse impact caused by the use of leverage by portfolio companies in which we directly or indirectly invest could in turn adversely affect the returns of our specialized funds, customized separate accounts and advisory accounts.

Defaults by clients and third-party investors in certain of our specialized funds could adversely affect that fund's operations and performance.

Our business is exposed to the risk that clients that owe us money may not pay us. If investors in our specialized funds and certain customized separate accounts default on their obligations to us, there may be adverse consequences on the investment process, and we could incur losses and be unable to meet underlying capital calls. For example, investors in most of our specialized funds make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling and honoring their commitments when we call capital from them for those funds to consummate investments and otherwise pay their obligations when due. Any investor that did not fund a capital call would be subject to several possible penalties, including having a meaningful amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund.

If an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. A failure of investors to honor a significant amount of capital calls for any particular fund or funds could have a material adverse effect on the operation and performance of those funds.

Our failure to comply with investment guidelines set by our clients could result in damage awards against us or a reduction in AUM, either of which would cause our earnings to decline and adversely affect our business.

When clients retain us to manage assets on their behalf, they specify certain guidelines regarding investment allocation and strategy that we are required to observe in the management of their portfolios. Our failure to comply with these guidelines and other limitations could result in clients terminating their investment management agreement with us, as these agreements generally are terminable without cause on 30 to 90 days' notice. Clients could also sue us for breach of contract and seek to recover damages from us. In addition, such guidelines may restrict our ability to pursue certain allocations and strategies on behalf of our clients that we believe are economically desirable, which could similarly result in losses to a client account or termination of the account and a corresponding reduction in AUM. Even if we comply with all applicable investment guidelines, a client may be dissatisfied with its investment performance or our services or fees, and may terminate their customized separate accounts or advisory accounts or be unwilling to commit new capital to our specialized funds, customized separate accounts or advisory accounts. Any of these events could cause our earnings to decline and materially and adversely affect our business, financial condition and results of operations.

Employee misconduct could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

There is a risk that our employees could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our advisory and investment management businesses and our discretionary authority over the assets we manage. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. Our business often requires that we deal with confidential matters of great significance to companies and funds in which we may invest for our clients. If our employees were to improperly use or disclose confidential information, we could be subject to legal or regulatory action and suffer serious harm to our

reputation, financial position and current and future business relationships. It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If one of our employees were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be materially and adversely affected. See “—Increased government regulation, compliance failures and changes in law or regulation could adversely affect us.”

If the investments we make on behalf of our specialized funds or customized separate accounts perform poorly, we may suffer a decline in our investment management revenue and earnings, and our ability to raise capital for future specialized funds and customized separate accounts may be materially and adversely affected.

Our revenue from our investment management business is derived from fees earned for our management of our specialized funds, customized separate accounts and advisory accounts, incentive fees, or carried interest, with respect to certain of our specialized funds and customized separate accounts, and monitoring and reporting fees. In the event that our specialized funds, customized separate accounts or individual investments perform poorly, our revenues and earnings derived from incentive fees will decline and make it more difficult for us to raise capital for new specialized funds or gain new customized separate account clients in the future. In addition, if carried interest that was previously distributed to us exceeds the amounts to which we are ultimately entitled, we may be required to repay that amount under a “clawback” obligation. If we are unable to raise or are required to repay capital, our business, financial condition and results of operations would be materially and adversely affected.

Valuation methodologies for certain assets in our specialized funds and customized separate accounts can be significantly subjective, and the values of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our specialized funds and customized separate accounts.

There are no readily ascertainable market prices for a large number of the investments in our specialized funds, customized separate accounts, advisory accounts or the funds in which we invest. The value of the investments of our specialized funds and customized separate accounts is determined periodically by us based on the fair value of such investments as reported by the underlying fund managers. Our valuation of the funds in which we invest is largely dependent upon the processes employed by the managers of those funds. The fair value of investments is determined using a number of methodologies described in the particular funds’ valuation policies. These policies are based on a number of factors, including the nature of the investment, the expected cash flows from the investment, the length of time the investment has been held, restrictions on transfer and other recognized valuation methodologies. The methodologies we use in valuing individual investments are based on a variety of estimates and assumptions specific to the particular investments, and actual results related to the investment may vary materially as a result of the inaccuracy of such assumptions or estimates. In addition, because the illiquid investments held by our specialized funds, customized separate accounts, advisory accounts and the funds in which we invest may be in industries or sectors that are unstable, in distress, or undergoing some uncertainty, such investments are subject to rapid changes in value caused by sudden company-specific or industry-wide developments.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of such investments as reflected in a fund’s NAV do not necessarily reflect the prices that would actually be obtained if such investments were sold. Realizations at values significantly lower than the values at which investments have been reflected in fund NAVs could result in losses for the applicable fund and the loss of potential incentive fees by the fund’s manager and us. Also, a situation in

which asset values turn out to be materially different from values reflected in fund NAVs could cause investors to lose confidence in us and may, in turn, result in difficulties in our ability to raise additional capital, retain clients or attract new clients.

Our investment management activities may involve investments in relatively high-risk, illiquid assets, and we and our clients may lose some or all of the amounts invested in these activities or fail to realize any profits from these activities for a considerable period of time.

The investments made by our specialized funds and customized separate accounts and recommended by our advisory services may include high-risk, illiquid assets. We have made and expect to continue to make principal investments alongside our investors, as the general partner, in our existing private markets funds and certain customized separate accounts and in any new private markets funds we may establish in the future. The private markets funds in which we invest capital generally invest in securities that are not publicly traded. Even if such securities are publicly traded, many of these funds may be prohibited by contract or applicable securities laws from selling such securities for a period of time. Such funds will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. Accordingly, the private markets funds in which we invest our clients' capital may not be able to sell securities when they desire and therefore may not be able to realize the full value of such securities. The ability of private markets funds to dispose of investments is dependent in part on the public equity and debt markets, to the extent that the ability to dispose of an investment may depend upon the ability to complete an IPO of the portfolio company in which such investment is held or the ability of a prospective buyer of the portfolio company to raise debt financing to fund its purchase. Furthermore, large holdings of publicly traded equity securities can often be disposed of only over a substantial period of time, exposing the investment returns to risks of downward movement in market prices during the disposition period. Contributing capital to these funds is risky, and we may lose some or the entire amount of our specialized funds' and our clients' investments.

The portfolio companies in which private markets funds have invested or may invest will sometimes involve a high degree of business and financial risk. These companies may be in an early stage of development, may not have a proven operating history, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may be subject to extensive regulatory oversight, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, may have a high level of leverage, or may otherwise have a weak financial condition. See “—Dependence on leverage by certain funds and portfolio companies subjects us to volatility and contractions in the debt financing markets and could adversely affect the ability of our specialized funds and customized separate accounts to achieve attractive rates of return on those investments.”

In addition, these portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel. Portfolio companies in non-U.S. jurisdictions may be subject to additional risks, including changes in currency exchange rates, exchange control regulations, risks associated with different types (and lower quality) of available information, expropriation or confiscatory taxation and adverse political developments. In addition, during periods of difficult market conditions or slowdowns in a particular investment category, industry or region, portfolio companies may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased costs. During these periods, these companies may also have difficulty in expanding their businesses and operations and may be unable to pay their expenses as they become due. A general market downturn or a specific market dislocation may result in lower investment

returns for the private markets funds or portfolio companies in which our specialized funds and customized separate accounts invest, which consequently would materially and adversely affect investment returns for our specialized funds and customized separate accounts. Furthermore, if the portfolio companies default on their indebtedness, or otherwise seek or are forced to restructure their obligations or declare bankruptcy, we could lose some or all of our investment and suffer reputational harm.

Our specialized funds and customized separate accounts may face risks relating to undiversified investments.

We cannot give assurance as to the degree of diversification that will be achieved in any of our specialized funds or customized separate accounts. Difficult market conditions or slowdowns affecting a particular asset class, geographic region or other category of investment could have a significant adverse impact on a given specialized fund or customized separate account if its investments are concentrated in that area, which would result in lower investment returns. Accordingly, a lack of diversification on the part of a specialized fund or customized separate account could adversely affect its investment performance and, as a result, our business, financial condition and results of operations.

Our specialized funds and customized separate accounts make investments in funds and companies that we do not control.

Investments by most of our specialized funds and customized separate accounts will include debt instruments and equity securities of companies that we do not control. Our specialized funds and customized separate accounts may invest through co-investment arrangements or acquire minority equity interests and may also dispose of a portion of their equity investments in portfolio companies over time in a manner that results in their retaining a minority investment. Consequently, the performance of our specialized funds and customized separate accounts will depend significantly on the investment and other decisions made by third parties, which could have a material adverse effect on the returns achieved by our specialized funds or customized separate accounts. Portfolio companies in which the investment is made may make business, financial or management decisions with which we do not agree. In addition, the majority stakeholders or our management may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of our investments and the investments we have made on behalf of clients could decrease and our financial condition, results of operations and cash flow could suffer as a result.

Investments by our specialized funds, customized separate accounts and advisory accounts may in many cases rank junior to investments made by other investors.

In many cases, the companies in which our specialized funds or customized separate accounts invest have indebtedness or equity securities, or may be permitted to incur indebtedness or to issue equity securities, that rank senior to our clients' investments in our specialized funds, customized separate accounts or advisory accounts. By their terms, these instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our clients' investments. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which one or more of our specialized funds, customized separate accounts or advisory accounts hold an investment, holders of securities ranking senior to our clients' investments would typically be entitled to receive payment in full before distributions could be made in respect of our clients' investments. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our clients' investments. To the extent that any assets remain, holders of claims that rank equally with our clients' investments would be entitled to share on an equal and ratable basis in distributions that are made

out of those assets. Also, during periods of financial distress or following an insolvency, our ability to influence a company's affairs and to take actions to protect investments by our specialized funds, customized separate accounts or advisory accounts may be substantially less than that of those holding senior interests.

The substantial growth of our business in recent years may be difficult to sustain, as it may place significant demands on our resources and employees and may increase our expenses.

The substantial growth of our business has placed, and if it continues, will continue to place, significant demands on our infrastructure, our investment team and other employees, and will increase our expenses. In addition, we are required to develop continuously our infrastructure in response to the increasingly complex investment management industry and increasing sophistication of investors. Legal and regulatory developments also contribute to the level of our expenses. The future growth of our business will depend, among other things, on our ability to maintain the appropriate infrastructure and staffing levels to sufficiently address our growth and may require us to incur significant additional expenses and commit additional senior management and operational resources. We may face significant challenges in maintaining adequate financial and operational controls as well as implementing new or updated information and financial systems and procedures. Training, managing and appropriately sizing our work force and other components of our business on a timely and cost-effective basis may also pose challenges. In addition, our efforts to retain or attract qualified investment professionals may result in significant additional expenses. There can be no assurance that we will be able to manage our growing business effectively or that we will be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

We may not be able to maintain our desired fee structure as a result of industry pressure from private markets investors to reduce fees, which could have a material adverse effect on our profit margins and results of operations.

We may not be able to maintain our current fee structure as a result of industry pressure from private markets investors to reduce fees. In order to maintain our desired fee structure in a competitive environment, we must be able to continue to provide clients with investment returns and service that incentivize our investors to pay our desired fee rates. We cannot assure you that we will succeed in providing investment returns and service that will allow us to maintain our desired fee structure. Fee reductions on existing or future new business could have a material adverse effect on our profit margins and results of operations.

Our risk management strategies and procedures may leave us exposed to unidentified or unanticipated risks.

Risk management applies to our investment management operations as well as to the investments we make for our specialized funds and customized separate accounts. We have developed and continue to update strategies and procedures specific to our business for managing risks, which include market risk, liquidity risk, operational risk and reputational risk. Management of these risks can be very complex. These strategies and procedures may fail under some circumstances, particularly if we are confronted with risks that we have underestimated or not identified. In addition, some of our methods for managing the risks related to our clients' investments are based upon our analysis of historical private markets behavior. Statistical techniques are applied to these observations in order to arrive at quantifications of some of our risk exposures. Historical analysis of private markets returns requires reliance on valuations performed by fund managers, which may not be reliable measures of current valuations. These statistical methods may not accurately quantify our risk exposure if circumstances arise that were not observed in our historical data. In particular, as we enter new lines of business, our historical data may be incomplete.

Failure of our risk management techniques could materially and adversely affect our business, financial condition and results of operations, including our right to receive incentive fees.

The due diligence process that we undertake in connection with investments may not reveal all facts that may be relevant in connection with an investment.

Before making or recommending investments for our clients, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors and accountants may be involved in the due diligence process in varying degrees depending on the type of investment and the parties involved. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts or issues (including fraud) that are necessary or helpful in evaluating such investment opportunity, and we may not identify or foresee future developments that could have a material adverse effect on an investment. Moreover, such an investigation will not necessarily result in the investment ultimately being successful. In addition, a substantial portion of our specialized funds are funds-of-funds, and therefore we are dependent on the due diligence investigation of the general partner or co-investment partner leading such investment. We have little or no control over their due diligence process, and any shortcomings in their due diligence could be reflected in the performance of the investment we make with them on behalf of our clients. Poor investment performance could lead clients to terminate their agreements with us and/or result in negative reputational effects, either of which could materially and adversely affect our business, financial condition and results of operations.

In addition, we may also be adversely affected if there is misconduct by personnel at companies in which our specialized funds, customized separate accounts or advisory accounts invest. For example, financial fraud or other deceptive practices, or failures by personnel at such companies to comply with anti-bribery, trade sanctions or other legal and regulatory requirements, could cause significant reputational and business harm to us. Such misconduct may undermine our due diligence efforts with respect to such companies and could negatively affect the valuations of investments in such companies.

Restrictions on our ability to collect and analyze data regarding our clients' investments could adversely affect our business.

Our database of private markets investments includes funds and direct/co-investments that we monitor and report on for our specialized funds, customized separate accounts and advisory accounts. We rely on our database to provide regular reports to our clients, to research developments and trends in private markets and to support our investment processes. We depend on the continuation of our relationships with the general partners and sponsors of the underlying funds and investments in order to maintain current data on these investments and private markets activity. The termination of such relationships or the imposition of restrictions on our ability to use the data we obtain for our reporting and monitoring services could adversely affect our business, financial condition and results of operations.

Operational risks and data security breaches may disrupt our business, result in losses or limit our growth.

We rely heavily on our financial, accounting, compliance, monitoring, reporting and other data processing systems. Any failure or interruption of these systems, including the loss of data, whether caused by fire, other natural disaster, power or telecommunications failure, computer viruses, act of

terrorism or war or otherwise, could result in a disruption of our business, liability to clients, regulatory intervention or reputational damage, and thus materially and adversely affect our business. Although we have back-up systems in place, including back-up data storage, our back-up procedures and capabilities in the event of a failure or interruption may not be adequate. In recent years, we have substantially upgraded and expanded the capabilities of our data processing systems and other operating technology, and we expect that we will need to continue to upgrade and expand these capabilities in the future to avoid disruption of, or constraints on, our operations. We may incur significant costs to further upgrade our data processing systems and other operating technology in the future. In addition, we are dependent on the effectiveness of our information security policies, procedures and capabilities to protect our computer and telecommunications systems and the data such systems contain or transmit. An external information security breach, such as a “hacker attack,” a virus or worm, or an internal problem with information protection, such as failure to control access to sensitive systems, could materially interrupt our business operations or cause disclosure or modification of sensitive or confidential information. Such a failure could result in material financial loss, regulatory actions, breach of client contracts, reputational harm or legal liability, which, in turn, could cause a decline in our earnings or stock price.

Finally, we rely on third-party service providers for certain aspects of our business, including for certain information systems and technology and administration of our specialized funds. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of the funds’ operations and could affect our reputation and hence adversely affect our business, financial condition and results of operations.

We may face damage to our professional reputation and legal liability if our services are not regarded as satisfactory or for other reasons.

As a financial services firm, we depend to a large extent on our relationships with our clients and our reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services, such dissatisfaction may be more damaging to our business than to other types of businesses.

In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial advisors has been increasing. Our asset management and advisory activities may subject us to the risk of significant legal liabilities to our clients and third parties, including our clients’ stockholders or beneficiaries, under securities or other laws and regulations for materially false or misleading statements made in connection with securities and other transactions. In our investment management business, we make investment decisions on behalf of our clients that could result in substantial losses. Any such losses also may subject us to the risk of legal and regulatory liabilities or actions alleging negligent misconduct, breach of fiduciary duty or breach of contract. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. We may incur significant legal expenses in defending litigation. In addition, litigation or regulatory action against us may tarnish our reputation and harm our ability to attract and retain clients. Substantial legal or regulatory liability could materially and adversely affect our business, financial condition or results of operations or cause significant reputational harm to us, which could seriously harm our business.

Our distribution management business depends on an active market for public offerings and our ability to deliver expected investment returns.

Our distribution management business depends on active capital markets. If public offering activity is limited, there will be reduced in-kind distributions and reduced volume for our distribution management services. In addition, if our clients do not realize their expected investment returns on in-kind

distributions, the performance of our distribution management business could be materially and adversely affected.

Our international operations are subject to certain risks, which may affect our revenue.

We intend to grow our non-U.S. business, including growth into new regions with which we have less familiarity and experience, and this growth is important to our overall success. In addition, many of our larger clients are non-U.S. entities seeking to invest in U.S. funds and operating companies. Our international operations carry special financial and business risks, which could include the following:

- greater difficulties in managing and staffing foreign operations;
- fluctuations in foreign currency exchange rates that could adversely affect our results;
- unexpected changes in trading policies, regulatory requirements, tariffs and other barriers;
- longer transaction cycles;
- higher operating costs;
- local labor conditions and regulations;
- adverse consequences or restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses;
- less stable political and economic environments;
- terrorism, political hostilities, war and other civil disturbances or other catastrophic events that reduce business activity;
- cultural and language barriers and the need to adopt different business practices in different geographic areas; and
- difficulty collecting fees and, if necessary, enforcing judgments.

As part of our day-to-day operations outside the United States, we are required to create compensation programs, employment policies, compliance policies and procedures and other administrative programs that comply with the laws of multiple countries. We also must communicate and monitor standards and directives across our global operations. Our failure to successfully manage and grow our geographically diverse operations could impair our ability to react quickly to changing business and market conditions and to enforce compliance with non-U.S. standards and procedures.

A significant amount of the investments of our specialized funds, customized separate accounts and advisory accounts include private markets funds that are located outside the United States or that invest in portfolio companies located outside the United States. Such non-U.S. investments involve certain factors not typically associated with U.S. investments, including risks related to (i) currency exchange matters, including exchange rate fluctuations between the U.S. dollar and the foreign currency in which the investments are denominated, and costs associated with conversion of investment proceeds and income from one currency to another, (ii) differences between the U.S. and foreign capital markets, including the absence of uniform accounting, auditing, financial reporting and legal standards, practices and disclosure requirements and less government supervision and regulation, (iii) certain economic, social and political risks, including exchange control regulations and restrictions on foreign investments and repatriation of

capital, the risks of political, economic or social instability, and (iv) the possible imposition of foreign taxes with respect to such investments or confiscatory taxation. These risks could adversely affect the performance of our specialized funds, customized separate accounts and advisory accounts that are invested in securities of non-U.S. companies, which would adversely affect our business, financial condition and results of operations.

Any payment of distributions, loans or advances to and from our subsidiaries could be subject to restrictions on or taxation of dividends or repatriation of earnings under applicable local law, monetary transfer restrictions, foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate or other restrictions imposed by current or future agreements, including debt instruments, to which our non-U.S. subsidiaries may be a party. Our business, financial condition and results of operations could be adversely impacted, possibly materially, if we are unable to successfully manage these and other risks of international operations in a volatile environment. If our international business increases relative to our total business, these factors could have a more pronounced effect on our operating results or growth prospects.

Risks Related to Our Industry

The investment management business is intensely competitive.

The investment management business is intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service provided to clients, brand recognition and business reputation. Our investment management business competes with a variety of traditional and alternative asset managers, commercial banks, investment banks and other financial institutions. A number of factors serve to increase our competitive risks:

- some of our competitors have more relevant experience, greater financial and other resources and more personnel than we do;
- there are relatively few barriers to entry impeding new asset management firms, including a relatively low cost of entering these lines of business, and the successful efforts of new entrants into our various lines of business have resulted in increased competition;
- if, as we expect, allocation of assets to alternative investment strategies increases, there may be increased competition for alternative investments and access to fund general partners and managers;
- certain investors may prefer to invest with private partnerships; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

This competitive pressure could adversely affect our ability to make successful investments and restrict our ability to raise future funds, either of which would materially and adversely impact our business, financial condition and results of operations.

Difficult market conditions can adversely affect our business by reducing the market value of the assets we manage or causing our customized separate account clients to reduce their investments in private markets.

The future global market and economic climate may deteriorate because of many factors beyond our control, including rising interest rates or inflation, the availability of credit, changes in laws, terrorism or

political uncertainty. We may not be able to or may choose not to manage our exposure to these market conditions. Market deterioration could cause us, the specialized funds and customized separate accounts we manage or the funds in which they invest to experience tightening of liquidity, reduced earnings and cash flow, and impairment charges, as well as challenges in raising additional capital, obtaining investment financing and making investments on attractive terms. These market conditions can also have an impact on our ability and the ability of funds in which we and our clients invest to liquidate positions in a timely and efficient manner. More costly and restrictive financing also may adversely impact the returns of our co-investments in leveraged buyout transactions and, therefore, adversely affect the results of operations and financial condition of our co-investment funds.

Our business could generate lower revenue in a general economic downturn or a tightening of global credit markets. While our revenue continued to grow during the economic downturn beginning in 2008, we may not experience a similar outcome during future downturns. A general economic downturn or tightening of global credit markets may result in reduced opportunities to find suitable investments and make it more difficult for us, or for the funds in which we and our clients invest, to exit and realize value from existing investments, potentially resulting in a decline in the value of the investments held in our clients' portfolios. Such a decline could cause our revenue and net income to decline by causing some of our clients to reduce their investments in private markets in favor of investments they perceive as offering greater opportunity or lower risk, which would result in lower fees being paid to us.

A general economic downturn or a tightening of global credit markets may also reduce the commitments our clients are able to devote to alternative investments generally and make it more difficult for the funds in which we invest to obtain funding for additional investments at attractive rates, which would further reduce our profitability.

Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. If our revenue declines without a commensurate reduction in our expenses, our net income will be reduced. Accordingly, difficult market conditions could materially and adversely affect our business, financial condition and results of operations.

Increased government regulation, compliance failures and changes in law or regulation could adversely affect us.

Governmental authorities around the world in recent years have called for or implemented financial system and participant regulatory reform in reaction to volatility and disruption in the global financial markets, financial institution failures and financial frauds. Such reform includes, among other things, additional regulation of investment funds, as well as their managers and activities, including compliance, risk management and anti-money laundering procedures; restrictions on specific types of investments and the provision and use of leverage; implementation of capital requirements; limitations on compensation to managers; and books and records, reporting and disclosure requirements. We cannot predict with certainty the impact on us, our specialized funds or customized separate accounts, or on private markets funds generally, of any such reforms. Any of these regulatory reform measures could have an adverse effect on our specialized funds' and customized separate accounts' investment strategies or our business model. We may incur significant expense in order to comply with such reform measures. Additionally, legislation, including proposed legislation regarding executive compensation and taxation of carried interest, may adversely affect our ability to attract and retain key personnel.

We could also be adversely affected by changes in applicable tax laws, regulations, or administrative interpretations thereof, including with respect to the U.S. federal income tax reform legislation known as the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017 (the "Tax Act") and resulted

in fundamental changes to the Code. Changes resulting from the Tax Act include a reduction to the federal corporate income tax rate, partial limitation on the deductibility of business interest expense, a longer three-year holding period requirement for carried interest to be treated as long-term capital gain, limitations on the use, carryback and carryforward of net operating losses and changes relating to the scope and timing of U.S. taxation on earnings from international business operations. The exact impact of the Tax Act is still unclear and difficult to quantify, but these changes could materially and adversely affect our investors, the companies in which our funds invest, or us. In addition, other changes could be enacted in the future to increase the corporate tax rate, limit further the deductibility of interest, subject carried interest to more onerous taxation or effect other changes that could have a material adverse effect on our business, results of operations and financial condition.

Our advisory and investment management businesses are subject to regulation in the United States, including by the Securities and Exchange Commission (the “SEC”), the Commodity Futures Trading Commission (the “CFTC”), the Internal Revenue Service (the “IRS”) and other regulatory agencies, pursuant to, among other laws, the Investment Advisers Act of 1940 (the “Investment Advisers Act”), the Securities Act, the Code, the Commodity Exchange Act, and the Exchange Act. Any change in such regulation or oversight may have a material adverse impact on our operating results. Our failure to comply with applicable laws or regulations could result in fines, suspensions of personnel or other sanctions, including revocation of our registration as an investment adviser. Even if a sanction imposed against us or our personnel is small in monetary amount, the adverse publicity arising from the imposition of sanctions against us by regulators could harm our reputation and cause us to lose existing clients or fail to gain new clients.

In the wake of highly publicized financial scandals, investors exhibited concerns over the integrity of the U.S. financial markets, and the regulatory environment in which we operate is subject to further regulation in addition to those rules already promulgated. For example, there are a significant number of new and proposed regulations that may affect our business under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”). The SEC in particular has increased its regulation of the asset management and private equity industries in recent years, focusing on the private equity industry’s fees, allocation of expenses to funds, valuation practices, allocation of fund investment opportunities, disclosures to fund investors, the allocation of broken-deal expenses and general conflicts of interest disclosures. The SEC has also heightened its focus on the valuation processes employed by investment advisers. The lack of readily ascertainable market prices for many of the investments made by our specialized funds or customized separate accounts or the funds in which we invest could subject our valuation policies and processes to increased scrutiny by the SEC. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. The pending exit of the United Kingdom from the European Union (“EU”) may subject us to new and increased regulations if we can no longer rely on “passporting” privileges that allow U.K. financial institutions to access the EU single market without restrictions. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

To the extent that HLA is a “fiduciary” under ERISA, with respect to benefit plan clients, it is subject to ERISA, and to regulations promulgated thereunder. ERISA and applicable provisions of the Code impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions. Our failure to comply with these requirements could have a material adverse effect on our business. In addition, a court could find that one of our co-investment funds has formed a partnership-in-fact conducting a trade or

business and would therefore be jointly and severally liable for the portfolio company's unfunded pension liabilities.

In addition, HLA is registered as an investment adviser with the SEC and is subject to the requirements and regulations of the Investment Advisers Act. Such requirements relate to, among other things, restrictions on entering into transactions with clients, maintaining an effective compliance program, incentive fees, solicitation arrangements, allocation of investments, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an adviser and their advisory clients, as well as general anti-fraud prohibitions. As a registered investment adviser, HLA has fiduciary duties to its clients. A failure to comply with the obligations imposed by the Advisers Act, including recordkeeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, could result in investigations, sanctions and reputational damage, and could materially and adversely affect our business, financial condition and results of operations.

In the EU, the Markets in Financial Instruments Directive II ("MiFID II"), which came into effect on January 3, 2018, requires, among other things, all MiFID investment firms to comply with more prescriptive disclosure, transparency, reporting and recordkeeping obligations and enhanced obligations in relation to the receipt of investment research, best execution, product governance and marketing communications. As we operate investment firms which are subject to MiFID, we have implemented revised policies and procedures to comply with MiFID II where relevant, including where certain rules have an extraterritorial impact on us. Compliance with MiFID II will result in greater overall complexity, higher compliance and administration and operational costs and less overall flexibility.

In addition, the EU General Data Protection Regulation ("GDPR") replaced a pre-existing data protection directive and, as a regulation, had direct effect in all EU member states beginning May 25, 2018. The GDPR introduces new obligations and expands its territorial reach. It applies to all organizations processing or holding personal data of EU 'data subjects' (regardless of the organization's location) as well as to organizations outside the EU that offer goods or services in the EU, or that monitor the behavior of EU data subjects. Personal data is information that can be used to identify a natural person, including a name, a photo, an email address, or a computer IP address. Compliance with the GDPR requires companies to analyze and evaluate how they handle data in the ordinary course of their business, from processes to technology. It imposes a prescriptive approach to compliance requiring organizations to demonstrate and record compliance and to provide much more detailed information to data subjects regarding processing. EU data subjects need to be given full disclosure about how their personal data will be used and stored. In that connection, consent must be explicit and companies must be in a position to delete information from their global systems permanently if consent were withdrawn. As with any other organization that holds personal data of EU data subjects, we have to comply with the GDPR because, among other things, we process European individuals' personal data in the U.S. via our global technology systems. Financial regulators and data protection authorities throughout the EU have significantly increased audit and investigatory powers under GDPR to probe how personal data is being used and processed. Penalties for non-compliance are material. Serious breaches of GDPR include fines on companies of up to the greater of €20 million or 4% of global group turnover in the preceding year, regulatory action and reputational risk.

Federal, state and foreign anti-corruption and sanctions laws create the potential for significant liabilities and penalties and reputational harm.

We are also subject to a number of laws and regulations governing payments and contributions to political persons or other third parties, including restrictions imposed by the Foreign Corrupt Practices Act ("FCPA") as well as trade sanctions and export control laws administered by the Office of Foreign Assets Control ("OFAC"), the U.S. Department of Commerce and the U.S. Department of State. The

FCPA is intended to prohibit bribery of foreign governments and their officials and political parties, and requires public companies in the United States to keep books and records that accurately and fairly reflect those companies' transactions. OFAC, the U.S. Department of Commerce and the U.S. Department of State administer and enforce various export control laws and regulations, including economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. These laws and regulations relate to a number of aspects of our business, including servicing existing fund investors, finding new fund investors, and sourcing new investments, as well as activities by the portfolio companies in our investment portfolio or other controlled investments.

Similar laws in non-U.S. jurisdictions, such as EU sanctions or the U.K. Bribery Act, as well as other applicable anti-bribery, anti-corruption, anti-money laundering, or sanction or other export control laws in the U.S. and abroad, may also impose stricter or more onerous requirements than the FCPA, OFAC, the U.S. Department of Commerce and the U.S. Department of State, and implementing them may disrupt our business or cause us to incur significantly more costs to comply with those laws. Different laws may also contain conflicting provisions, making compliance with all laws more difficult. If we fail to comply with these laws and regulations, we could be exposed to claims for damages, civil or criminal financial penalties, reputational harm, incarceration of our employees, restrictions on our operations and other liabilities, which could negatively affect our business, operating results and financial condition. In addition, we may be subject to successor liability for FCPA violations or other acts of bribery, or violations of applicable sanctions or other export control laws committed by companies in which we or our funds invest or which we or our funds acquire. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA and other anti-corruption, sanctions and export control laws in jurisdictions in which we operate, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA or other applicable anti-corruption, sanctions or export control laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial condition, results of operations or the market value of our Class A common stock.

Regulation of investment advisors outside the United States could adversely affect our ability to operate our business.

We provide investment advisory and other services and raise funds in a number of countries and jurisdictions outside the United States. In many of these countries and jurisdictions, which include the EU, the EEA, the individual member states of each of the EU and EEA, Hong Kong, Korea, Brazil and Japan, we and our operations, and in some cases our personnel, are subject to regulatory oversight and requirements. In general, these requirements relate to registration, licenses for our personnel, periodic inspections, the provision and filing of periodic reports, and obtaining certifications and other approvals. Across the EU, we are subject to the AIFMD, under which we are subject to regulatory requirements regarding, among other things, registration for marketing activities, the structure of remuneration for certain of our personnel and reporting obligations. Individual member states of the EU have imposed additional requirements that may include internal arrangements with respect to risk management, liquidity risks, asset valuations, and the establishment and security of depository and custodial requirements. Because some EEA countries have not yet incorporated the AIFMD into their agreement with the EU, we may undertake marketing activities and provide services in those EEA countries only in compliance with applicable local laws. Outside the EEA, the regulations to which we are subject relate primarily to registration and reporting obligations.

It is expected that additional laws and regulations will come into force in the EEA, the EU, and other countries in which we operate over the coming years. These laws and regulations may affect our costs and manner of conducting business in one or more markets, the risks of doing business, the assets that we manage or advise, and our ability to raise capital from investors. In addition, the pending exit of the United Kingdom from the EU may have adverse economic, political and regulatory effects on the operation of our business. Any failure by us to comply with either existing or new laws or regulations could have a material adverse effect on our business, financial condition and results of operations.

Volatile market, political and economic conditions can adversely affect investments made by our specialized funds, customized separate accounts and advisory accounts.

Since 2008, there has been continued volatility and disruption in the global financial markets. Volatility and disruption in the equity and credit markets could adversely affect the portfolio companies in which the private markets funds invest, which, in turn, would adversely affect the performance of our specialized funds, customized separate accounts and advisory accounts. For example, the lack of available credit or the increased cost of credit may materially and adversely affect the performance of funds that rely heavily on leverage such as leveraged buyout funds. Disruptions in the debt and equity markets may make it more difficult for funds to exit and realize value from their investments, because potential buyers of portfolio companies may not be able to finance acquisitions and the equity markets may become unfavorable for IPOs. In addition, the volatility will directly affect the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the valuation of the investments of our specialized funds, customized separate accounts and advisory accounts. Any or all of these factors may result in lower investment returns. Governmental authorities have undertaken, and may continue to undertake, a variety of initiatives designed to strengthen and stabilize the economy and the financial markets. However, there can be no assurance that these initiatives will be successful, and there is no way to predict the ultimate impact of the disruption or the effect that these initiatives will have on the performance of our specialized funds, customized separate accounts or advisory accounts.

Investments in many industries have experienced significant volatility over the last several years. The ability to realize investments depends not only on our investments and the investments made by the private markets funds and portfolio companies in which we invest and their respective results and prospects, but also on political and economic conditions, which are out of our control. Continued volatility in political or economic conditions, including an outbreak or escalation of major hostilities, declarations of war, terrorist actions or other substantial national or international calamities or emergencies, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Organizational Structure

We have incurred and will continue to incur increased costs as a result of becoming a public company and in the administration of our organizational structure.

As a public company, we incur significant legal, accounting, insurance and other expenses that we did not previously incur as a private company, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with the Sarbanes-Oxley Act and related rules implemented by the SEC. We also incur ongoing periodic expenses in connection with the administration of our organizational structure.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as regulatory and governing bodies provide new guidance. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We will continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business, financial condition and results of operations could be materially and adversely affected.

As a result of disclosure of information as a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If the claims are successful, our business, financial condition and results of operations could be materially and adversely affected. Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business operations and financial results. These factors could also make it more difficult for us to attract and retain qualified employees, executive officers and members of our board of directors.

We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance on desired terms. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors or our board committees or to serve as executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

We are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. As an emerging growth company, our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 until we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a public company, we have undertaken various actions, and may need to take additional actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. A material weakness is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or

combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. In the future when evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is ineffective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting once we are no longer an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources and could lead to a decline in our stock price.

We are a “controlled company” within the meaning of the Nasdaq listing standards and, as a result, qualify for, and intend to continue to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Holders of our Class B common stock, which is not publicly traded, control a majority of the voting power of our outstanding common stock. As a result, we qualify as a “controlled company” within the meaning of the corporate governance standards of Nasdaq. Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements, including the requirement that (i) a majority of our board of directors consist of independent directors, (ii) director nominees be selected or recommended to the board by independent directors and (iii) we have a compensation committee that is composed entirely of independent directors.

We have elected to rely on these exemptions and expect to continue to do so. As a result, we do not have a majority of independent directors, our compensation committee does not consist entirely of independent directors and our directors are not nominated or selected by independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

Our only material asset is our interest in HLA, and we are accordingly dependent upon distributions from HLA to pay dividends and taxes and other expenses.

HLI is a holding company and has no material assets, and other than its ownership of membership units in HLA, HLI does not have any independent means of generating revenue. We intend to cause HLA to make pro rata distributions to its members, including us, in an amount at least sufficient to allow us to pay all applicable taxes, to make payments under the tax receivable agreement we have entered into with the direct and indirect members of HLA, and to pay our corporate and other overhead expenses. To the extent that HLI needs funds, and HLA is restricted from making such distributions under applicable laws or regulations, or is otherwise unable to provide such funds, it could materially and adversely affect our liquidity and financial condition.

The IRS might challenge the tax basis step-up we received in connection with our IPO and the related transactions and in connection with subsequent acquisitions of membership units in HLA.

We used a portion of the proceeds from our IPO to purchase membership units in HLA from certain of the legacy direct or indirect members of HLA, which resulted in an increase in our share of the tax

basis of the assets of HLA that otherwise would not have been available. The HLA membership units held directly or indirectly by the members of HLA other than HLI, including members of our senior management team, may in the future be exchanged for shares of our Class A common stock or, at our election, for cash. Similar to our initial purchase of membership units, those exchanges are also likely to result in increases in our share of the tax basis of the assets of HLA that otherwise would not have been available. The increases in tax basis may reduce the amount of tax that we would otherwise be required to pay in the future, although it is possible that the IRS might challenge all or part of that tax basis increase, and a court might sustain such a challenge. Our ability to achieve benefits from any tax basis increase will depend upon a number of factors, as discussed below, including the timing and amount of our future income.

We are required to pay over to legacy direct or indirect members of HLA most of the tax benefits we receive from tax basis step-ups attributable to our acquisition of membership units of HLA, and the amount of those payments could be substantial.

We have entered into a tax receivable agreement for the benefit of the direct and indirect members of HLA other than us, pursuant to which we will pay them 85% of the amount of the tax savings, if any, that we realize (or, under certain circumstances, are deemed to realize) as a result of increases in tax basis (and certain other tax benefits) resulting from our acquisition of membership units or as a result of certain items of loss being specially allocated to us for tax purposes in connection with dispositions by HLA of certain investment assets. HLI will retain the benefit of the remaining 15% of these tax savings.

The term of the tax receivable agreement commenced upon the completion of our IPO and will continue until all tax benefits that are subject to the tax receivable agreement have been utilized or have expired, unless we exercise our right to terminate the tax receivable agreement (or the tax receivable agreement is terminated due to a change of control or our breach of a material obligation thereunder), in which case, we will be required to make the termination payment specified in the tax receivable agreement. In addition, payments we make under the tax receivable agreement will be increased by any interest accrued from the due date (without extensions) of the corresponding tax return.

The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending on a number of factors, including, but not limited to, the price of our Class A common stock at the time of the purchase or exchange, the timing of any future exchanges, the extent to which exchanges are taxable, the amount and timing of our income and the tax rates then applicable. We expect that, as a result of the increases in the tax basis of the tangible and intangible assets of HLA attributable to the exchanged HLA interests, the payments that we may make to the legacy direct or indirect members of HLA could be substantial. There may be a material negative effect on our liquidity if, as described below, the payments under the tax receivable agreement exceed the actual benefits we receive in respect of the tax attributes subject to the tax receivable agreement and/or distributions to us by HLA are not sufficient to permit us to make payments under the tax receivable agreement.

In certain circumstances, payments under the tax receivable agreement may be accelerated and/or significantly exceed the actual tax benefits we realize.

The tax receivable agreement provides that if we exercise our right to early termination of the tax receivable agreement, in whole or in part, we experience a change in control, or we materially breach our obligations under the tax receivable agreement, we will be obligated to make an early termination payment to the legacy direct or indirect members of HLA equal to the net present value of all payments that would be required to be paid by us under the tax receivable agreement. The amount of such payments will be determined on the basis of certain assumptions in the tax receivable agreement, including (i) the assumption (except in the case of a partial termination) that we would have enough taxable income in the future to fully utilize the tax benefit resulting from any increased tax basis that results from an exchange and (ii) the assumption that any units (other than those held by Hamilton Lane Incorporated) outstanding on the termination date are deemed to be exchanged for shares of Class A common stock on the termination date. Any early termination payment may be made significantly in advance of the actual realization, if any, of the future tax benefits to which the termination payment relates.

Moreover, as a result of an elective early termination, a change of control or our material breach of our obligations under the tax receivable agreement, we could be required to make payments under the tax receivable agreement that exceed our actual cash savings under the tax receivable agreement. Thus, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, or other forms of business combinations or changes of control. There can be no assurance that we will be able to finance any such early termination payment. It is also possible that the actual benefits ultimately realized by us may be significantly less than were projected in the computation of the early termination payment.

We will not be reimbursed for any payments previously made under the tax receivable agreement if the basis increases described above are successfully challenged by the IRS or another taxing authority. As a result, in certain circumstances, payments could be made under the tax receivable agreement in excess of our ultimate cash tax savings.

In certain circumstances, HLA is required to make distributions to us and the direct and indirect owners of HLA, and the distributions that HLA will be required to make may be substantial.

HLA is treated as a partnership for U.S. federal income tax purposes and, as such, is not subject to U.S. federal income tax. Instead, taxable income is allocated to members, including us. Pursuant to the HLA Operating Agreement, HLA makes pro rata cash distributions, or tax distributions, to the members, including us, calculated using an assumed tax rate, to help each of the members to pay taxes on such member's allocable share of the cumulative taxable income, reduced by cumulative taxable losses. Under applicable tax rules, HLA is required to allocate net taxable income disproportionately to its members in certain circumstances. Because tax distributions are determined based on the member who is allocated the largest amount of taxable income on a per unit basis and on an assumed tax rate that is the highest possible rate applicable to any member, but are made pro rata based on ownership, HLA is required to make tax distributions that, in the aggregate, will likely exceed the amount of taxes that HLA would have paid if it were taxed on its net income at the assumed rate. The pro rata distribution amounts will also be increased if and to the extent necessary to ensure that the amount distributed to HLI is sufficient to enable HLI to pay its actual tax liabilities and its other expenses and costs (including amounts payable under the tax receivable agreement).

Funds used by HLA to satisfy its tax distribution obligations are not available for reinvestment in our business. Moreover, the tax distributions HLA is required to make may be substantial, and may exceed (as a percentage of HLA's income) the overall effective tax rate applicable to a similarly situated corporate

taxpayer. In addition, because these payments are calculated with reference to an assumed tax rate, and because of the disproportionate allocation of net taxable income, these payments will likely significantly exceed the actual tax liability for many of the legacy owners of HLA.

As a result of (i) potential differences in the amount of net taxable income allocable to us and to the direct and indirect owners of HLA, (ii) the lower tax rate applicable to corporations than individuals and (iii) the use of an assumed tax rate in calculating HLA's distribution obligations, we may receive distributions significantly in excess of our tax liabilities and obligations to make payments under the tax receivable agreement. If we do not distribute such cash balances as dividends on our Class A common stock and instead, for example, hold such cash balances or lend them to HLA, the existing owners of HLA would benefit from any value attributable to such accumulated cash balances as a result of their ownership of Class A common stock following an exchange of their Class B units or Class C units.

If Hamilton Lane Incorporated were deemed an “investment company” under the Investment Company Act as a result of its ownership of HLA, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

An issuer will generally be deemed to be an “investment company” for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing asset management services and not in the business of investing, reinvesting or trading in securities. We also believe that the primary source of income from each of our businesses is properly characterized as income earned in exchange for the provision of services. We hold ourselves out as an asset management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that either Hamilton Lane Incorporated or HLA is an “orthodox” investment company as defined in section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above. HLA does not have significant assets other than its equity interests in certain wholly owned subsidiaries, which in turn have no significant assets other than general partner interests in the specialized funds we sponsor. These wholly owned subsidiaries are the sole general partners of the funds and are vested with all management and control over the funds. We do not believe the equity interests of HLA in its wholly owned subsidiaries or the general partner interests of these wholly owned subsidiaries in the funds are investment securities. Hamilton Lane Incorporated's unconsolidated assets consist primarily of cash, a deferred tax asset and Class A units of HLA, which represent the managing member interest in HLA. Hamilton Lane Incorporated is the sole managing member of HLA and holds an approximately 42.1% economic interest in HLA. As managing member, Hamilton Lane Incorporated exercises complete control over HLA. As such, we do not believe Hamilton Lane Incorporated's managing member interest in HLA is an investment security. Therefore, we believe that less than 40% of Hamilton Lane Incorporated's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis comprise assets that could be considered investment securities. Accordingly, we do not believe Hamilton Lane Incorporated is an inadvertent investment company by virtue of the 40% test in section 3(a)(1)(C) of the Investment Company Act as described in the second bullet point above. In addition, we believe Hamilton Lane Incorporated is not an investment company under section 3(b)(1) of the Investment Company Act because it is primarily engaged in a non-investment company business.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operations of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, prohibit the issuance of stock options, and impose certain governance requirements. We intend to continue to conduct our operations so that Hamilton Lane Incorporated will not be deemed to be an investment company under the Investment Company Act. However, if anything were to happen that would cause Hamilton Lane Incorporated to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates (including us) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among HLA, us or our senior management team, or any combination thereof and materially and adversely affect our business, financial condition and results of operations.

A change of control of our Company, including the occurrence of a “Sunset,” could result in an assignment of our investment advisory agreements.

Under the Investment Advisers Act, each of the investment advisory agreements for the funds and other accounts we manage must provide that it may not be assigned without the consent of the particular fund or other client. An assignment may occur under the Investment Advisers Act if, among other things, HLA undergoes a change of control. After a “Sunset” becomes effective (as described in “Organizational Structure—Voting Rights of Class A and Class B Common Stock”), the Class B Common Stock will have one vote per share instead of ten votes per share, and the Stockholders Agreement will expire, meaning that the Class B Holders party thereto will no longer control the appointment of directors or be able to direct the vote on all matters that are submitted to our stockholders for a vote. These events could be deemed a change of control of HLA, and thus an assignment. If such an assignment occurs, we cannot be certain that HLA will be able to obtain the necessary consents from our funds and other clients, which could cause us to lose the management fees and performance fees we earn from such funds and other clients.

Because members of our senior management team hold their economic interest through other entities, conflicts of interest may arise between them and holders of shares of our Class A common stock or us.

Members of our senior management team beneficially own approximately 46% of the outstanding units in HLA. Because they hold their economic interest in HLA directly through existing holding companies rather than through ownership of shares of our Class A common stock, the members of our senior management team may have interests that do not align with, or conflict with, those of the holders of Class A common stock or with us. For example, members of our senior management team have different tax positions from Class A common stockholders, which could influence their decisions regarding whether and when to dispose of assets, whether and when to incur new or refinance existing indebtedness, and whether and when we should terminate the tax receivable agreement and accelerate the obligations thereunder. In addition, the structuring of future transactions and investments may take into consideration the members’ tax considerations even where no similar benefit would accrue to us.

The disparity in the voting rights among the classes of our common stock and inability of the holders of our Class A common stock to influence decisions submitted to a vote of our stockholders may have an adverse effect on the price of our Class A common stock.

Holders of our Class A common stock and Class B common stock vote together as a single class on almost all matters submitted to a vote of our stockholders. Shares of our Class A common stock and

Class B common stock entitle the respective holders to identical non-economic rights, except that each share of our Class A common stock entitles its holder to one vote on all matters to be voted on by stockholders generally, while each share of our Class B common stock entitles its holder to ten votes until a Sunset becomes effective. See “Organizational Structure—Class A and Class B Common Stock.” After a Sunset becomes effective, each share of our Class B common stock will entitle its holder to one vote. Certain of the holders of our Class B common stock who are significant outside investors, members of management and significant employee owners have agreed to vote all of their shares in accordance with the instructions of HLA Investments, LLC (“HLAI”), and will therefore be able to exercise control over all matters requiring the approval of our stockholders, including the election of our directors and the approval of significant corporate transactions. See “Stockholders Agreement” in Part III, Item 13. The difference in voting rights could adversely affect the value of our Class A common stock to the extent that investors view, or any potential future purchaser of our Company views, the superior voting rights and implicit control of the Class B common stock to have value.

The historical financial information in this Form 10-K may not permit you to assess our future performance, including our costs of operations.

The historical financial information in this Form 10-K for periods before our IPO does not reflect the added costs we incur as a public company or the resulting changes that have occurred or will occur in our capital structure and operations. For more information on our historical financial information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 and the historical consolidated financial statements in Part II, Item 8 of this Form 10-K.

We are an emerging growth company, and reduced reporting and disclosure requirements applicable to emerging growth companies could make our Class A common stock less attractive to investors.

We are an “emerging growth company” under applicable securities laws and, for as long as we continue to be an emerging growth company, we may choose to continue to take advantage of exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of our IPO, (ii) the first fiscal year after our annual gross revenues are \$1.07 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our Class A common stock held by non-affiliates is at least \$700 million as of the end of the second quarter of that fiscal year. We cannot predict if investors will find our Class A common stock less attractive due to our decision to rely on these exemptions. If some investors find our Class A common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our Class A common stock, and the price of our Class A common stock may be more volatile.

Our share price may decline due to the large number of shares eligible for future sale and for exchange.

The market price of our Class A common stock could decline as a result of sales of a large number of shares of Class A common stock in the market or the perception that such sales could occur. These sales,

or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

The approximately 30.6 million shares of Class A common stock issuable upon exchange of the Class B units and Class C units that are held by Class B Holders and Class C Holders, respectively, will be eligible for resale from time to time, subject to certain contractual, exchange timing and volume, and Securities Act restrictions.

We have entered into a registration rights agreement with certain Class B Holders who are significant outside investors, members of management and significant employee owners. Under that agreement, subject to certain limitations, these persons have the ability to cause us to register the resale of shares of our Class A common stock that they acquire upon exchange of their Class B units and Class C units in HLA.

We expect to continue to pay dividends to our stockholders, but our ability to do so is subject to the discretion of our board of directors and may be limited by our holding company structure and applicable provisions of Delaware and Pennsylvania law.

Since our IPO, our board of directors has declared regular quarterly dividends on our Class A common stock. Although we expect to continue to pay cash dividends to our stockholders, our board of directors may, in its discretion, decrease the level of dividends or discontinue the payment of dividends entirely. In addition, as a holding company, we are dependent upon the ability of HLA to generate earnings and cash flows and distribute them to us so that we may pay our obligations and expenses (including our taxes and payments under the tax receivable agreement) and pay dividends to our stockholders. We expect to cause HLA to make distributions to its members, including us. However, the ability of HLA to make such distributions will be subject to its operating results, cash requirements and financial condition and applicable Pennsylvania law (which may limit the amount of funds available for distribution to its members). Our ability to declare and pay dividends to our stockholders is likewise subject to Delaware law (which may limit the amount of funds available for dividends). If, as a consequence of these various limitations and restrictions, we are unable to generate sufficient distributions from our business, we may not be able to make, or may be required to reduce or eliminate, the payment of dividends on our Class A common stock.

The market price of our Class A common stock may be volatile, which could cause the value of your investment to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our Class A common stock in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response, the market price of our Class A common stock could decrease significantly. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could harm our business.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and may negatively affect the market price of our Class A common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our certificate of incorporation and bylaws include provisions that:

- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent, except that action by written consent will be allowed for as long as we are a controlled company;
- specify that special meetings of our stockholders can be called only by our board of directors or the chairman of our board of directors;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- authorize our board of directors to issue, without further action by the stockholders, up to 10,000,000 shares of undesignated preferred stock; and
- reflect two classes of common stock, as discussed above.

These and other provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. Also, the tax receivable agreement provides that, in the event of a change of control, we will be required to make a payment equal to the present value of estimated future payments under the tax receivable agreement, which would result in a significant payment becoming due in the event of a change of control. In addition, we are a Delaware corporation and governed by the Delaware General Corporation Law (the “DGCL”). Section 203 of the DGCL generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder, in particular those owning 15% or more of our outstanding voting stock, for a period of three years following the date on which the stockholder became an “interested” stockholder. While we have elected in our certificate of incorporation not to be subject to Section 203 of the DGCL, our certificate of incorporation contains provisions that have the same effect as Section 203 of the DGCL, except that they provide that HLAI, its affiliates, groups that include HLAI and certain of their direct and indirect transferees will not be deemed to be “interested stockholders,” regardless of the percentage of our voting stock owned by them, and accordingly will not be subject to such restrictions.

Securities analyst coverage or lack of coverage may have a negative effect on our Class A common stock’s market price.

The trading market for our Class A common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If securities or industry analysts stop their coverage of us or additional securities and industry

analysts fail to cover us in the future, the trading price for our Class A common stock would be negatively affected. If any analyst or analysts who cover us downgrade our Class A common stock, changes their opinion of us or publishes inaccurate or unfavorable research about our business, our stock price may decline. If any analyst or analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, and we could lose visibility in the financial markets, which could cause our stock price and trading volume to decline.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

We lease our corporate headquarters and principal offices, which are located at One Presidential Boulevard, Bala Cynwyd, Pennsylvania 19004. We also lease additional office space in Bala Cynwyd, Pennsylvania, as well as Hong Kong, London, Miami, Munich, New York, Portland (Oregon), Rio de Janeiro, San Diego, San Francisco, Seoul, Sydney, Herzliya, Israel (a suburb of Tel Aviv) and Tokyo. We do not own any real property. We believe our current facilities are adequate for our current needs and that suitable additional space will be available as and when needed.

Item 3. Legal Proceedings

In the ordinary course of business, we may be subject to various legal, regulatory and/or administrative proceedings from time to time. Currently, there are no material proceedings pending or, to our knowledge, threatened against us.

Item 4: Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Shares of our Class A common stock began trading on the Nasdaq Global Select Market under the symbol “HLNE” on March 1, 2017. Prior to that date, there was no public trading market for shares of our Class A common stock.

The table below shows the highest and lowest prices paid per share for our Class A common stock in the period since our IPO.

| | <u>Highest</u> | <u>Lowest</u> |
|-------------------------------|----------------|---------------|
| Fiscal 2017 | | |
| Fourth quarter (from March 1) | \$ 19.66 | \$ 17.74 |
| Fiscal 2018 | | |
| First quarter | \$ 22.44 | \$ 17.32 |
| Second quarter | \$ 26.92 | \$ 21.36 |
| Third quarter | \$ 36.01 | \$ 25.50 |
| Fourth quarter | \$ 40.43 | \$ 30.52 |

There is no established public trading market for our Class B common stock. Class B common stock may not be transferred independently of the corresponding Class B units, which are subject to significant restrictions on transfer as set forth in the HLA Operating Agreement.

Holders of Record

As of June 11, 2018, there were 15 stockholders of record of our Class A common stock. The number of record holders does not include persons who held shares of our Class A common stock in nominee or “street name” accounts through brokers. As of June 11, 2018, there were 37 stockholders of record of our Class B common stock.

Dividend Policy

We declared and paid dividends of \$0.175 per share of Class A common stock for each of our first four fiscal quarters as a public company. On June 7, 2018, we declared a quarterly dividend of \$0.2125 per share of Class A common stock to record holders at the close of business on June 18, 2018. The payment date will be July 6, 2018. We do not pay dividends on our Class B common stock.

The declaration and payment by us of any future dividends to holders of our Class A common stock is at the sole discretion of our board of directors. Our board intends to cause us to continue to pay a comparable cash dividend on a quarterly basis. Subject to funds being legally available, we intend to cause HLA to make pro rata distributions to its members, including us, in an amount at least sufficient to allow us to pay all applicable taxes, to make payments under the tax receivable agreement, and to pay our corporate and other overhead expenses, including dividend payments to our stockholders.

Equity Compensation Plan Information

The following table provides certain information with respect to the Hamilton Lane Incorporated 2017 Equity Incentive Plan, as amended (the “2017 Equity Plan”), the only equity compensation plan in effect as of March 31, 2018, which was approved by our sole stockholder prior to our IPO.

| Plan Category | Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans |
|--|---|---|--|
| Equity Compensation Plans Approved By Stockholders | — | — | 3,277,862 ⁽¹⁾ |

(1) Consists of shares of Class A common stock available for issuance.

Stock Performance Graph

The following graph and table depict the total return to stockholders from the closing price on March 1, 2017 (the date our Class A common stock began trading on the Nasdaq Stock Market) through March 31, 2018, relative to the performance of the S&P 500 Index and the Dow Jones U.S. Asset Managers Index. The graph and table assume \$100 invested on March 1, 2017, and dividends reinvested in the security or index.

The performance graph and table are not intended to be indicative of future performance. The performance graph and table shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of the Company’s filings under the Securities Act or the Exchange Act.

Total Return Performance



| | 3/1/17 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Hamilton Lane Incorporated | \$ 100.00 | \$ 103.61 | \$ 123.02 | \$ 151.33 | \$ 200.50 | \$ 211.93 |
| S&P 500 | 100.00 | 98.75 | 101.78 | 106.34 | 113.4 | 112.54 |
| Dow Jones US Asset Managers Index | 100.00 | 96.85 | 105.36 | 112.43 | 122.27 | 120.71 |

Issuer Purchases of Equity Securities

The following table provides information about our share repurchase activity for the quarter ended March 31, 2018:

| Period | Total Number of Shares Purchased(1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---------------------|-------------------------------------|------------------------------|--|--|
| January 1-31, 2018 | — | \$ — | — | — |
| February 1-28, 2018 | — | \$ — | — | — |
| March 1-31, 2018 | 152,272 | \$ 38.07 | — | — |
| Total | 152,272 | \$ 38.07 | | |

(1) Includes shares of Class A common stock tendered by employees as payment of taxes withheld on the vesting of restricted stock granted under the Company's 2017 Equity Plan.

Item 6. Selected Financial Data

The following selected consolidated income statement data for the years ended March 31, 2018, 2017, and 2016 and the selected consolidated balance sheet data as of March 31, 2018 and 2017 are derived from our audited consolidated financial statements included elsewhere in this Form 10-K. The following selected consolidated income statement data for the years ended March 31, 2015 and 2014, and the selected consolidated balance sheet data as of March 31, 2016, 2015 and 2014 are derived from our audited consolidated financial statements not included in this Form 10-K. This information should be read in conjunction with, and is qualified by reference to, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and the consolidated financial statements and notes thereto in Part II, Item 8 of this Form 10-K. Our historical results are not necessarily indicative of the results to be expected in the future.

Year Ended March 31,

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------------|------------------------|------------------|----------------|----------------|
| Income Statement Data | | | | | |
| <i>(in thousands, except per share amounts)</i> | | | | | |
| Revenues | | | | | |
| Management and advisory fees | \$ 195,030 | \$ 172,674 | \$ 157,630 | \$ 145,876 | \$ 130,455 |
| Incentive fees | 49,003 | 7,146 | 23,167 | 9,509 | 9,309 |
| Total revenues | 244,033 | 179,820 | 180,797 | 155,385 | 139,764 |
| Total expenses | 121,080 | 103,705 | 118,963 | 87,022 | 80,710 |
| Total other income (expense) | 16,677 | (1,361) | (5,113) | 3,622 | 7,845 |
| Income before income taxes | 139,630 | 74,754 | 56,721 | 71,985 | 66,899 |
| Income tax expense (benefit) | 33,333 | 316 | 869 | 483 | (128) |
| Net income | 106,297 | 74,438 | 55,852 | 71,502 | 67,027 |
| Less: Income attributable to non-controlling interests | 88,956 | 73,826 | 55,852 | 71,502 | 67,027 |
| Net income attributable to Hamilton Lane Incorporated | \$ 17,341 | \$ 612 | \$ — | \$ — | \$ — |
| Earnings per share of Class A common stock: | | | | | |
| Basic | \$ 0.94 | \$ 0.03 ⁽¹⁾ | | | |
| Diluted | \$ 0.93 | \$ 0.03 ⁽¹⁾ | | | |
| Dividends declared per share of Class A common stock | \$ 0.70 | \$ — | | | |
| Non-GAAP Financial Measures | | | | | |
| Fee Related Earnings ⁽²⁾ | 81,223 | 72,252 | 70,381 | 63,396 | 54,256 |
| Adjusted EBITDA ⁽²⁾ | 132,586 | 83,031 | 67,785 | 73,707 | 64,119 |
| Other Data | | | | | |
| Compensation expense on deferred incentive fee revenue ⁽³⁾ | — | — | 20,348 | — | — |
| Balance Sheet Data | | | | | |
| Cash and cash equivalents | \$ 47,596 | \$ 32,286 | \$ 68,584 | \$ 67,089 | \$ 75,818 |
| Investments | 137,253 | 120,147 | 102,749 | 103,360 | 92,123 |
| Total assets | 293,795 | 240,617 | 196,636 | 201,500 | 195,231 |
| Deferred incentive fee revenue | 6,245 | 45,166 | 45,166 | 1,960 | — |
| Debt | 84,162 | 84,310 | 243,317 | 107,719 | 122,426 |
| Total liabilities | 157,721 | 153,990 | 308,574 | 127,810 | 138,119 |
| Total equity (deficit) | 136,074 | 86,627 | (111,938) | 73,690 | 57,112 |
| Total liabilities and equity | 293,795 | 240,617 | 196,636 | 201,500 | 195,231 |

(1) Represents earnings per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the period from March 6, 2017 through March 31, 2017, the period following the Reorganization and IPO.

(2) Adjusted EBITDA and Fee Related Earnings (“FRE”) are non-GAAP measures. For a further discussion of our non-GAAP measures and a reconciliation from GAAP financial measures to non-GAAP financial measures, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” included in Part II, Item 7 of this Form 10-K.

(3) In accordance with our accounting policy with respect to the recognition of incentive fee income, we did not recognize \$41.5 million in carried interest distributions received from specialized funds in fiscal 2016, as all contingencies had not been resolved. However, incentive fee compensation expense of \$20.3 million related to the receipt of this carried interest was recognized in fiscal 2016 as we believe it is probable that we will incur the expenses. We reduced the deferred incentive fee revenue balance in fiscal 2018 by \$38.9 million from the recognition of the deferred carried interest in that period.

The \$20.3 million is separately presented above to highlight the incentive fee compensation expense for which we did not recognize the associated incentive fee revenue. The compensation expense on deferred incentive fee revenue comprises \$9.9 million of bonus and other revenue sharing allocations classified as base compensation and \$10.4 million of incentive fee compensation. We incurred additional incentive fee compensation expense of \$11.4 million in fiscal 2016 associated with incentive fee revenue that is not reflected in this figure.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with our selected combined financial and operating data and the accompanying consolidated financial statements and related notes. See “Index to Consolidated Financial Statements of Hamilton Lane Incorporated.” The historical consolidated financial data discussed below reflect the historical results of operations and financial position of HLA prior to our IPO in February 2017. The consolidated financial statements of HLA, our predecessor for accounting purposes, are our historical financial statements for this Form 10-K.

The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Form 10-K, particularly in “Risk Factors” and the “Cautionary Note Regarding Forward-Looking Information.” Unless otherwise indicated, references in this Annual Report on Form 10-K to fiscal 2018, fiscal 2017 and fiscal 2016 are to our fiscal years ended March 31, 2018, 2017 and 2016, respectively.

Business Overview

We are a global private markets investment solutions provider. We offer a variety of investment solutions to address our clients’ needs across a range of private markets, including private equity, private credit, real estate, infrastructure, natural resources, growth equity and venture capital. These solutions are constructed from a range of investment types, including primary investments in funds managed by third-party managers, direct/co-investments alongside such funds and acquisitions of secondary stakes in such funds, with a number of our clients utilizing multiple investment types. These solutions are offered in a variety of formats covering some or all phases of private markets investment programs:

- *Customized Separate Accounts:* We design and build customized portfolios of private markets funds and direct investments to meet our clients’ specific portfolio objectives with regard to return, risk tolerance, diversification and liquidity. We generally have discretionary investment authority over our customized separate accounts, which comprised approximately \$43 billion of our AUM as of March 31, 2018.
- *Specialized Funds:* We organize, invest and manage specialized primary, secondary and direct/co-investment funds. Our specialized funds invest across a variety of private markets and include equity, equity-linked and credit funds offered on standard terms as well as shorter duration, opportunistically oriented funds. We launched our first specialized fund in 1997, and our product offerings have grown steadily, comprising approximately \$11 billion of our AUM as of March 31, 2018.
- *Advisory Services:* We offer investment advisory services to assist clients in developing and implementing their private markets investment programs. Our investment advisory services include asset allocation, strategic plan creation, development of investment policies and guidelines, the screening and recommending of investments, legal negotiations, the monitoring of and reporting on investments and investment manager review and due diligence. Our advisory clients include some of the largest and most sophisticated private markets investors in the world. We had approximately \$397 billion of AUA as of March 31, 2018.
- *Distribution Management:* We offer distribution management services to our clients through active portfolio management to enhance the realized value of publicly traded stock they receive as distributions from private equity funds.

- *Reporting, Monitoring, Data and Analytics:* We provide our clients with comprehensive reporting and investment monitoring services, usually bundled into our broader investment solutions offerings, but occasionally on a stand-alone, fee-for-service basis. Private markets investments are unusually difficult to monitor, report on and administer, and our clients are able to benefit from our sophisticated infrastructure, which provides clients with real time access to reliable and transparent investment data, and our high-touch service approach, which allows for timely and informed responses to the multiplicity of issues that can arise. We also provide comprehensive research and analytical services as part of our investment solutions, leveraging our large, global, proprietary and high-quality database of private markets investment performance and our suite of proprietary analytical investment tools.

Our client base primarily comprises institutional investors that range from those seeking to make an initial investment in alternative assets to some of the largest and most sophisticated private markets investors. As a highly customized, flexible outsourcing partner, we are equipped to provide investment services to institutional clients of all sizes and with different needs, internal resources and investment objectives. Our clients include prominent institutional investors in the United States, Europe, the Middle East, Asia, Australia and Latin America. We believe we are a leading provider of private markets solutions for U.S. labor union pension plans, and we serve numerous smaller public and corporate pension plans, sovereign wealth funds, financial institutions and insurance companies, endowments and foundations, as well as family offices and selected high-net-worth individuals.

Trends Affecting Our Business

Our results of operations are affected by a variety of factors, including conditions in the global financial markets and the economic and political environments, particularly in the United States, Western Europe and Asia. As interest rates remain near historic lows and public equities are not able to meet expected returns, we see increasing investor demand for alternative investments to achieve higher yields. As a result, some investors have increased their allocation to private markets relative to other asset classes. In addition, the opportunities in private markets have expanded as firms have created new vehicles and products in which to access private markets across different geographies and opportunity sets.

In addition to the aforementioned macroeconomic and sector-specific trends, we believe the following factors will influence our future performance:

- *The extent to which investors favor alternative investments.* Our ability to attract new capital is partially dependent on investors' views of alternative assets relative to traditional publicly listed equity and debt securities. We believe fundraising efforts will continue to be impacted by certain fundamental asset management trends that include: (1) the increasing importance and market share of alternative investment strategies to investors in light of an increased focus on lower-correlated and absolute levels of return; (2) the increasing demands of the investing community, including the potential for fee compression and changes to other terms; (3) shifting asset allocation policies of institutional investors; and (4) increasing barriers to entry and growth.
- *Our ability to generate strong returns.* We must continue to generate strong returns for our investors through our disciplined investment diligence process in an increasingly competitive market. The ability to attract and retain clients is partially dependent on returns we are able to deliver versus our peers. The capital we are able to attract drives the growth of our AUM and AUA and the management and advisory fees we earn.

- *Our ability to source investments with attractive risk-adjusted returns.* An increasing part of our management fee and incentive fee revenue has been from our co-investment and secondary investment platforms. The continued growth of this revenue is dependent on our continued ability to source attractive investments and deploy the capital that we have raised or manage on behalf of our clients. Because we are selective in the opportunities in which we invest, the capital deployed can vary from year to year. Our ability to identify attractive investments and execute on those investments is dependent on a number of factors, including the general macroeconomic environment, valuation, transaction size, and expected duration of such investment opportunity. A significant decrease in the quality or quantity of potential opportunities could adversely affect our ability to source investments with attractive risk-adjusted returns.
- *Our ability to maintain our data advantage relative to competitors.* We believe that the general trend towards transparency and consistency in private markets reporting will create new opportunities for us to leverage our databases and analytical capabilities. We intend to use these advantages afforded to us by our proprietary databases, analytical tools and deep industry knowledge to drive our performance, provide our clients with customized solutions across private markets asset classes and continue to differentiate our products and services from those of our competitors. Our ability to maintain our data advantage is dependent on a number of factors, including our continued access to a broad set of private market information on an on-going basis, as well as our ability to maintain our investment scale, considering the evolving competitive landscape and potential industry consolidation.
- *Our ability to continue to expand globally.* We believe that many institutional investors outside the United States are currently underinvested in private markets asset classes and that capturing capital inflows into private capital investing from non-U.S. global markets represents a significant growth opportunity for us. Our ability to continue to expand globally is dependent on our ability to continue building successful relationships with investors internationally and subject to the evolving macroeconomic and regulatory environment of the various countries where we operate or in which we invest.
- *Increased competition to work with top private equity fund managers.* There has been a trend amongst private markets investors to consolidate the number of general partners in which they invest. At the same time, an increasing flow of capital to the private markets has often times resulted in certain funds being oversubscribed. This has resulted in some investors, primarily smaller investors or less strategically important investors, not being able to gain access to certain funds. Our ability to invest and maintain our sphere of influence with these high-performing fund managers is critical to our investors' success and our ability to maintain our competitive position and grow our revenue.
- *Unpredictable global macroeconomic conditions.* Global economic conditions, including political environments, financial market performance, interest rates, credit spreads or other conditions beyond our control, all of which affect the performance of the assets underlying private market investments, are unpredictable and could negatively affect the performance of our clients' portfolios or the ability to raise funds in the future.
- *Increasing regulatory requirements.* The complex regulatory and tax environment could restrict our operations and subject us to increased compliance costs and administrative burdens, as well as restrictions on our business activities.

Key Transactions

2018 Offering

In March 2018, we and certain selling stockholders completed a registered offering of an aggregate of 4,531,001 shares of Class A common stock at a price of \$34.25 per share (the “2018 Offering”). The purpose of the 2018 Offering was to provide liquidity to significant direct and indirect owners of HLA. The shares sold consisted of (i) 696,315 shares held by the selling stockholders and (ii) 3,834,686 newly issued shares by us. We received approximately \$125.2 million in proceeds from the sale of our shares, net of underwriting discounts and commissions and estimated offering expenses, and used all of the net proceeds to settle in cash exchanges by certain members of HLA of a total of 2,235,187 Class B units and 1,599,499 Class C units. In connection with the exchange of the Class B units, we also repurchased for par value and canceled a corresponding number of shares of Class B common stock. We did not receive any proceeds from the sale of shares by the selling stockholders. See “—HLA Operating Agreement,” “—Exchange Agreement” and “—2018 Offering” under the heading “Related-Party Transactions” included in Part III, Item 13.

New Term Loan and Revolving Credit Facility

In August 2017, we entered into a Term Loan and Security Agreement (the “Term Loan Agreement”) and a Revolving Loan and Security Agreement (the “Revolving Loan Agreement” and, together with the Term Loan Agreement, the “Loan Agreements”) with First Republic Bank (“First Republic”) for \$75.0 million and total availability of \$25.0 million, respectively. At closing, we borrowed \$85.5 million under the Loan Agreements, which was utilized to pay off the outstanding principal amount and accrued interest of the predecessor credit facility.

Acquisition

In August 2017, we acquired substantially all of the assets of Real Asset Portfolio Management LLC (“RAPM”), a Portland, Oregon-based investment management firm focused exclusively on real assets, for a total aggregate purchase price of approximately \$5.8 million, of which \$5.2 million was paid in cash with the remainder settled in 27,240 shares of Class A common stock valued at approximately \$0.6 million. An additional amount, currently estimated at approximately \$6.1 million, is payable as compensation to the principals of RAPM who are now employees and is contingent upon those individuals remaining employed through the expected payment date in October 2018.

Reorganization and Initial Public Offering

On March 6, 2017, we completed an IPO pursuant to which we sold an aggregate of 13,656,250 shares of Class A common stock at a public offering price of \$16.00 per share, receiving \$203.2 million in net proceeds. We used \$37.2 million of the net proceeds from our IPO to purchase membership units in HLA from certain of its existing owners. We used \$160.0 million of the net proceeds from the IPO to repay principal on our existing senior secured Term Loan (as defined in “—Liquidity and Capital Resources—Historical Liquidity and Capital Resources—Term Loan”) and the remaining \$6.0 million for IPO transaction expenses and general corporate purposes.

In connection with the IPO, we completed a series of reorganization transactions that included the following:

- the limited liability company operating agreement of HLA was amended and restated to, among other things, (i) effect a reverse split of existing membership interests; (ii) exchange all of the then-existing membership interests of the members of HLA for Class B and Class C units, (iii) reclassify all membership interests held by us as Class A units, and (iv) appoint us as the sole managing member of HLA;
- our certificate of incorporation was amended and restated to, among other things, (i) provide for Class A common stock and Class B common stock, (ii) set forth the voting rights of the Class A common stock and Class B common stock, and (iii) establish a classified board of directors;
- certain HLA members exchanged their HLA units for 3,899,169 shares of Class A common stock of HLI;
- HLI issued to the Class B unitholders of HLA one share of Class B common stock for each Class B unit that they owned, in exchange for a payment of its par value; and
- HLI entered into an exchange agreement with the direct owners of HLA pursuant to which they will be entitled to exchange HLA units for shares of our Class A common stock on a one-for-one basis.

See Note 1 to the consolidated financial statements included in Part II, Item 8 and “Related-Party Transactions” included in Part III, Item 13 for more information about the above-mentioned transactions as well as the other transactions completed in connection with the IPO, which we refer to collectively as the “Reorganization.”

Operating Segments

We operate our business in a single segment, which is how our chief operating decision maker (who is our chief executive officer) reviews financial performance and allocates resources.

Key Financial and Operating Measures

Our key financial measures are discussed below.

Revenues

We generate revenues primarily from management and advisory fees, and to a lesser extent, incentive fees. See “—Critical Accounting Policies—Revenue Recognition of Incentive Fees” and Note 2 of the consolidated financial statements included in Part II, Item 8 of this Form 10-K for additional information regarding the manner in which management and advisory fees and incentive fees are generated.

Management and advisory fees comprise specialized fund and customized separate account management fees, advisory and reporting fees and distribution management fees.

Revenues from customized separate accounts are generally based on a contractual rate applied to committed capital or net invested capital under management. These fees often decrease over the life of the contract due to built-in declines in contractual rates and/or as a result of lower net invested capital balances as capital is returned to clients. In certain cases, we also provide advisory and/or reporting services, and therefore we also receive fees for services such as monitoring and reporting on a client’s existing private markets investments. In addition, we may provide for investments in our specialized funds as part of our customized separate accounts. In these cases, we reduce the management fees on customized separate accounts to the extent that assets in the accounts are invested in our specialized funds so that our clients do not pay duplicate fees.

Revenues from specialized funds are based on a percentage of limited partners' capital commitments to, or net invested capital in, our specialized funds. The management fee during the commitment period is generally charged on capital commitments and after the commitment period (or a defined anniversary of the fund's initial closing) is reduced by a percentage of the management fee for the preceding year or charged on net invested capital. In the case of certain funds, we charge management fees on capital commitments, with the management fee increasing during the early years of the fund's term and declining in the later years. Management fees for certain funds are discounted based on the amount of the limited partners' commitments or if the limited partners are investors in our other funds.

Revenues from advisory and reporting services are generally annual fixed fees, which vary depending on the services we provide. In limited cases, advisory service clients are charged basis point fees annually based on the amounts they have committed to invest pursuant to their agreements with us. In other cases where our services are limited to monitoring and reporting on investment portfolios, clients are charged a fee based on the number of investments in their portfolio.

Distribution management fees are generally earned by applying a percentage to AUM or proceeds received. Distribution management clients are charged basis point fees on either the net proceeds received from the sale of their securities or the aggregate amount of a client's managed assets and vary depending on whether the account is for managed liquidation or active management services. Alternatively, active management clients may elect a fee structure under which they are charged an asset-based fee plus a fee based on net realized and unrealized gains and income net of realized and unrealized losses. This fee is then credited to a notional account, and we are entitled to a fixed percentage of any positive balance in the notional account on an annual basis. The remaining portion of any positive balance in the notional account is carried forward to the following year. If the incentive fee calculation results in a negative amount in a given year, that amount is applied to reduce the balance in the notional account. We are not required to repay any negative balance in the notional amount.

Incentive fees comprise carried interest earned from our specialized funds and certain customized separate accounts structured as single-client funds in which we have a general partner commitment, and performance fees earned on certain other customized separate accounts.

For each of our secondary funds, direct/co-investment funds and Strategic Opportunities funds, we earn carried interest equal to a fixed percentage of net profits, usually 10.0% to 12.5%, subject to a compounded annual preferred return that is generally 6.0% to 8.0%. To the extent that our primary funds also directly make secondary investments and direct/co-investments, they generally earn carried interest on a similar basis. Furthermore, certain of our primary funds earn carried interest on their investments in other private markets funds on a primary basis that is generally 5.0% of net profits, subject to the fund's compounded annual preferred return.

We do not recognize carried interest until it is realized and all contingencies have been resolved. In the event that a payment is made to us before all contingencies are resolved, this amount would be included as deferred incentive fee revenue on our consolidated balance sheet and recognized as income when all contingencies have been resolved. The primary contingency regarding incentive fees is the "clawback," or the obligation to return distributions in excess of the amount prescribed by the applicable fund or separate account documents.

Performance fees, which are a component of incentive fees, are based on the aggregate amount of realized gains earned by the applicable customized separate account, subject to the achievement of defined minimum returns to the clients. Performance fees range from 5.0% to 12.5% of net profits, subject to a compounded annual preferred return that varies by account but is generally 6.0% to 8.0%.

Performance fees are recognized when no contingencies exist or where the risk of clawback has been eliminated.

Expenses

Compensation and benefits is our largest expense and consists of (a) base compensation comprising salary, bonuses and benefits paid and payable to employees, (b) equity-based compensation associated with the grants of restricted interest awards to senior employees and (c) incentive fee compensation which consists of carried interest and performance fee allocations. We expect to continue to experience a general rise in compensation and benefits expense commensurate with expected growth in headcount and with the need to maintain competitive compensation levels as we expand geographically and create new products and services.

Our compensation arrangements with our employees contain a significant bonus component driven by the results of our operations. Therefore, as our revenues, profitability and the amount of incentive fees earned by our customized separate accounts and specialized funds increase, our compensation costs rise.

Certain current and former employees participate in a carried interest program whereby approximately 25% of incentive fees from certain of our specialized funds and customized separate accounts are awarded to plan participants. We record compensation expense payable to plan participants as the incentive fees become estimable and collection is probable.

General, administrative and other includes travel, accounting, legal and other professional fees, commissions, placement fees, office expenses, depreciation and other costs associated with our operations. Our occupancy-related costs and professional services expenses, in particular, generally increase or decrease in relative proportion to the number of our employees and the overall size and scale of our business operations.

We expect that we will incur additional expenses as compared to prior periods as a result of becoming a public company for director and officer insurance, director fees and additional personnel. This includes the cost of investor relations professionals, tax professionals, SEC reporting and compliance, including compliance with the Sarbanes-Oxley Act, and other similar expenses.

Other Income (Expense)

Equity in income (loss) of investees primarily represents our share of earnings from our investments in our specialized funds and certain customized separate accounts in which we have a general partner commitment. Equity income primarily comprises our share of the net realized and unrealized gains (losses) and investment income partially offset by the expenses from these investments.

We have general partner commitments in our specialized funds and certain customized separate accounts that invest solely in primary funds, secondary funds and direct/co-investments, as well as those that invest across investment types. Equity in income (loss) of investees will increase or decrease as the change in underlying fund investment valuations increases or decreases. Since our direct/co-investment funds invest in underlying portfolio companies, their quarterly and annual valuation changes are more affected by individual company movements than our primary and secondary funds that have exposures across multiple portfolio companies in underlying private markets funds. Our specialized funds and customized separate accounts invest across industries, strategies and geographies, and therefore our general partner investments do not include any significant concentrations in a specific sector or area outside the United States.

Interest expense includes interest paid and accrued on our outstanding debt, along with the amortization of deferred financing costs, amortization of original issue discount and the write-off of deferred financing costs due to the repayment of previously outstanding debt.

Interest income is income earned on cash and cash equivalents.

Other non-operating income (loss) consists primarily of gains and losses on certain investments and other non-recurring or non-cash items.

Fee-Earning AUM

We view fee-earning AUM as a metric to measure the assets from which we earn management fees. Our fee-earning AUM comprise assets in our customized separate accounts and specialized funds from which we derive management fees. We classify customized separate account revenue as management fees if the client is charged an asset-based fee, which includes the majority of our discretionary AUM accounts but also includes certain non-discretionary AUA accounts. Our fee-earning AUM is equal to the amount of capital commitments, net invested capital and NAV of our customized separate accounts and specialized funds depending on the fee terms. Substantially all of our customized separate accounts and specialized funds earn fees based on commitments or net invested capital, which are not affected by market appreciation or depreciation. Therefore, revenues and fee-earning AUM are not significantly affected by changes in market value.

Our calculations of fee-earning AUM may differ from the calculations of other asset managers, and as a result, this measure may not be comparable to similar measures presented by other asset managers. Our definition of fee-earning AUM is not based on any definition that is set forth in the agreements governing the customized separate accounts or specialized funds that we manage.

Annual Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for each of the years in the three-year period ended March 31, 2018. This information is derived from our accompanying consolidated financial statements prepared in accordance with GAAP.

| | Year Ended March 31, | | |
|--|----------------------|------------|------------|
| | 2018 | 2017 | 2016 |
| (in thousands) | | | |
| Revenues | | | |
| Management and advisory fees | \$ 195,030 | \$ 172,674 | \$ 157,630 |
| Incentive fees | 49,003 | 7,146 | 23,167 |
| Total revenues | 244,033 | 179,820 | 180,797 |
| Expenses | | | |
| Compensation and benefits | 82,868 | 72,116 | 92,065 |
| General, administrative and other | 38,212 | 31,589 | 26,898 |
| Total expenses | 121,080 | 103,705 | 118,963 |
| Other income (expense) | | | |
| Equity in income of investees | 17,102 | 12,801 | 1,518 |
| Interest expense | (5,989) | (14,565) | (12,641) |
| Interest income | 528 | 320 | 194 |
| Other non-operating income | 5,036 | 83 | 5,816 |
| Total other income (expense) | 16,677 | (1,361) | (5,113) |
| Income before income taxes | 139,630 | 74,754 | 56,721 |
| Income tax expense | 33,333 | 316 | 869 |
| Net income | 106,297 | 74,438 | 55,852 |
| Less: Income (loss) attributable to non-controlling interests in general partnerships | 2,448 | 1,192 | (1,255) |
| Less: Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C. | 86,508 | 72,634 | 57,107 |
| Net income attributable to Hamilton Lane Incorporated | \$ 17,341 | \$ 612 | \$ — |

Revenues

| | Year Ended March 31, | | |
|-------------------------------------|----------------------|------------|------------|
| | 2018 | 2017 | 2016 |
| (in thousands) | | | |
| Management and advisory fees | | | |
| Customized separate accounts | \$ 79,144 | \$ 71,261 | \$ 67,879 |
| Specialized funds | 83,151 | 74,675 | 62,340 |
| Advisory and reporting | 28,359 | 23,798 | 22,536 |
| Distribution management | 4,376 | 2,940 | 4,875 |
| Total management and advisory fees | 195,030 | 172,674 | 157,630 |
| Incentive fees | 49,003 | 7,146 | 23,167 |
| Total revenues | \$ 244,033 | \$ 179,820 | \$ 180,797 |

Year ended March 31, 2018 compared to year ended March 31, 2017

Total revenues increased \$64.2 million, or 36%, to \$244.0 million, for fiscal 2018 compared to fiscal 2017, due to higher incentive fees and management and advisory fees.

Management and advisory fees increased \$22.4 million, or 13%, to \$195.0 million for fiscal 2018 compared to fiscal 2017. This increase was driven by specialized funds revenue, which increased by \$8.5 million compared to the prior year, due primarily to a \$7.5 million increase in revenue from our latest secondary fund, which added \$0.5 billion in fee-earning AUM in fiscal 2018. Included in our latest secondary fund's revenue for the period was \$5.8 million in retroactive fees compared to \$2.9 million in retroactive fees in the prior year period. Retroactive fees are management fees earned in the current period from investors that commit to a specialized fund towards the end of the fundraising period and are required to pay a catch-up management fee as if they had committed to the fund at the first closing in a prior period. Customized separate accounts revenue increased \$7.9 million in fiscal 2018 due to a \$2.9 billion increase in fee-earning AUM from the addition of several new accounts and additional allocations from existing accounts during the fiscal year. Customized separate account revenue for fiscal 2018 included \$1.4 million from accounts added in the RAPM acquisition. Advisory and reporting fees increased \$4.6 million for fiscal 2018 compared to fiscal 2017 due primarily to the addition of new accounts as compared to the prior fiscal year. Distribution management revenue increased \$1.4 million in fiscal 2018 compared to the prior year due to higher stock distribution activity and the related fees earned from this business.

Incentive fees increased \$41.9 million to \$49.0 million for fiscal 2018, due primarily to \$40.6 million of deferred incentive fees recognized, which related to one of our co-investment funds in the period. The \$40.6 million recognition of carried interest did not result in cash incentive fee payments for the period, as \$1.7 million was attributable to non-controlling interests and \$38.9 million was related to the \$41.5 million of incentive fee payments that were received in fiscal 2016 but were not recognized as revenue in that period.

Year ended March 31, 2017 compared to year ended March 31, 2016

Total revenues decreased \$1.0 million, or 1%, to \$179.8 million, for fiscal 2017 compared to fiscal 2016, due primarily to lower incentive fees.

Management and advisory fees increased \$15.0 million, or 10%, to \$172.7 million for fiscal 2017 compared to fiscal 2016. This increase was driven by specialized funds revenue, which increased by \$12.3 million compared to the prior year, due primarily to a \$14.9 million increase in revenue from our latest secondary fund, including \$2.9 million in retroactive fees. This fund added \$1.2 billion in fee-earning AUM in fiscal 2017. The revenue increase from our latest secondary fund was partially offset by \$3.7 million in retroactive fees from our latest direct/co-investment fund in the prior year period. Retroactive fees are management fees earned in the current period from investors that commit to a specialized fund towards the end of the fundraising period and are required to pay a catch-up management fee as if they had committed to the fund at the first closing in a prior period. Customized separate accounts revenue increased \$3.4 million in fiscal 2017 due to the addition of several new accounts and additional allocations from existing accounts as compared to the prior fiscal year. Advisory and reporting fees increased \$1.3 million for fiscal 2017 compared to fiscal 2016 due primarily to the addition of new reporting accounts. These increases were partially offset by a decrease in distribution management revenue of \$1.9 million in fiscal 2017 compared to the prior year due to lower stock distribution activity and the related fees earned from this business.

Incentive fees decreased \$16.0 million to \$7.1 million for fiscal 2017, due primarily to the recognition of \$15.7 million in carried interest from one of our secondary funds in the prior year period, which included the preferred return general partner catch-up.

Expenses

Year ended March 31, 2018 compared to year ended March 31, 2017

Total expenses increased \$17.4 million, or 17%, for fiscal 2018 compared to fiscal 2017 due to increases in base compensation and general, administrative and other expenses.

Compensation and benefits expenses increased \$10.8 million, or 15%, to \$82.9 million for fiscal 2018 compared to fiscal 2017, due to increased base compensation and contingent compensation related to the acquisition of RAPM in fiscal 2018. Base compensation increased \$6.2 million, or 9%, for fiscal 2018 compared to fiscal 2017, due primarily to increased salary expense from additional headcount in the current year period compared to the prior year period. Contingent compensation related to the RAPM acquisition was \$3.4 million for fiscal 2018. Incentive compensation increased \$0.3 million for fiscal 2017 compared to fiscal 2016 due to increased incentive fee revenue. Equity-based compensation increased \$0.9 million, or 18%, for fiscal 2018 compared to fiscal 2017 as a result of the amortization of equity awards, which have increased in recent years. The \$82.9 million of compensation expense reported above excludes compensation expense related to the \$40.6 million recognition of incentive fees from one of our co-investment funds. The compensation expense related to these incentive fees was recognized in fiscal 2016 when the incentive fee payments were received. Of the \$10.4 million of incentive fee compensation and the \$9.9 million of base compensation and benefits recognized in advance of the associated revenue in fiscal 2016, \$10.2 million and \$9.8 million, respectively, was related to the \$40.6 million of incentive fees recognized in this period.

General, administrative and other expenses increased \$6.6 million for fiscal 2018 compared to fiscal 2017. This change consisted primarily of a \$4.2 million increase in consulting and professional fees, which included \$3.6 million in fees related to Private Market Connect (“PMC”), our new joint venture, as well as increases in legal and recruiting fees.

Year ended March 31, 2017 compared to year ended March 31, 2016

Total expenses decreased \$15.3 million, or 13%, for fiscal 2017 compared to fiscal 2016 due primarily to decreased compensation and benefits expense.

Compensation and benefits expenses decreased \$19.9 million, or 22%, to \$72.1 million for fiscal 2017 compared to fiscal 2016, due primarily to decreased incentive plan and bonus expense. Base compensation decreased \$6.2 million, or 9%, for fiscal 2017 compared to fiscal 2016 due primarily to the receipt of additional amounts of carried interest in the prior fiscal year, which generated higher bonus expense of \$12.4 million. This was partially offset by increased salary expense due to additional headcount in fiscal 2017 compared to the prior fiscal year and a \$1.9 million expense incurred to induce members of HLA to exchange their HLA units for HLI common stock in the Reorganization. Incentive compensation decreased \$14.7 million for fiscal 2017 compared to fiscal 2016, due primarily to the \$10.4 million of deferred incentive fee compensation in the prior fiscal year. Equity-based compensation increased \$1.0 million, or 25%, for fiscal 2017 compared to fiscal 2016, as a result of the amortization of equity awards, which have increased in recent years.

General, administrative and other expenses increased \$4.7 million for fiscal 2017 compared to fiscal 2016. This change consisted primarily of a \$4.1 million increase in consulting and professional fees due to increased accounting and audit fees primarily related to the IPO.

Other Income (Expense)

The following shows the equity in income (loss) of investees included in other income (expense):

| | Year Ended March 31, | | |
|--|----------------------|------------------|-----------------|
| | 2018 | 2017 | 2016 |
| | (in thousands) | | |
| Equity in income of investees | | | |
| Primary funds | \$ 2,516 | \$ 2,060 | \$ 609 |
| Direct/co-investment funds | 5,915 | 4,652 | (1,455) |
| Secondary funds | 2,088 | 1,275 | 222 |
| Customized separate accounts | 7,071 | 5,125 | 2,142 |
| Other equity method investments | (488) | (311) | — |
| Total equity in income of investees | \$ 17,102 | \$ 12,801 | \$ 1,518 |

Year ended March 31, 2018 compared to year ended March 31, 2017

Other income (expense) increased \$18.0 million to \$16.7 million for fiscal 2018 compared to fiscal 2017 due primarily to a decrease in interest expense, an increase in gains from our investments and an increase in other non-operating income.

Equity in income of investees increased \$4.3 million to \$17.1 million for fiscal 2018 compared to fiscal 2017 due to higher overall valuation gains compared to the prior year. This increase was due to a \$1.9 million increase in gains across our customized separate accounts, a \$1.3 million increase in gains in our direct/co-investment fund products and a \$0.8 million increase in gains in our secondary fund products.

Interest expense decreased \$8.6 million, or 59%, to \$6.0 million for fiscal 2018 compared to fiscal 2017 due to a reduction in our debt balance between periods driven by the \$160.0 million paydown using proceeds of our IPO. Included in the \$6.0 million in interest expense for fiscal 2018 is a \$1.7 million write-off of deferred financing costs and a \$0.9 million reclassification of an unrealized loss on interest rate caps to a realized loss as part of the payoff of our predecessor credit facility during the period. This was offset by a \$3.4 million write-off of deferred financing costs related to the \$160.0 million paydown of the predecessor credit facility in the prior year.

Other non-operating income increased \$5.0 million to \$5.0 million for fiscal 2018 compared to fiscal 2017 due primarily to a \$5.0 million TRA liability re-measurement related to changes in tax rates enacted by the Tax Act.

Year ended March 31, 2017 compared to year ended March 31, 2016

Other income (expense) increased \$3.8 million, or 73%, to (\$1.4) million for fiscal 2017 compared to fiscal 2016 due primarily to an increase in equity in income of investees, partially offset by a gain on the sale of a technology investment in the prior year.

Equity in income of investees increased \$11.3 million to \$12.8 million for fiscal 2017 compared to fiscal 2016 due to higher overall valuation gains compared to the prior year. This increase was due

primarily to a \$3.0 million increase in gains across our customized separate accounts and \$4.7 million in gains in our direct/co-investment fund products, compared to \$1.5 million in losses in the prior year.

Interest expense increased \$1.9 million, or 15%, to \$14.6 million for fiscal 2017 compared to fiscal 2016 due to a \$3.4 million write-off of deferred financing costs related to the \$160.0 million paydown of the predecessor credit facility, partially offset by a \$2.4 million write-off of deferred financing costs in the prior year.

Other non-operating income decreased \$5.7 million to \$0.1 million for fiscal 2017 compared to fiscal 2016 due primarily to a gain on a technology investment in the prior year.

Income Tax Expense

Income tax expense reflects U.S. federal and applicable state income taxes with respect to our allocable share of any taxable income of HLA subsequent to the Reorganization.

Our effective income tax rate in fiscal 2018, 2017 and 2016 was 23.9%, 0.4%, and 1.6%, respectively. Prior to the Reorganization, our effective tax rate was primarily driven by foreign income taxes as HLA is treated as a “flow-through” entity and is not subject to income taxes apart from foreign taxes attributable to its operations in foreign jurisdictions.

Fee-Earning AUM

The following table provides the period to period roll-forward of our fee-earning AUM.

| | Year Ended March 31, | | | Year Ended March 31, | | |
|---|------------------------------------|----------------------|------------------|------------------------------------|----------------------|------------------|
| | 2018 | | | 2017 | | |
| | (in millions) | | | | | |
| | Customized Separate Accounts | Specialized Funds | Total | Customized Separate Accounts | Specialized Funds | Total |
| Balance, beginning of period | \$ 18,028 | \$ 8,793 | \$ 26,821 | \$ 16,976 | \$ 7,019 | \$ 23,995 |
| Contributions ⁽¹⁾ | 5,341 | 2,021 | 7,362 | 3,214 | 1,949 | 5,163 |
| Distributions ⁽²⁾ | (3,116) | (1,055) | (4,171) | (1,959) | (184) | (2,143) |
| Foreign exchange, market value and other ⁽³⁾ | 678 | (1) | 677 | (203) | 9 | (194) |
| Balance, end of period | \$ 20,931 | \$ 9,758 | \$ 30,689 | \$ 18,028 | \$ 8,793 | \$ 26,821 |

- (1) Contributions represent new commitments from customized separate accounts and specialized funds that earn fees on a committed capital fee base and capital contributions to underlying investments from customized separate accounts and specialized funds that earn fees on a net invested capital or NAV fee base.
- (2) Distributions represent returns of capital in customized separate accounts and specialized funds that earn fees on a net invested capital or NAV fee base, reductions in fee-earning AUM from separate accounts and specialized funds that moved from a committed capital to net invested capital fee base and reductions in fee-earning AUM from customized separate accounts and specialized funds that are no longer earning fees.
- (3) Foreign exchange, market value and other consists primarily of the impact of foreign exchange rate fluctuations for customized separate accounts and specialized funds that earn fees on non-U.S. dollar denominated commitments and market value appreciation (depreciation) from customized separate accounts that earn fees on a NAV fee base.

Year ended March 31, 2018 compared to year ended March 31, 2017

Fee-earning AUM increased \$3.9 billion, or 14%, to \$30.7 billion for fiscal 2018, due primarily to new specialized funds and customized separate accounts commitments.

Customized separate accounts fee-earning AUM increased \$2.9 billion, or 16%, to \$20.9 billion for fiscal 2018. Customized separate accounts contributions were \$5.3 billion for fiscal 2018 due to new allocations from existing clients and new clients. Distributions were \$3.1 billion for fiscal 2018 due to \$1.3 billion from accounts moving from a committed capital to a net invested fee base as their investment period expired, \$1.0 billion from accounts reaching the end of their account term and \$0.8 billion from returns of capital in accounts earning fees on a net invested capital or NAV fee base.

Specialized funds fee-earning AUM increased \$1.0 billion, or 11%, to \$9.8 billion for fiscal 2018. Specialized fund contributions were \$2.0 billion for fiscal 2018 due primarily to \$0.5 billion in new commitments to our secondary fund and \$0.6 billion from our co-investment fund in market during the period. Distributions were \$1.1 billion for fiscal 2018 due to \$0.4 billion from returns of capital in accounts earning fees on a net invested capital fee base, \$0.4 billion from accounts moving from a committed capital to a net invested fee base as their investment period expired and \$0.2 billion from accounts reaching the end of their account term.

Year ended March 31, 2017 compared to year ended March 31, 2016

Fee-earning AUM increased \$2.8 billion, or 12%, to \$26.8 billion for fiscal 2017, due primarily to new specialized funds and customized separate accounts commitments.

Customized separate accounts fee-earning AUM increased \$1.0 billion, or 6%, to \$18.0 billion for fiscal 2017. Customized separate accounts contributions were \$3.2 billion for fiscal 2017, due primarily to new allocations from existing clients. Distributions were \$2.0 billion for fiscal 2017, due to \$0.8 billion from accounts moving from a committed capital to a net invested fee base as their investment period expired, \$0.5 billion from accounts reaching the end of their account term and \$0.6 billion from returns of capital in accounts earning fees on a net invested capital or NAV fee base.

Specialized funds fee-earning AUM increased \$1.8 billion, or 25%, to \$8.8 billion for fiscal 2017. Specialized fund contributions were \$1.9 billion for fiscal 2017, due primarily to \$1.2 billion in new commitments to our secondary fund in market during the period. Distributions were \$0.2 billion for fiscal 2016, due primarily to returns of capital in funds earning fees on a net invested capital fee base.

Non-GAAP Financial Measures

Below is a description of our unaudited non-GAAP financial measures. These are not measures of financial performance under GAAP and should not be considered a substitute for the most directly comparable GAAP measures, which are reconciled below. These measures have limitations as analytical tools, and when assessing our operating performance, you should not consider these measures in isolation or as a substitute for GAAP measures. Other companies may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Adjusted EBITDA

Adjusted EBITDA is our primary internal measure of profitability. We believe Adjusted EBITDA is useful to investors because it enables them to better evaluate the performance of our core business across reporting periods. Adjusted EBITDA represents net income excluding (a) interest expense on our outstanding debt, (b) income tax expense, (c) depreciation and amortization expense, (d) equity-based compensation expense, (e) other non-operating income and (f) certain other significant items that we believe are not indicative of our core performance.

Fee Related Earnings

Fee Related Earnings (“FRE”) is used to highlight earnings of the Company from recurring management fees. FRE represents net income excluding (a) incentive fees and related compensation, (b) interest income and expense, (c) income tax expense, (d) equity in income of investees, (e) other non-operating income and (f) certain other significant items that we believe are not indicative of our core performance. We believe FRE is useful to investors because it provides additional insight into the operating profitability of our business. FRE is presented before income taxes.

The following table shows a reconciliation of net income attributable to Hamilton Lane Incorporated to Fee Related Earnings and Adjusted EBITDA for fiscal 2018, 2017, 2016, 2015 and 2014:

| | Year Ended March 31, | | | | |
|--|----------------------|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | (in thousands) | | | | |
| Net income attributable to Hamilton Lane Incorporated ⁽¹⁾ | \$ 17,341 | \$ 612 | \$ — | \$ — | \$ — |
| Income (loss) attributable to non-controlling interests in general partnerships | 2,448 | 1,192 | (1,255) | 2,242 | 4,565 |
| Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C. | 86,508 | 72,634 | 57,107 | 69,260 | 62,462 |
| Incentive fees ⁽²⁾ | (49,003) | (7,146) | (23,167) | (9,509) | (9,309) |
| Incentive fee related compensation ⁽³⁾ | 3,874 | 3,283 | 31,714 | 4,542 | 4,511 |
| Interest income | (528) | (320) | (194) | (87) | (142) |
| Interest expense | 5,989 | 14,565 | 12,641 | 5,883 | 8,503 |
| Income tax expense (benefit) | 33,333 | 316 | 869 | 483 | (128) |
| Equity in income of investees | (17,102) | (12,801) | (1,518) | (10,474) | (16,905) |
| Contingent compensation related to acquisition | 3,399 | — | — | — | — |
| Other non-operating (income) loss | (5,036) | (83) | (5,816) | 1,056 | 699 |
| Fee Related Earnings | <u>\$ 81,223</u> | <u>\$ 72,252</u> | <u>\$ 70,381</u> | <u>\$ 63,396</u> | <u>\$ 54,256</u> |
| Depreciation and amortization | 1,891 | 1,915 | 2,027 | 1,867 | 1,853 |
| Equity-based compensation | 5,544 | 4,681 | 3,730 | 3,390 | 3,070 |
| Incentive fees ⁽²⁾ | 49,003 | 7,146 | 23,167 | 9,509 | 9,309 |
| Incentive fees attributable to non-controlling interests ⁽²⁾ | (1,729) | — | — | — | — |
| Incentive fee related compensation ⁽³⁾ | (3,874) | (3,283) | (31,714) | (4,542) | (4,511) |
| Interest income | 528 | 320 | 194 | 87 | 142 |
| Adjusted EBITDA | <u>\$ 132,586</u> | <u>\$ 83,031</u> | <u>\$ 67,785</u> | <u>\$ 73,707</u> | <u>\$ 64,119</u> |

(1) Prior to our IPO, HLI was a wholly-owned subsidiary of HLA with no operations or assets.

(2) Incentive fees for the year ended March 31, 2018 include \$40.6 million of non-cash incentive fees related to the \$41.5 million of incentive fee payments received in fiscal 2016. Of the \$40.6 million, \$38.9 million is included in net income and \$1.7 million is attributable to non-controlling interests.

(3) Incentive fee related compensation includes incentive fee compensation expense, bonus and other revenue sharing related to carried interest that is classified as base compensation. Incentive fee related compensation for the year ended March 31, 2018 excludes compensation expense related to the \$40.6 million recognition of incentive fees included in net income from one of our specialized funds during the period as the related incentive fee compensation was recognized in fiscal 2016.

Non-GAAP Earnings Per Share

Non-GAAP earnings per share measures our per-share earnings excluding certain items that we believe are not indicative of our core performance and assuming all Class B and Class C units in HLA were exchanged for Class A common stock in HLI. Non-GAAP earnings per share is calculated as adjusted net income divided by adjusted shares outstanding. Adjusted net income is income before taxes fully taxed at our estimated statutory tax rate. We believe Non-GAAP earnings per share is useful to investors because it enables them to better evaluate per-share operating performance across reporting periods.

The following table shows a reconciliation of adjusted net income to net income attributable to Hamilton Lane Incorporated and adjusted shares outstanding to weighted-average shares of Class A common stock outstanding for fiscal 2018 and 2017. The fiscal 2016 period is not presented below as there was no comparable earnings per share of Class A common stock outstanding - diluted in that period.

| | Year Ended March 31, | |
|--|----------------------|------------|
| | 2018 | 2017 |
| (in thousands, except share and per-share amounts) | | |
| Net income attributable to Hamilton Lane Incorporated | \$ 17,341 | \$ 612 |
| Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C. | 86,508 | 72,634 |
| Income tax expense | 33,333 | 316 |
| Write-off of deferred financing costs ⁽¹⁾ | 2,544 | 3,359 |
| Impact of Tax Act on TRA liability ⁽²⁾ | (4,964) | — |
| IPO related compensation including impact of Tax Act ⁽³⁾ | (669) | 1,935 |
| Contingent compensation related to acquisition | 3,399 | — |
| Adjusted pre-tax net income | \$ 137,492 | \$ 78,856 |
| Adjusted income taxes ⁽⁴⁾ | (50,432) | (31,732) |
| Adjusted net income | \$ 87,060 | \$ 47,124 |
| Weighted-average shares of Class A common stock outstanding - diluted | 18,990,369 | 18,341,079 |
| Exchange of Class B and Class C units in HLA ⁽⁵⁾ | 34,112,983 | 34,438,669 |
| Adjusted shares outstanding | 53,103,352 | 52,779,748 |
| Non-GAAP earnings per share | \$ 1.64 | \$ 0.89 |

(1) Represents write-off of debt issuance costs and realized loss on interest rate caps related to the payoff of our predecessor credit facility during the year ended March 31, 2018 and write-down of amortized discount and debt issuance related to the \$160 million paydown of outstanding indebtedness under the predecessor term loan during the year ended March 31, 2017.

(2) Represents change in payable to related parties pursuant to the TRA related to changes in tax rates enacted by the Tax Act. The change in liability was recorded to other non-operating income in the Consolidated Statements of Income.

(3) Represents accrual of one-time payments to induce members of HLA to exchange their HLA units for HLI common stock in the Reorganization during the year ended March 31, 2017 and the change in the expense accrual due to the impact of tax rate changes pursuant to enactment of the Tax Act during the year ended March 31, 2018.

(4) Represents corporate income taxes at our estimated statutory tax rate of 36.68% for the year ended March 31, 2018 applied to adjusted pre-tax net income. The 36.68% is based on a blended federal tax statutory rate of 35.00% for 275 days and 21.00% for 90 days and a combined state income tax rate net of federal benefits of 5.13%. Represents corporate income taxes at assumed effective tax rate of 40.24% for the year ended March 31, 2017. The 40.24% is based on a federal tax statutory rate of 35.00% and a combined state income tax rate net of federal benefits of 5.24%.

(5) Represents the weighted-average number of shares that would have been outstanding assuming the full exchange of Class B and Class C units in HLA for Class A common stock of HLI pursuant to the exchange agreement.

Liquidity and Capital Resources

Historical Liquidity and Capital Resources

We have managed our historical liquidity and capital requirements primarily through the receipt of management and advisory fee revenues. Our primary cash flow activities involve: (1) generating cash flow from operations, which largely includes management and advisory fees; (2) realizations generated from our investment activities; (3) funding capital commitments that we have made to certain of our specialized funds and customized separate accounts; (4) making distributions to HLA unitholders; (5) paying dividends; and (6) borrowings, interest payments and repayments under our outstanding debt. As of March 31, 2018 and March 31, 2017, our cash and cash equivalents, including investments in money market funds, were \$47.6 million and \$32.3 million, respectively.

Our material sources of cash from our operations include: (1) management and advisory fees, which are collected monthly or quarterly; (2) incentive fees, which are volatile and largely unpredictable as to amount and timing; and (3) fund distributions related to investments in our specialized funds and certain customized separate accounts that we manage. We use cash flow from operations primarily to pay compensation and related expenses, general, administrative and other expenses, debt service, capital expenditures and distributions to our owners. We also use our cash flows to fund commitments to certain of our specialized funds and customized separate accounts. If cash flow from operations were insufficient to fund distributions to our owners, we expect that we would suspend paying such distributions.

Term Loan and Revolving Credit Facility

In August 2017, we entered into the Term Loan Agreement and the Revolving Loan Agreement with First Republic Bank. Proceeds from the Loan Agreements were utilized to pay off the outstanding principal amount and accrued interest of the predecessor credit facility.

The Term Loan Agreement provides for a term loan facility in an aggregate principal amount of \$75.0 million and also contains an accordion feature that allows HLA to increase the commitment under the facility by up to \$25.0 million under certain conditions (the “Term Loan Facility”). Borrowings under the Term Loan Facility accrue interest at a floating per annum rate equal to the greater of (i) the prime rate minus 1.25% and (ii) 2.75%. The Term Loan Facility matures on November 1, 2024.

The Revolving Loan Agreement provides for a revolving credit facility up to an aggregate principal amount of \$25.0 million (the “Revolving Loan Facility”). The Revolving Loan Facility is for working capital and general corporate purposes. Borrowings under the Revolving Loan Facility accrue interest at a floating per annum rate equal to the greater of (i) the prime rate minus 1.50% and (ii) 2.50%. The Revolving Loan Facility matures on August 21, 2020 and requires compliance with conditions precedent that must be satisfied prior to any borrowing.

The Loan Agreements contain covenants that, among other things, limit HLA's ability to incur indebtedness, transfer or dispose of assets, merge with other companies, create, incur or allow liens, make investments, pay dividends or make distributions, engage in transactions with affiliates and take certain actions with respect to management fees. The Loan Agreements also require HLA to maintain, among other requirements, (i) a specified amount of management fees in each fiscal year during the term of each of the Loan Agreements, (ii) adjusted EBITDA, as defined in the Loan Agreements, less dividend distributions on a trailing six-month basis of \$12.5 million or greater, tested semi-annually, and (iii) a specified tangible net worth during each fiscal year during the term of each of the Loan Agreements. The obligations under the Loan Agreements are secured by substantially all the assets of HLA. As of March 31, 2018 and 2017, the principal amount of debt outstanding equaled \$84.5 million and \$86.1 million, respectively.

Predecessor Credit Facility

We previously utilized a \$260.0 million term loan credit facility with Morgan Stanley Senior Funding, Inc. as administrative agent, which was executed in July 2015 and subsequently amended effective in November 2016. Loans under this predecessor credit facility bore interest at our option of either LIBOR subject to a floor of 0.75% plus 3.50% per annum, or base rate subject to a floor of 1.75% plus 2.50% per annum. This facility was guaranteed by all of our direct and indirect subsidiaries, with certain exceptions, and was secured by pledges of our and our guarantor subsidiaries' personal property assets and material real property. The credit agreement governing the facility contained financial and operating covenants. We made quarterly amortization payments of principal and interest and were permitted to make voluntary prepayments. We used a portion of the proceeds of the IPO to make a voluntary principal prepayment of \$160.0 million in March 2017. The outstanding balance of \$85.5 million under the predecessor credit facility was refinanced using proceeds of the Term Loan Agreement and Revolving Loan Agreement described above. As of August 23, 2017, the predecessor term loan credit facility was paid off and terminated.

Cash Flows

Years ended March 31, 2018, 2017 and 2016

| | Year Ended March 31, | | |
|---|----------------------|--------------------|-----------------|
| | 2018 | 2017 | 2016 |
| | (in thousands) | | |
| Net cash provided by operating activities | \$ 96,692 | \$ 81,679 | \$ 109,175 |
| Net cash (used in) provided by investing activities | (21,773) | (16,715) | 2,502 |
| Net cash (used in) financing activities | (59,671) | (101,211) | (110,104) |
| Increase (decrease) in cash, cash equivalents and restricted cash | <u>\$ 15,248</u> | <u>\$ (36,247)</u> | <u>\$ 1,573</u> |

Operating Activities

Net cash provided by operating activities was \$96.7 million, \$81.7 million and \$109.2 million during fiscal 2018, 2017 and 2016, respectively. These operating cash flows were driven primarily by:

- net income of \$106.3 million, \$74.4 million and \$55.9 million during fiscal 2018, 2017 and 2016, respectively;

- change in payable to related parties pursuant to tax receivable agreement of (\$5.1) million during fiscal 2018 due to the additional deferred tax assets recorded related to the 2018 Offering.
- equity in income of investees of (\$17.1) million, (\$12.8) million and (\$1.5) million during fiscal 2018, 2017 and 2016, respectively, due to our share of the income of our equity method investments,
- proceeds received from investments of \$14.4 million, \$10.8 million and \$4.1 million during fiscal 2018, 2017 and 2016, respectively, which represent a return on investment from specialized funds and certain customized separate accounts;
- change in deferred incentive fee revenue of (\$38.9) million and \$43.2 million during fiscal 2018 and 2016, respectively, due to the recognition of previously deferred incentive fee revenue during fiscal 2018 that was received and deferred during fiscal 2016 due to continuing contingencies; and
- net change in operating assets and liabilities of \$3.6 million, (\$1.7) million and \$3.1 million during fiscal 2018, 2017 and 2016, respectively.

Investing Activities

Our net cash flow provided by (used in) investing activities was (\$21.8) million, (\$16.7) million and \$2.5 million during fiscal 2018, 2017 and 2016, respectively. These amounts were driven primarily by:

- contributions to and distributions from investments that netted to (\$14.3) million, (\$15.4) million and \$3.4 million during fiscal 2018, 2017 and 2016, respectively;
- cash paid for the acquisition of a business of (\$5.2) million during fiscal 2018; and
- purchases of furniture, fixtures and equipment consisting primarily of computers and equipment and costs associated with the build out of office space totaling (\$2.3) million, (\$1.3) million and (\$0.9) million during fiscal 2018, 2017 and 2016, respectively.

Financing Activities

Our net cash flow (used in) financing activities was (\$59.7) million, (\$101.2) million and (\$110.1) million during fiscal 2018, 2017 and 2016, respectively. Cash used in financing activities was attributable primarily to:

- debt repayments of (\$87.0) million, (\$162.6) million and (\$121.7) million during fiscal 2018, 2017 and 2016, respectively;
- debt issuances net of deferred financing costs of \$85.1 million and \$254.0 million during fiscal 2018 and 2016, respectively;
- proceeds from our IPO, net of underwriting discount of \$203.2 million, along with deferred offering costs of (\$5.8) million in fiscal 2017;
- purchases of equity interests and restricted stock of (\$6.5) million and (\$58.1) million in fiscal 2018 and 2017, respectively and the repurchase of equity due to the fiscal 2016 recapitalization of HLA and other purchases of equity interests totaling (\$173.6) million during fiscal 2016; and

- distributions to equity holders of (\$36.9) million, (\$80.5) million and (\$67.8) million during the years ended March 31, 2018, 2017 and 2016, respectively.

Future Sources and Uses of Liquidity

We generate significant cash flows from operating activities. We believe that we will be able to continue to meet our current and long-term liquidity and capital requirements through our cash flows from operating activities, existing cash and cash equivalents and our ability to obtain future external financing.

We expect that our primary current and long-term liquidity needs will comprise cash to (1) provide capital to facilitate the growth of our business, (2) fund commitments to our investments, (3) pay operating expenses, including cash compensation to our employees, (4) make payments under the tax receivable agreement, (5) fund capital expenditures, (6) pay interest and principal due on our Term Loan, (7) pay income taxes, and (8) make distributions to our stockholders and holders of HLA units in accordance with our distribution policy.

We are required to maintain minimum net capital balances for regulatory purposes for our Hong Kong, United Kingdom and broker-dealer subsidiaries. These net capital requirements are met by retaining cash. As a result, we may be restricted in our ability to transfer cash between different operating entities and jurisdictions. As of March 31, 2018, we were required to maintain approximately \$1.8 million in liquid net assets within these subsidiaries to meet regulatory net capital and capital adequacy requirements. We are in compliance with these regulatory requirements.

Dividend Policy

The declaration and payment by us of any future dividends to holders of our Class A common stock is at the sole discretion of our board of directors. We intend to continue to pay a cash dividend on a quarterly basis. Subject to funds being legally available, we will cause HLA to make pro rata distributions to its members, including us, in an amount at least sufficient to allow us to pay all applicable taxes, to make payments under the tax receivable agreement, and to pay our corporate and other overhead expenses.

Tax Receivable Agreement

We expect that exchanges of membership units of HLA by members of HLA, as well as our initial purchase of membership units of HLA with the net proceeds from our IPO from certain existing direct and indirect HLA members, will result in increases in the tax basis in our share of the assets of HLA that otherwise would not have been available. These increases in tax basis are expected to increase our depreciation and amortization deductions and create other tax benefits and therefore may reduce the amount of tax that we would otherwise be required to pay in the future. The tax receivable agreement will require us to pay 85% of the amount of these and certain other tax benefits, if any, that we realize (or are deemed to realize in the case of an early termination payment, a change in control or a material breach by us of our obligations under the tax receivable agreement) to the existing direct and indirect members of HLA.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support, or engage in any activities that expose us to any liability that is not reflected in our consolidated financial statements except for those described under “— Contractual Obligations, Commitments and Contingencies” below.

Contractual Obligations, Commitments and Contingencies

The following table represents our contractual obligations as of March 31, 2018, aggregated by type.

| (in thousands) | Contractual Obligations, Commitments and Contingencies | | | | |
|---|--|------------------|-----------|-----------|-------------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Operating leases | \$ 18,345 | \$ 5,138 | \$ 9,067 | \$ 3,538 | \$ 602 |
| Debt obligations payable ⁽¹⁾ | 84,513 | 13,263 | 15,938 | 28,125 | 27,187 |
| Interest on debt obligations payable ⁽²⁾ | 11,327 | 2,892 | 4,646 | 3,020 | 769 |
| Capital commitments to our investments ⁽³⁾ | 101,054 | 101,054 | — | — | — |
| Total | \$ 215,239 | \$ 122,347 | \$ 29,651 | \$ 34,683 | \$ 28,558 |

(1) Represents scheduled debt obligation payments under our Loan Agreements.

(2) Represents interest to be paid over the maturity of the related debt obligations, which has been calculated assuming no pre-payments will be made and debt will be held until its final maturity date. The future interest payments are calculated using the variable interest rate of 3.50% on our Term Loan Agreement and 3.25% on our Revolving Loan Agreement in effect as of March 31, 2018.

(3) Represents commitments by us to fund a portion of each investment made by our specialized funds and certain customized separate account entities. These amounts are generally due on demand and are therefore presented in the less than one year category.

We have entered into a tax receivable agreement with our pre-IPO owners pursuant to which we will pay them 85% of the amount of tax benefits, if any, that we realize (or are deemed to realize in the case of an early termination payment by us, a change in control or a material breach by us of our obligations under the tax receivable agreement) as a result of increases in tax basis (and certain other tax benefits) resulting from purchases or exchanges of membership units of HLA. Because the timing of amounts to be paid under the tax receivable agreement cannot be determined, this contractual commitment has not been presented in the table above. The tax savings achieved may be substantial and we may not have sufficient cash available to pay this liability, in which case, we might be required to incur additional debt to satisfy this liability.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our combined and consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates or judgments. See Note 2, "Summary of Significant Accounting Policies," to our consolidated financial statements included in Part II, Item 8 of this Form 10-K for a summary of our significant accounting policies.

Principles of Consolidation

We consolidate all entities that we control through a controlling financial interest or as the primary beneficiary of variable interest entities (“VIEs”).

Our policy is to perform an analysis to determine whether consolidation is required by determining if we have a variable interest in each entity and whether that entity is a VIE. We perform the variable interest analysis for all entities in which we have a potential variable interest, which consist primarily of our specialized funds and customized separate accounts where we serve as the general partner or managing member, and general partner entities not wholly owned by us. If we have a variable interest in the entity and the entity is a VIE, we will also analyze whether we are the primary beneficiary of this entity and whether consolidation is required.

In evaluating whether we hold a variable interest, we review the equity ownership to determine whether we absorb risk created and distributed by the entity, as well as whether the fees charged to the entity are customary and commensurate with the effort required to provide the services. We consider all economic interests, including indirect interests, to determine if a fee is considered a variable interest. For our specialized funds and customized separate accounts, our fee arrangements are not considered to be variable interests. For those entities where we hold a variable interest, we determine whether each of these entities qualifies as a VIE and, if so, whether we are the primary beneficiary.

The assessment of whether the entity is a VIE requires an evaluation of qualitative factors and, where applicable, quantitative factors. These judgments include: (a) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the economic performance of the entity, (c) determining whether two or more parties’ equity interests should be aggregated, and (d) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity. The entities that are VIEs were determined as such because the respective limited partners do not have the ability to remove the general partner or dissolve the respective fund or entity with a simple majority vote (i.e., the limited partners lack “kick out rights”).

For entities that are determined to be VIEs, we are required to consolidate those entities where we have concluded that we are the primary beneficiary. The primary beneficiary is defined as the variable interest holder with (a) the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. In evaluating whether we are the primary beneficiary, we evaluate our economic interests in the entity held either directly or indirectly by us. At each reporting date, we determine whether any reconsideration events have occurred that require us to revisit the primary beneficiary analysis, and we will consolidate or deconsolidate accordingly.

Revenue Recognition of Incentive Fees

We have elected to adopt Method 1 of ASC 605-20-S99, “Accounting for Management Fees Based on a Formula.” Under Method 1, incentive fees are recognized as income when all contingencies, including realization of specified minimum returns to limited partners, have been resolved.

Incentive fees include both carried interest earned from certain specialized funds and performance fees received from certain customized separate accounts.

Carried interest is calculated as a percentage of the profits earned by our specialized funds subject to the achievement of certain performance criteria. Any calculated amounts above the required minimum

returns to limited partners, as specified in the partnership agreements, are allocated by our specialized funds to us.

Performance fees are recognized based on the performance during the period, subject to the achievement of minimum return levels, in accordance with the respective terms set out in the client agreement. We recognize incentive fees in our Consolidated Statement of Income once all contingencies have been resolved.

Incentive fee payments received by us before the above criteria have been met are deferred and recorded as deferred incentive fee revenue in our Consolidated Balance Sheet. We may receive tax distributions related to taxable income allocated by our specialized funds and certain of our customized separate accounts, which are treated as an advance of incentive fees and subject to the same recognition criteria.

Incentive Fee Compensation Expense

Incentive fee compensation expense includes compensation directly related to incentive fees. Certain employees are granted allocations or profit-sharing interests and are thereby, as a group, entitled to a 25% portion of the incentive fees earned from certain of our specialized funds and performance fees from certain customized separate accounts, subject to vesting. Amounts payable pursuant to these arrangements are recorded as a compensation expense when they have become probable and reasonably estimable. Our determination of the point at which it becomes probable and reasonably estimable is based on our assessment of numerous factors, particularly those related to the profitability, realization, distribution status, investment profile and commitments or contingencies of our specialized funds or customized separate accounts that may give rise to incentive fees. Incentive fee compensation may be expensed before the related incentive fee income is recognized.

Income Taxes

We account for income taxes using the asset and liability method. Deferred income taxes are recognized for the expected future tax consequences attributable to temporary differences between the carrying amount of the existing tax assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied in the years in which temporary differences are expected to be recovered or settled. The principal items giving rise to temporary differences are the use of accelerated depreciation and certain basis differences resulting from acquisitions and the recapitalization transactions. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

As a result of the Reorganization and IPO, HLI became the sole managing member of HLA, which is organized as a limited liability company and treated as a “flow-through” entity for income taxes purposes. As a “flow-through” entity, HLA is not subject to income taxes apart from foreign taxes attributable to its operations in foreign jurisdictions. Any taxable income or loss generated by HLA is passed through to and included in the taxable income or loss of its members, including HLI, on a pro rata basis. As a result, we do not record income taxes on pre-tax income or loss attributable to the non-controlling interests in the general partnerships and HLA, except for foreign taxes discussed above. HLI is subject to U.S. federal and applicable state corporate income taxes with respect to its allocable share of any taxable income of HLA.

We analyze our tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where we are required to file income tax returns, as well for all open tax years in these jurisdictions. We evaluate tax positions taken or expected to be taken in the course of preparing an entity’s tax returns to

determine whether it is “more-likely-than-not” that each tax position will be sustained by the applicable tax authority.

Tax Receivable Agreement

Our purchase of HLA Class A units concurrent with the IPO, and periodic exchanges by holders of HLA units for shares of our Class A common stock pursuant to the exchange agreement, result in increases in our share of the tax basis of the tangible and intangible assets of HLA, which increases the tax depreciation and amortization deductions that otherwise would not have been available to us. These increases in tax basis and tax depreciation and amortization deductions are expected to reduce the amount of cash taxes that we would otherwise be required to pay in the future. We entered into a tax receivable agreement (“TRA”) with the other members of HLA that requires us to pay exchanging HLA unitholders (the “TRA Recipients”) 85% of the amount of cash savings, if any, in U.S. federal, state, and local income tax that we actually realize (or, under certain circumstances, are deemed to realize) as a result of the increases in tax basis in connection with exchanges by the TRA Recipients described above and certain other tax benefits attributable to payments under the TRA. Generally, if we do not generate sufficient cumulative taxable income in the future to utilize the tax benefits, then we will not be required to make the related TRA payments - the exception being that our obligation to make TRA payments may be accelerated if we elect to terminate the TRA, in whole or in part, or if a change in control of us, or a breach of the TRA by us, occurs. Therefore, we will generally only recognize a liability for TRA payments for financial reporting purposes to the extent we determine it is probable that we will generate sufficient future taxable income to utilize the related tax benefits. Estimating and projecting future taxable income is inherently uncertain and requires judgment. Actual taxable income may differ from estimates, which could significantly affect the liability under the tax benefit arrangements and our consolidated results of operations.

Based on current projections, we anticipate having sufficient taxable income to utilize these tax attributes and receive corresponding tax deductions in future periods. Changes in the projected liability resulting from the TRA may occur based on changes in anticipated future taxable income, changes in applicable tax rates or other changes in tax attributes that may occur and could affect the expected future tax benefits to be received by us.

JOBS Act

We qualify as an “emerging growth company” as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. The JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have irrevocably elected to “opt out” of the extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

Subject to certain conditions set forth in the JOBS Act, we are also eligible for and intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, (ii) no requirement to seek non-binding advisory votes on executive compensation or golden parachute arrangements and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We may take advantage of these exemptions until we are no longer an emerging growth company.

We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our IPO, (b) in which we have total annual gross revenue of at least \$1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our capital stock that is held by non-affiliates is at least \$700 million as of the prior September 30, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period.

Recent Accounting Pronouncements

Information regarding recent accounting developments and their impact on our results can be found in Note 2, “Summary of Significant Accounting Policies” in the notes to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Item 7A. Qualitative and Quantitative Disclosures about Market Risk

In the normal course of business, we are exposed to a broad range of risks inherent in the financial markets in which we participate, including price risk, interest-rate risk, access to and cost of financing risk, liquidity risk, counterparty risk and foreign exchange-rate risk. Potentially negative effects of these risks may be mitigated to a certain extent by those aspects of our investment approach, investment strategies, fundraising practices or other business activities that are designed to benefit, either in relative or absolute terms, from periods of economic weakness, tighter credit or financial market dislocations.

Our predominant exposure to market risk is related to our role as general partner or investment manager for our specialized funds and customized separate accounts and the sensitivities to movements in the fair value of their investments, which may adversely affect our equity in income of investees. Since our management fees are generally based on commitments or net invested capital, our management fee and advisory fee revenue is not significantly impacted by changes in investment values.

Fair value of the financial assets and liabilities of our specialized funds and customized separate accounts may fluctuate in response to changes in the value of securities, foreign currency exchange rates, commodity prices and interest rates. The impact of investment risk is as follows:

- Equity in income of investees changes along with the realized and unrealized gains of the underlying investments in our specialized funds and certain customized separate accounts in which we have a general partner commitment. Our general partner investments include over 3,000 unique underlying portfolio investments with no significant concentration in any industry or country outside of the United States.
- Management fees from our specialized funds and customized separate accounts are not significantly affected by changes in fair value as the management fees are not generally based on the value of the specialized funds or customized separate accounts, but rather on the amount of capital committed or invested in the specialized funds or customized separate accounts, as applicable.
- Incentive fees from our specialized funds and customized separate accounts are not materially affected by changes in the fair value of unrealized investments because they are based on realized gains and subject to achievement of performance criteria rather than on the fair value of the specialized fund’s or customized separate account’s assets prior to realization. We had \$6.2 million of deferred incentive fee revenue on our balance sheet as of March 31, 2018. Minor decreases in underlying fair value would not affect the amount of deferred incentive fee revenue subject to clawback.

Exchange Rate Risk

Several of our specialized funds and customized separate accounts hold investments denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and foreign currency, which could impact investment performance. The currency exposure related to investments in foreign currency assets is limited to our general partner interest, which is typically one percent of total capital commitments. We do not possess significant assets in foreign countries in which we operate or engage in material transactions in currencies other than the U.S. dollar. Therefore, changes in exchange rates are not expected to materially impact our financial statements.

Interest Rate Risk

As of March 31, 2018, we had \$84.2 million in borrowings outstanding under our Loan Agreements. The annual interest rate on the Term Loan Agreement, which is at the prime rate minus 1.25%, subject to a floor of 2.75%, was 3.50% as of March 31, 2018. The annual interest rate on the Revolving Loan Agreement, which is at the prime rate minus 1.50%, subject to a floor of 2.50%, was 3.25% as of March 31, 2018.

Based on the floating rate component of our Loan Agreements payable as of March 31, 2018, we estimate that a 100 basis point increase in interest rates would result in increased interest expense related to the loan of \$0.8 million over the next 12 months.

Credit Risk

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In such agreements, we depend on the respective counterparty to make payment or otherwise perform. We generally endeavor to minimize our risk of exposure by limiting the counterparties with which we enter into financial transactions to reputable financial institutions. In other circumstances, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

There have been no material changes in our market risk exposures since March 31, 2017.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Hamilton Lane Incorporated

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hamilton Lane Incorporated (the Company) as of March 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2008.
Philadelphia, Pennsylvania
June 14, 2018

Hamilton Lane Incorporated
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

| | March 31, | |
|---|-------------------|-------------------|
| | 2018 | 2017 |
| Assets | | |
| Cash and cash equivalents | \$ 47,596 | \$ 32,286 |
| Restricted cash | 1,787 | 1,849 |
| Fees receivable | 14,924 | 12,113 |
| Prepaid expenses | 2,301 | 2,593 |
| Due from related parties | 3,236 | 3,313 |
| Furniture, fixtures and equipment, net | 4,782 | 4,063 |
| Investments | 137,253 | 120,147 |
| Deferred income taxes | 73,381 | 61,223 |
| Other assets | 8,535 | 3,030 |
| Total assets | \$ 293,795 | \$ 240,617 |
| Liabilities and Equity | | |
| Accounts payable | \$ 1,700 | \$ 1,366 |
| Accrued compensation and benefits | 8,092 | 3,417 |
| Deferred incentive fee revenue | 6,245 | 45,166 |
| Debt | 84,162 | 84,310 |
| Accrued members' distributions | 11,837 | 2,385 |
| Payable to related parties pursuant to tax receivable agreement | 34,133 | 10,734 |
| Accrued dividend | 3,893 | — |
| Other liabilities | 7,659 | 6,612 |
| Total liabilities | 157,721 | 153,990 |
| Commitments and Contingencies (Note 15) | | |
| Preferred stock, \$0.001 par value, 10,000,000 authorized; none issued | — | — |
| Class A common stock, \$0.001 par value, 300,000,000 authorized; 23,139,476 and 19,151,033 issued and 23,139,476 and 19,036,504 outstanding as of March 31, 2018 and 2017, respectively | 22 | 19 |
| Class B common stock, \$0.001 par value, 50,000,000 authorized; 25,700,068 and 27,935,255 issued and outstanding as of March 31, 2018 and 2017, respectively | 26 | 28 |
| Additional paid-in-capital | 73,829 | 61,845 |
| Accumulated other comprehensive loss | — | (311) |
| Retained earnings | 4,549 | 612 |
| Less: Treasury stock, at cost, 0 and 114,529 held as of March 31, 2018 and 2017, respectively | — | (2,151) |
| Total Hamilton Lane Incorporated stockholders' equity | 78,426 | 60,042 |
| Non-controlling interests in general partnerships | 7,266 | 9,901 |
| Non-controlling interests in Hamilton Lane Advisors, L.L.C. | 50,382 | 16,684 |
| Total equity | 136,074 | 86,627 |
| Total liabilities and equity | \$ 293,795 | \$ 240,617 |

See accompanying notes to the consolidated financial statements.

Hamilton Lane Incorporated
Consolidated Statements of Income
(In thousands, except per share amounts)

| | Year Ended March 31, | | |
|--|----------------------|------------------------|------------|
| | 2018 | 2017 | 2016 |
| Revenues | | | |
| Management and advisory fees | \$ 195,030 | \$ 172,674 | \$ 157,630 |
| Incentive fees | 49,003 | 7,146 | 23,167 |
| Total revenues | 244,033 | 179,820 | 180,797 |
| Expenses | | | |
| Compensation and benefits | 82,868 | 72,116 | 92,065 |
| General, administrative and other | 38,212 | 31,589 | 26,898 |
| Total expenses | 121,080 | 103,705 | 118,963 |
| Other income (expense) | | | |
| Equity in income of investees | 17,102 | 12,801 | 1,518 |
| Interest expense | (5,989) | (14,565) | (12,641) |
| Interest income | 528 | 320 | 194 |
| Other non-operating income | 5,036 | 83 | 5,816 |
| Total other income (expense) | 16,677 | (1,361) | (5,113) |
| Income before income taxes | 139,630 | 74,754 | 56,721 |
| Income tax expense | 33,333 | 316 | 869 |
| Net income | 106,297 | 74,438 | 55,852 |
| Less: Income (loss) attributable to non-controlling interests in general partnerships | 2,448 | 1,192 | (1,255) |
| Less: Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C. | 86,508 | 72,634 | 57,107 |
| Net income attributable to Hamilton Lane Incorporated | \$ 17,341 | \$ 612 | \$ — |
| Basic earnings per share of Class A common stock | | | |
| | \$ 0.94 | \$ 0.03 ⁽¹⁾ | |
| Diluted earnings per share of Class A common stock | | | |
| | \$ 0.93 | \$ 0.03 ⁽¹⁾ | |
| Dividends declared per share of Class A common stock | | | |
| | \$ 0.70 | \$ — | |

(1) Represents earnings per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the period from March 6, 2017 through March 31, 2017, the period following the Reorganization and IPO, as defined in Note 1.

See accompanying notes to the consolidated financial statements.

Hamilton Lane Incorporated
Consolidated Statements of Comprehensive Income
(In Thousands)

| | Year Ended March 31, | | |
|--|-----------------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| Net income | \$ 106,297 | \$ 74,438 | \$ 55,852 |
| Other comprehensive income (loss), net of tax: | | | |
| Unrealized loss on cash flow hedge | — | (142) | (823) |
| Amounts reclassified to net income: | | | |
| Realized loss on cash flow hedge | 922 | 44 | — |
| Total other comprehensive income (loss), net of tax | 922 | (98) | (823) |
| Comprehensive income | \$ 107,219 | \$ 74,340 | \$ 55,029 |
| Less: | | | |
| Comprehensive income (loss) attributable to non-controlling interests in general partnerships | 2,448 | 1,192 | (1,255) |
| Comprehensive income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C. | 87,119 | 72,522 | 56,284 |
| Total comprehensive income attributable to Hamilton Lane Incorporated | \$ 17,652 | \$ 626 | \$ — |

See accompanying notes to the consolidated financial statements.

Hamilton Lane Incorporated
Consolidated Statements of Stockholders' Equity
(In Thousands)

| | Members' Equity (Deficit) | Class A Common Stock | Class B Common Stock | Additional Paid in Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Non-Controlling Interests in general partnerships | Non-Controlling Interests in Hamilton Lane Advisors, L.L.C. | Total Equity (deficit) |
|---|---------------------------|----------------------|----------------------|----------------------------|-------------------|----------------|---|---|---|------------------------|
| Balance at March 31, 2015 | \$ 56,238 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 17,452 | \$ — | \$ 73,690 |
| Net income (loss) | 57,107 | — | — | — | — | — | — | (1,255) | — | 55,852 |
| Other comprehensive loss | — | — | — | — | — | — | (823) | — | — | (823) |
| Equity-based compensation | 3,730 | — | — | — | — | — | — | — | — | 3,730 |
| Purchase of membership interests | (173,622) | — | — | — | — | — | — | — | — | (173,622) |
| Sale of membership interests | 3,268 | — | — | — | — | — | — | — | — | 3,268 |
| Proceeds received from option exercises | 586 | — | — | — | — | — | — | — | — | 586 |
| Member distributions | (69,790) | — | — | — | — | — | — | — | — | (69,790) |
| Capital contributions from (distributions to) non-controlling interests, net | — | — | — | — | — | — | — | (4,829) | — | (4,829) |
| Balance at March 31, 2016 | \$ (122,483) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ (823) | \$ 11,368 | \$ — | \$ (111,938) |
| Net income prior to Reorganization and IPO | 70,658 | — | — | — | — | — | — | 1,136 | — | 71,794 |
| Other comprehensive loss prior to Reorganization and IPO | — | — | — | — | — | — | (140) | — | — | (140) |
| Equity-based compensation prior to Reorganization and IPO | 4,363 | — | — | — | — | — | — | — | — | 4,363 |
| Purchase of membership interests prior to Reorganization and IPO | (18,783) | — | — | — | — | — | — | — | — | (18,783) |
| Sale of membership interests prior to Reorganization and IPO | 4,669 | — | — | — | — | — | — | — | — | 4,669 |
| Proceeds received from option exercises prior to Reorganization and IPO | 1,192 | — | — | — | — | — | — | — | — | 1,192 |
| Member distributions prior to Reorganization and IPO | (71,083) | — | — | — | — | — | — | — | — | (71,083) |
| Capital contributions from (distributions to) non-controlling interests, net, prior to Reorganization and IPO | — | — | — | — | — | — | — | (2,659) | — | (2,659) |
| Issuance of Class A common stock sold in IPO, net of commissions | — | 14 | — | 203,191 | — | — | — | — | — | 203,205 |
| Issuance of Class B common stock to existing members | — | — | 28 | — | — | — | — | — | — | 28 |
| Effect of Reorganization transaction and purchase of HLA units | 131,467 | 4 | — | (187,681) | — | — | 638 | — | 18,372 | (37,200) |
| Deferred tax adjustments related to TRA and Unit exchanges | — | — | — | 50,543 | — | — | — | — | — | 50,543 |
| Deferred IPO costs | — | — | — | (5,844) | — | — | — | — | — | (5,844) |
| Issuance of restricted stock | — | 1 | — | (1) | — | — | — | — | — | — |
| Repurchase of Class A shares for employee tax withholding subsequent to Reorganization and IPO | — | — | — | 1,415 | — | (2,151) | — | — | (1,415) | (2,151) |
| Member distribution subsequent to Reorganization and IPO | — | — | — | — | — | — | — | — | (2,373) | (2,373) |
| Other comprehensive loss subsequent to Reorganization and IPO | — | — | — | — | — | — | 14 | — | 28 | 42 |
| Net income subsequent to Reorganization and IPO | — | — | — | — | 612 | — | — | 56 | 1,976 | 2,644 |
| Equity-based compensation subsequent to Reorganization and IPO | — | — | — | 107 | — | — | — | — | 211 | 318 |
| Equity reallocation between controlling and non-controlling interests | — | — | — | 115 | — | — | — | — | (115) | — |
| Balance at March 31, 2017 | \$ — | \$ 19 | \$ 28 | \$ 61,845 | \$ 612 | \$ (2,151) | \$ (311) | \$ 9,901 | \$ 16,684 | \$ 86,627 |
| Net income | — | — | — | — | 17,341 | — | — | 2,448 | 86,508 | 106,297 |
| Other comprehensive income | — | — | — | — | — | — | 311 | — | 611 | 922 |
| Equity-based compensation | — | — | — | 1,980 | — | — | — | — | 3,668 | 5,648 |
| Retirement of treasury stock | — | — | — | (2,151) | — | 2,151 | — | — | — | — |
| Proceeds received from option exercises | — | — | — | 108 | — | — | — | — | 205 | 313 |
| Issuance of shares for acquisition | — | — | — | 212 | — | — | — | — | 400 | 612 |
| Repurchase of Class A shares for employee tax withholding | — | (1) | — | (2,672) | — | — | — | — | (3,800) | (6,473) |
| Deferred tax adjustment | — | — | — | 7,012 | — | — | — | — | — | 7,012 |
| Dividends declared | — | — | — | — | (13,404) | — | — | — | — | (13,404) |
| Capital contributions from (distributions to) non-controlling interests, net | — | — | — | — | — | — | — | (5,083) | — | (5,083) |
| Member distributions | — | — | — | — | — | — | — | — | (46,395) | (46,395) |
| Offering adjustments | — | 4 | (2) | 7,681 | — | — | — | — | (7,685) | (2) |
| Equity reallocation between controlling and non-controlling interests | — | — | — | (186) | — | — | — | — | 186 | — |
| Balance at March 31, 2018 | \$ — | \$ 22 | \$ 26 | \$ 73,829 | \$ 4,549 | \$ — | \$ — | \$ 7,266 | \$ 50,382 | \$ 136,074 |

See accompanying notes to the consolidated financial statements.

Hamilton Lane Incorporated
Consolidated Statements of Cash Flows
(In Thousands)

| | Year Ended March 31, | | |
|---|----------------------|--------------|--------------|
| | 2018 | 2017 | 2016 |
| Operating activities: | | | |
| Net income | \$ 106,297 | \$ 74,438 | \$ 55,852 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,891 | 1,915 | 2,027 |
| Change in deferred income taxes | 22,983 | 26 | 730 |
| Change in payable to related parties pursuant to tax receivable agreement | (5,076) | — | — |
| Amortization of deferred financing costs | 167 | 845 | 857 |
| Write-off of deferred financing costs | 1,657 | 3,359 | 2,408 |
| Equity-based compensation | 5,544 | 4,681 | 3,730 |
| Gain on sale | — | — | (5,408) |
| Equity in income of investees | (17,102) | (12,801) | (1,518) |
| Proceeds received from investments | 14,391 | 10,843 | 4,105 |
| Other | 1,244 | 77 | 117 |
| Changes in operating assets and liabilities: | | | |
| Fees receivable | (2,624) | (285) | 4,041 |
| Prepaid expenses | 299 | (1,038) | (49) |
| Due from related parties | 77 | (461) | 101 |
| Other assets | 16 | (610) | (1,009) |
| Accounts payable | 334 | 725 | (1,026) |
| Accrued compensation and benefits | 4,675 | (612) | (920) |
| Deferred incentive fee revenue | (38,921) | — | 43,206 |
| Other liabilities | 840 | 577 | 1,931 |
| Net cash provided by operating activities | \$ 96,692 | \$ 81,679 | \$ 109,175 |
| Investing activities: | | | |
| Purchase of furniture, fixtures and equipment | \$ (2,254) | \$ (1,275) | \$ (921) |
| Cash paid for acquisition of business | (5,228) | — | — |
| Distributions received from investments | 16,055 | 8,782 | 21,587 |
| Contributions to investments | (30,346) | (24,222) | (18,164) |
| Net cash (used in) provided by investing activities | \$ (21,773) | \$ (16,715) | \$ 2,502 |
| Financing activities: | | | |
| Repayments of debt | \$ (87,038) | \$ (162,600) | \$ (121,680) |
| Borrowings of debt, net of deferred financing costs | 85,066 | — | 253,988 |
| Contributions from non-controlling interest in Partnerships | 276 | 532 | 629 |
| Distributions to non-controlling interest in Partnerships | (5,359) | (3,191) | (5,458) |
| Proceeds from IPO, net of underwriting discount | — | 203,205 | — |
| Payment of deferred offering costs | — | (5,844) | — |
| (Repurchase) issuance of Class B common stock | (2) | 28 | — |
| Sale of membership interests | — | 4,669 | 3,268 |
| Purchase of restricted stock for tax withholdings | (6,473) | (2,151) | — |
| Purchase of membership interests | — | (55,983) | (173,622) |
| Proceeds received from option exercises | 313 | 1,192 | 586 |
| Dividends paid | (9,511) | — | — |
| Members' distributions paid | (36,943) | (80,457) | (67,815) |
| Other | — | (611) | — |
| Net cash (used in) financing activities | \$ (59,671) | \$ (101,211) | \$ (110,104) |
| Increase (decrease) in cash, cash equivalents, and restricted cash | 15,248 | (36,247) | 1,573 |
| Cash, cash equivalents, and restricted cash at beginning of year | 34,135 | 70,382 | 68,809 |
| Cash, cash equivalents, and restricted cash at end of year | \$ 49,383 | \$ 34,135 | \$ 70,382 |

See accompanying notes to the consolidated financial statements.

1. Organization

Hamilton Lane Incorporated (or “HLI”) was incorporated in the State of Delaware on December 31, 2007. The Company was formed for the purpose of completing an initial public offering (“IPO”) and related transactions (“Reorganization”) in order to carry on the business of Hamilton Lane Advisors, L.L.C. (“HLA”) as a publicly-traded entity. As of March 6, 2017, in connection with the Reorganization discussed below, HLI became the sole managing member of HLA. Unless otherwise specified, “the Company” refers to the consolidated entity of Hamilton Lane Incorporated and Hamilton Lane Advisors, L.L.C. and subsidiaries throughout the remainder of these notes.

HLA is a registered investment advisor with the United States Securities and Exchange Commission (“SEC”), providing asset management and advisory services, primarily to institutional investors, to design, build and manage private markets portfolios. HLA generates revenues primarily from management fees, by managing assets on behalf of customized separate accounts, specialized fund products and distribution management accounts, and advisory fees, by providing asset supervisory and reporting services. HLA sponsors the formation, and serves as the general partner or managing member, of various limited liability partnerships consisting of specialized funds and certain single client separate account entities (“Partnerships”) that acquire interests in third-party managed investment funds that make private equity and equity-related investments. The Partnerships may also make direct co-investments, including investments in debt, equity, and other equity-based instruments. The Company, which includes certain subsidiaries that serve as the general partner or managing member of the Partnerships, may invest its own capital in the Partnerships and generally makes all investment and operating decisions for the Partnerships. HLA operates several wholly owned entities through which it conducts its foreign operations.

Reorganization

In connection with the IPO, the Company completed a series of transactions on March 6, 2017, which are described below:

- HLI amended and restated its certificate of incorporation to, among other things, provide for Class A common stock, Class B common stock, and preferred stock.
- HLA amended and restated its limited liability company agreement to, among other things, (i) appoint HLI as the sole managing member of HLA, and (ii) classify the interests that were acquired by HLI as Class A units, the voting interests held by the continuing members of HLA as Class B units, and the non-voting interests held by the continuing members of HLA as Class C units.
- HLA effectuated a reverse unit split of 0.68-for-1 for each unit class. All unit-based data, including the number of units and per unit amounts in these consolidated financial statements and accompanying notes have been retroactively adjusted for the reverse split.
- Certain HLA members exchanged their HLA units for 3,899,169 shares of Class A common stock of HLI.
- HLI issued to the Class B unitholders of HLA one share of Class B common stock for each Class B unit that they owned in exchange for a payment of its par value.
- Certain Class B unitholders of HLA entered into a stockholders agreement where they agreed to vote all their shares of voting stock in accordance with the instructions of HLA Investments, LLC.

Hamilton Lane Incorporated
Notes to Consolidated Financial Statements
(In thousands, except share and per share amounts)

- HLI entered into an exchange agreement with the direct owners of HLA pursuant to which they will be entitled to exchange HLA units for shares of HLI's Class A common stock on a one-for-one basis.

Initial Public Offering

On March 6, 2017, HLI issued 13,656,250 shares of Class A common stock in the IPO at a price of \$16.00 per share. The net proceeds totaled \$203,205 after deducting underwriting commissions of \$15,295 and before offering costs of \$5,844 that were incurred by HLA. The net proceeds were used to purchase 11,156,250 newly issued Class A units in HLA for \$166,005, and 2,500,000 Class A units from existing HLA owners for \$37,200.

Subsequent to the IPO and Reorganization transactions, HLI is a holding company whose principal asset is a controlling equity interest in HLA. As the sole managing member of HLA, HLI operates and controls all of the business and affairs of HLA, and through HLA, conducts its business. As a result, HLI consolidates HLA's financial results and reports a non-controlling interest related to the portion of HLA units not owned by HLI. The assets and liabilities of HLA represent substantially all of HLI's consolidated assets and liabilities with the exception of certain deferred tax assets and liabilities, accrued dividends, and amounts payable to related parties pursuant to a tax receivable agreement.

The Reorganization is considered a transaction between entities under common control. As a result, the consolidated financial statements for periods prior to the IPO and the Reorganization are the consolidated financial statements of HLA as the predecessor to HLI for accounting and reporting purposes.

2018 Offering

In March 2018, HLI and certain selling stockholders completed a registered offering of an aggregate of 4,531,001 shares of Class A common stock at a price of \$34.25 per share (the "2018 Offering"). The purpose of the 2018 offering was to provide liquidity to significant direct and indirect owners of HLA. The shares sold consisted of (i) 696,315 shares held by the selling stockholders and (ii) 3,834,686 newly issued shares by HLI. HLI received approximately \$125,200 in proceeds from the sale of its shares, net of underwriting discounts and commissions, and used all of the net proceeds to settle in cash exchanges by certain members of HLA of a total of 2,235,187 Class B units and 1,599,499 Class C units. In connection with the exchange of the Class B units, HLI also repurchased for par value and canceled a corresponding number of shares of Class B common stock. HLI did not receive any proceeds from the sale of shares by the selling stockholders.

As of March 31, 2018 and 2017, HLI held approximately 42.1% and 34.2% of the economic interest in HLA. As future exchanges of HLA units occur, the economic interest in HLA held by HLI will increase.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying financial statements include the accounts of the Company, and its consolidated subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation

The Company performs an analysis to determine whether it is required to consolidate entities, by determining if the Company has a variable interest in each entity and whether that entity is a variable interest entity (“VIE”). The Company performs the variable interest analysis for all entities in which it has a potential variable interest, which primarily consist of all Partnerships where the Company serves as the general partner or managing member, and general partner entities not wholly owned by the Company. If the Company has a variable interest in the entity and the entity is a VIE, it will also analyze whether the Company is the primary beneficiary of this entity and whether consolidation is required.

In evaluating whether it has a variable interest in the entity, the Company reviews the equity ownership and whether the Company absorbs risk created and distributed by the entity, as well as whether the fees charged to the entity are customary and commensurate with the level of effort required to provide services. Fees received by the Company are not variable interests if (i) the fees are compensation for services provided and are commensurate with the level of effort required to provide those services, (ii) the service arrangement includes only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm’s length and (iii) the Company’s other economic interests in the VIE held directly and indirectly through its related parties, as well as economic interests held by related parties under common control, where applicable, would not absorb more than an insignificant amount of the entity’s losses or receive more than an insignificant amount of the entity’s benefits. Evaluation of these criteria requires judgment.

For entities determined to be VIEs, an evaluation is required to determine whether the Company is the primary beneficiary. The Company evaluates its economic interests in the entity specifically determining if the Company has both the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance (“the power”) and the obligation to absorb losses or right to receive benefits that could potentially be significant to the VIE (“the benefits”). When making the determination on whether the benefits received from an entity are significant, the Company considers the total economics of the entity, and analyzes whether the Company’s share of the economics is significant. The Company utilizes qualitative factors, and, where applicable, quantitative factors, while performing the analysis and the Company has determined that it is not the primary beneficiary of each of the Partnerships, therefore consolidation is not required for those entities.

Hamilton Lane Incorporated
Notes to Consolidated Financial Statements
(In thousands, except share and per share amounts)

For the general partner entities that are not wholly owned by the Company that are determined to be VIEs, the Company has determined it is the primary beneficiary since it has the power and the benefits; therefore consolidation of these entities is required. The portion of the consolidated subsidiaries owned by third parties and any related activity is eliminated through non-controlling interests in general partnerships in the Consolidated Balance Sheets and income (loss) attributable to non-controlling interests in general partnerships in the Consolidated Statements of Income.

For entities that are not determined to be VIEs, the Company analyzes whether it has a controlling financial interest to determine whether consolidation is required.

At each reporting date, the Company determines whether any reconsideration events have occurred that require it to revisit the primary beneficiary analysis and will consolidate or deconsolidate accordingly.

See Note 4 for additional disclosure on VIEs.

Accounting for Differing Fiscal Periods

The Partnerships primarily have a fiscal year end as of December 31, and the Company accounts for its investments in the Partnerships using a three-month lag due to the timing of financial information received from the investments held by the Partnerships. The Partnerships primarily invest in private equity funds, which generally require at least 90 days following the calendar year end to present audited financial statements. The Company records its share of capital contributions to and distributions from the Partnerships in investments in the Consolidated Balance Sheets during the three month lag period.

The Company's revenue earned from Partnerships, including both management and advisory fee revenue and incentive fee revenue, is not accounted for on a lag.

To the extent that management is aware of material events that affect the Partnerships during the intervening period, the impact of the events would be disclosed in the Notes to Consolidated Financial Statements.

Foreign Currency

Foreign currency balances and transactions of the Company, including its foreign subsidiaries are translated into U.S. Dollars, which is the functional currency. Assets and liabilities relating to foreign subsidiaries are translated using the exchange rates prevailing at the end of each reporting period. Results of the Company's foreign subsidiaries are translated using the weighted-average exchange rate for each reporting period. Foreign exchange (gains) losses related to the Company and its foreign subsidiaries are included in general, administrative and other expenses in the Consolidated Statements of Income and were (\$92), \$175, and \$4 for the years ended March 31, 2018, 2017 and 2016, respectively.

Cash, Cash Equivalents and Restricted Cash

Cash deposits in interest-bearing money market accounts and highly liquid investments, with an original maturity of three months or less, are classified as cash equivalents. Interest earned on cash and cash equivalents is recorded as interest income in the Consolidated Statements of Income.

Restricted cash at March 31, 2018 and 2017 was primarily cash held by the Company's foreign subsidiaries to meet applicable government regulatory capital requirements.

Hamilton Lane Incorporated
Notes to Consolidated Financial Statements
(In thousands, except share and per share amounts)

Fees Receivable

Fees receivable are equal to contractual amounts reduced for allowances, if applicable. The Company considers fees receivable to be fully collectible; accordingly no allowance for doubtful accounts has been established as of March 31, 2018 or 2017. If accounts become uncollectible, they will be expensed when that determination is made.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment consist primarily of leasehold improvements, furniture, electronic equipment, and computer hardware and software and are recorded at cost, less accumulated depreciation. Depreciation is recognized in accordance with the straight-line method over the estimated useful lives as follows:

| | |
|------------------------|-----------|
| Computer equipment | 3 years |
| Furniture and fixtures | 5-7 years |
| Office equipment | 3-5 years |

Leasehold improvements are capitalized and depreciated over the shorter of their useful life or the life of the lease. Expenditures for improvements that extend the useful life of an asset are capitalized. Expenditures for ordinary repairs and maintenance are expensed as incurred.

Intangibles and Goodwill

The Company's intangible assets consist of customer relationship assets identified as part of previous acquisitions. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 7 to 10 years, reflecting the contractual lives of such assets. The Company does not hold any indefinite-lived intangible assets. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company has not recognized any impairment charges in any of the periods presented.

The carrying value of the intangible assets was \$3,021 and \$400, and is included in other assets in the Consolidated Balance Sheets as of March 31, 2018 and 2017, respectively. The accumulated amortization of intangibles was \$696 and \$370 as of March 31, 2018 and 2017, respectively. Amortization of intangible assets was \$326, \$91, and \$91 for each of the years in the three-year period ended March 31, 2018, respectively, and is included in general, administrative and other expenses in the Consolidated Statements of Income. The estimated amortization expense for the next five fiscal years is \$459, \$455, \$414, \$414, and \$410, respectively.

Goodwill of \$3,943 and \$1,069 as March 31, 2018 and 2017, respectively, is included in other assets in the Consolidated Balance Sheets and was recorded in conjunction with previous acquisitions. Goodwill is reviewed for impairment at least annually utilizing a qualitative or quantitative approach, and more frequently if circumstances indicate impairment may have occurred. The impairment testing for goodwill under the qualitative approach is based first on a qualitative assessment to determine if it is more likely than not that the fair value of the Company's reporting unit is less than the respective carrying value. The reporting unit is the reporting level for testing the impairment of goodwill. If it is determined that it is more likely than not that a reporting unit's fair value is less than its carrying value or when the quantitative approach is used, a two-step quantitative assessment is performed to (a) calculate the fair value of the reporting unit and compare it to its carrying value, and (b) if the carrying value exceeds its

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fair value, to measure an impairment loss. The Company performed the annual impairment assessment as of December 31, 2017 noting that no goodwill impairment existed.

Equity Method Investments

Investments over which the Company is deemed to exert significant influence but not control are accounted for using the equity method of accounting. For investments accounted for under the equity method of accounting, the Company's share of income (losses) is included in equity in income of investees in the Consolidated Statements of Income. The Company's equity in income of investees is generally comprised of realized and unrealized gains from the underlying funds and portfolio companies held by the Partnerships. The carrying amounts of equity method investments are reflected in investments in the Consolidated Balance Sheets.

Fair Value of Financial Instruments

The Company considers cash and cash equivalents, fees receivable, prepaid expenses, other assets, investments, accounts payable, accrued compensation and benefits, senior secured term loan, and other liabilities to be its financial instruments. The carrying amount reported in the Consolidated Balance Sheets for these financial instruments equals or closely approximates their fair values; except for investments carried at cost, which are discussed in Note 3, and senior secured term loan and interest rate caps, which are discussed in Note 7.

Revenue Recognition

Revenues consist primarily of management and advisory fees and incentive fees.

Management and advisory fees are generally comprised of management fees from customized separate accounts, specialized funds, and distribution management services, and advisory fees from non-discretionary advisory and reporting services.

Revenue from specialized funds and customized separate accounts are determined by applying a percentage to unaffiliated net invested capital or committed capital under management. Generally, customized separate accounts are contractual arrangements involving an investment management agreement between the Company and a single client. In some cases, a customized separate account will be structured as a limited partnership with a subsidiary of the Company as general partner or managing member. Specialized funds are primarily limited partnerships having multiple investors with a subsidiary of the Company serving as general partner or managing member. Distribution management fees are earned by applying a percentage to assets under management or proceeds received. Revenue from advisory clients is generally a fixed fee, and reporting and diligence services are generally charged on a per fund or transaction basis. Management and advisory fee revenues are recognized in the period during which the related services are performed and the amounts have been contractually earned.

Incentive fees earned on the performance of certain separate accounts ("Performance Fees") are recognized based on the performance during the period, subject to the achievement of minimum return levels, in accordance with the respective terms set out in the client agreement. Performance Fees are recognized when the return levels are met and are not subject to contingencies.

With respect to the Partnerships, incentive fees ("Carried Interest") are allocated to the general partner/managing member based on cumulative fund performance to date, subject to a preferred return to limited partners/non-managing members. The Company has elected to adopt "Method 1" for revenue

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recognition based on a formula. Under this method, incentive fees are recognized when fixed or determinable and all related contingencies have been resolved. Carried Interest received by the Company before the above criteria have been met are deferred and recorded as deferred incentive fee revenue in the Consolidated Balance Sheets. The Company may receive tax distributions related to taxable income allocated by the Partnerships, which are treated as advanced incentive fees and subject to the same recognition criteria. Tax distributions are subject to clawback unless the taxes are non-recoverable.

Compensation and Benefits

Compensation and Benefits consists of (a) base compensation comprising salary, bonuses, and benefits paid and payable to employees, (b) equity-based compensation associated with the grants of restricted stock awards to employees, and (c) incentive fee compensation which consists of Carried Interest and Performance Fee allocations as detailed below.

Equity-based awards issued are measured at fair value at the date of grant. The fair value of the restricted stock grant is based on the closing stock price on the trading day before the date of grant less the present value of expected dividends. Expenses related to employee equity-based compensation are recorded evenly over the vesting period using the straight-line method. See Note 9 for more information regarding accounting for equity-based awards.

Incentive fee compensation expense includes compensation directly related to incentive fees. Certain employees of the Company are granted allocations or profit-sharing interests and are thereby, as a group, entitled to a 25% portion of the incentive fees earned by the Company from certain Partnerships and certain managed accounts subject to vesting. Amounts payable pursuant to these arrangements are recorded as compensation expense when they have become probable and reasonably estimable. The Company's determination of the point at which it becomes probable and reasonably estimable that incentive fee compensation expense should be recorded is based on its assessment of numerous factors, particularly those related to the profitability, realizations, distribution status, investment profile and commitments or contingencies of the individual funds that may give rise to incentive fees. Incentive fee compensation may be expensed before the related incentive fee revenue is recognized.

Other Non-Operating Income

Other non-operating income for the year ended March 31, 2018 consisted primarily of a non-cash adjustment to payable to related parties pursuant to the tax receivable agreement. Other non-operating income for the year ended March 31, 2016 consisted primarily of a non-cash gain of \$5,408 on the merger transaction of an entity in which the Company had an investment. The fair value of the consideration received, which consisted of equity in the acquiring company, was \$10,798.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred income taxes are recognized for the expected future tax consequences attributable to temporary differences between the carrying amount of the existing tax assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied in the years in which temporary differences are expected to be recovered or settled. The principal items giving rise to temporary differences are the use of accelerated depreciation and certain basis differences resulting from acquisitions and the recapitalization transactions. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

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As a result of the Reorganization and IPO, HLI became the sole managing member of HLA, which is organized as a limited liability company and treated as a “flow-through” entity for income taxes purposes. As a “flow-through” entity, HLA is not subject to income taxes apart from foreign taxes attributable to its operations in foreign jurisdictions. Any taxable income or loss generated by HLA is passed through to and included in the taxable income or loss of its members, including HLI following the Reorganization and IPO, on a pro rata basis. As a result, the Company does not record income taxes on pre-tax income or loss attributable to the non-controlling interests in the general partnerships and HLA, except for foreign taxes discussed above. HLI is subject to U.S. federal and applicable state corporate income taxes with respect to its allocable share of any taxable income of HLA following the Reorganization and IPO.

The Company analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well for all open tax years in these jurisdictions. The Company evaluates tax positions taken or expected to be taken in the course of preparing an entity’s tax returns to determine whether it is “more-likely-than-not” that each tax position will be sustained by the applicable tax authority.

Tax Receivable Agreement

The Company’s purchase of HLA Class A units concurrent with the IPO, and periodic exchanges by holders of HLA units for shares of the Company’s Class A common stock pursuant to the Exchange Agreement, result in increases in its share of the tax basis of the tangible and intangible assets of HLA, which will increase the tax depreciation and amortization deductions that otherwise would not have been available to HLI. These increases in tax basis and tax depreciation and amortization deductions reduce the amount of cash taxes that HLI would otherwise be required to pay in the future. HLI has entered into a tax receivable agreement (“TRA”) with the other members of HLA (the “TRA Recipients”) that requires it to pay them 85% of the amount of cash savings, if any, in U.S. federal, state, and local income tax that HLI actually realizes (or, under certain circumstances, is deemed to realize) as a result of the increases in tax basis in connection with exchanges by the TRA Recipients described above and certain other tax benefits attributable to payments under the TRA.

Segments

The Company operates its business in a single segment, which is how the chief operating decision maker (who is the chief executive officer) reviews financial performance and allocates resources. Accordingly, the Company considers itself to be in a single operating and reportable segment structure.

Concentrations of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, restricted cash and fees receivable. The majority of the Company’s cash, cash equivalents, and restricted cash are held with one major financial institution and expose the Company to a certain degree of credit risk. Substantially all cash amounts on deposit with major financial institutions exceed insured limits. The concentration of credit risk with respect to fees is generally limited due to the short payment terms extended to clients by the Company.

The Company derives revenues from clients located in the United States and other foreign countries.

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The below table presents revenues by geographic location:

| | Year Ended March 31, | | |
|-------------------------------|----------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 |
| United States | \$ 130,737 | 99,098 | \$ 104,337 |
| Israel | 24,387 | 16,675 | 18,642 |
| Other foreign countries | 88,909 | 64,047 | 57,818 |
| Total revenues ⁽¹⁾ | <u>\$ 244,033</u> | <u>\$ 179,820</u> | <u>\$ 180,797</u> |

⁽¹⁾ Revenues are attributed to countries based on location of the client or investor.

The Company recognized approximately 17% of its total revenues for the year ended March 31, 2018 from previously deferred incentive fees from one of its co-investment funds.

Dividends and Distributions

Dividends and distributions are reflected in the consolidated financial statements when declared.

Related Parties

For purposes of classifying amounts, the Company considers its employees, directors, equity method investments, and the TRA Recipients to be related parties. Refer to Note 13 for details on transactions with related parties.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards update (ASU) No. 2014-09, “*Revenue from Contracts with Customers*” (ASU 2014-09). ASU 2014-09 represents a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those goods or services. The Company will adopt the new standard as of April 1, 2018 using the modified retrospective approach with the cumulative effect of initial application recognized at the date of initial application. The adoption of the new standard will not have a material impact to our consolidated financial position or results of operations. A summary of the changes that will be implemented upon adoption of the new standard are discussed below.

The Company currently recognizes incentive fee revenue when required return levels are met and all contingencies have been resolved. Under the new standard, the Company will recognize incentive fee revenue when it concludes that it is probable that a significant reversal in the cumulative amount of incentive fee revenue will not occur which may impact the timing of revenue recognition related to incentive fee revenue

The Company has evaluated the presentation of certain reimbursable costs on a gross versus net basis and anticipates recording these costs on a gross basis upon the adoption of the new standard. While these changes are not expected to have a material impact to consolidated operating income, they will impact the components of revenues and expenses.

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Additionally, commissions paid that are directly associated with new separate account contracts will be capitalized and amortized over an estimated customer contract period. This change is not expected to have a material impact to the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, “*Recognition and Measurement of Financial Assets and Financial Liabilities*” (ASU 2016-01), which requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those years, and entities may early adopt. The Company will adopt ASU 2016-01 on April 1, 2018 and the adoption is not expected to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “*Leases*” (ASU 2016-02). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the consolidated balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. The Company expects its total assets and total liabilities on its consolidated statements of financial condition to increase upon adoption of this guidance as a result of recording a lease asset and lease liability related to our operating leases. The Company is continuing to evaluate the impact that this guidance will have on its consolidated financial statements. The Company expects to adopt the new leasing guidance on April 1, 2019.

In March 2016, the FASB issued ASU No. 2016-09, “*Improvements to Employee Share-Based Payment Accounting*” (ASU 2016-09). ASU 2016-09 changes how companies account for certain aspects of share-based payments to employees. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted in any interim or annual period but all of ASU 2016-09 must be adopted in the same period. The Company elected to early adopt the amended guidance on April 1, 2016. The primary impact of adoption was the recognition of excess tax benefits in the provision (benefit) for foreign income taxes rather than equity. The Company elected to apply the amendment to classify excess tax benefits as an operating activity in its Consolidated Statements of Cash Flows prospectively. Adoption of the guidance had no cumulative impact on members’ deficit as of March 31, 2016.

In August 2016, the FASB issued ASU No. 2016-15, “*Classification of Certain Cash Receipts and Payments*” (ASU 2016-15). ASU 2016-15 clarifies cash flow classification of several discrete cash flows issues including debt prepayment costs and distributions received from equity method investees. The amendments are effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted. The Company will adopt ASU 2016-15 on April 1, 2018 and the adoption is not expected to have a material impact on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, “*Statement of Cash Flows - Restricted Cash*” (ASU 2016-18). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in this update are effective for years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company early adopted the standard on October 1, 2016 and retrospectively applied the amendment. Other than the change in presentation of restricted cash within the Consolidated Statements of Cash

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Flows, the adoption of this standard did not have a material impact on its Consolidated Financial Statements.

Reclassifications

Certain prior period amounts have been reclassified to conform with current period presentation.

3. Investments

Investments consist of the following:

| | March 31, | |
|--|-------------------|-------------------|
| | 2018 | 2017 |
| Equity method investments in Partnerships | \$ 105,389 | \$ 83,488 |
| Equity method investments in Partnerships held by consolidated VIEs (See Note 4) | 14,704 | 19,653 |
| Other equity method investments | 876 | 661 |
| Investments carried at cost | 16,284 | 16,345 |
| Total Investments | \$ 137,253 | \$ 120,147 |

The Company's equity method investments in Partnerships represent its ownership in certain specialized funds and customized separate accounts. The strategies and geographic location of investments within the Partnerships vary by fund. The Company has a 1% interest in substantially all of the Partnerships. The Company's other equity method investments represent its ownership in a technology company that provides benchmarking and analytics of private equity data and its ownership in a joint venture that automates the collection of fund and underlying portfolio company data from general partners. The Company recognized equity method income related to its investments in Partnerships and other equity method investments of \$17,102, \$12,801, and \$1,518 for the years ended March 31, 2018, 2017, and 2016, respectively.

The Company's equity method investments in Partnerships held by consolidated VIEs consisted of direct/co-investment funds. The Company's equity method investments in Partnerships consist of the following types:

| | March 31, | |
|--|-------------------|------------------|
| | 2018 | 2017 |
| Primary funds | \$ 20,708 | \$ 18,741 |
| Secondary funds | 11,158 | 7,111 |
| Direct/co-investment funds | 29,469 | 15,202 |
| Customized separate accounts | 44,054 | 42,434 |
| Total equity method investments in Partnerships | \$ 105,389 | \$ 83,488 |

The Company evaluates each of its equity method investments to determine if any were significant pursuant to the requirements of Regulation S-X. As of and for the years ended March 31, 2018 and 2017, no individual equity method investment held by the Company met the significance criteria, and as a result, the Company is not required to present separate financial statements for any of its equity method investments.

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The summarized financial information of the Company's equity method investments in Partnerships is as follows:

| | March 31, | |
|--|---------------|--------------|
| | 2018 | 2017 |
| Assets | | |
| Investments | \$ 12,002,005 | \$ 8,999,677 |
| Other assets | 412,766 | 282,380 |
| Total assets | \$ 12,414,771 | \$ 9,282,057 |
| Liabilities and Partners' Capital | | |
| Debt | \$ 48,008 | \$ 71,876 |
| Other liabilities | 56,972 | 45,043 |
| Total liabilities | 104,980 | 116,919 |
| Partners' capital | 12,309,791 | 9,165,138 |
| Total liabilities and partners' capital | \$ 12,414,771 | \$ 9,282,057 |

| | Year Ended March 31, | | |
|----------------------------------|----------------------|--------------|------------|
| | 2018 | 2017 | 2016 |
| Investment income | \$ 233,255 | \$ 93,470 | \$ 103,871 |
| Expenses | 130,771 | 109,648 | 96,352 |
| Net investment income (loss) | 102,484 | (16,178) | 7,519 |
| Net realized and unrealized gain | 1,647,977 | 1,121,595 | 184,831 |
| Net income | \$ 1,750,461 | \$ 1,105,417 | \$ 192,350 |

The Company's investments carried at cost include other proprietary investments that are not consolidated, over which the Company does not exert significant influence and for which fair value is not readily determinable. The Company has determined in accordance with the applicable guidance that it is impracticable to estimate the fair value of the investments carried at cost due to limited information available. As of March 31, 2018 and 2017, the Company did not identify any significant events or changes in circumstances that have a significant adverse effect on the carrying value of these investments carried at cost.

4. Variable Interest Entities

The Company consolidates certain VIEs for which it is determined that the Company is the primary beneficiary. The consolidated VIEs are general partner entities of certain Partnerships, which are not wholly owned by the Company. The total assets of the consolidated VIEs are \$14,704 and \$19,653 as of March 31, 2018 and 2017, respectively and are recorded in Investments in the Consolidated Balance Sheets. The consolidated VIEs had no liabilities other than deferred incentive fee revenue of \$6,245 and \$45,166 as of March 31, 2018 and 2017, respectively. The assets of the consolidated VIEs may only be used to settle obligations of the consolidated VIEs, if any. In addition, there is no recourse to the Company for the consolidated VIEs' liabilities, except for certain entities in which there could be a claw back of previously distributed carried interest.

The Company holds variable interests in certain Partnerships that are VIEs, which are not consolidated, as it is determined that the Company is not the primary beneficiary. Such Partnerships are considered VIEs because limited partners lack the ability to remove the general partner or dissolve the

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entity without cause, by simple majority vote (i.e. have substantive “kick out” or “liquidation” rights). The Company’s involvement with such entities is in the form of direct equity interests in, and fee arrangements with, the Partnerships in which it also serves as the general partner or managing member. In the Company’s role as general partner or managing member, it generally considers itself the sponsor of the applicable Partnership and makes all investment and operating decisions. As of March 31, 2018, the total commitments and remaining unfunded commitments from the limited partners and general partners to the unconsolidated VIEs are \$13,878,761 and \$5,155,715, respectively. These commitments are the primary source of financing for the unconsolidated VIEs.

The maximum exposure to loss represents the potential loss of assets recognized by the Company relating to these unconsolidated entities. The Company believes that its maximum exposure to loss is limited because it establishes separate limited liability or limited partnership entities to serve as the general partner or managing member of the Partnerships.

The carrying amount of assets and liabilities recognized in the Consolidated Balance Sheets related to the Company’s interests in these non-consolidated VIEs and the Company’s maximum exposure to loss relating to non-consolidated VIEs were as follows:

| | March 31, | |
|--------------------------------|-----------|-----------|
| | 2018 | 2017 |
| Investments | \$ 77,016 | \$ 60,597 |
| Fees receivable | 517 | 430 |
| Due from related parties | 1,837 | 1,742 |
| Total VIE assets | 79,370 | 62,769 |
| Deferred incentive fee revenue | 6,245 | 45,166 |
| Non-controlling interests | (7,266) | (9,901) |
| Maximum exposure to loss | \$ 78,349 | \$ 98,034 |

5. Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment consist of the following:

| | March 31, | |
|---|-----------|----------|
| | 2018 | 2017 |
| Computer equipment | \$ 4,056 | \$ 5,598 |
| Furniture and fixtures | 4,183 | 3,855 |
| Leasehold improvements | 2,464 | 3,812 |
| Office equipment | 3,602 | 2,072 |
| | 14,305 | 15,337 |
| Less: accumulated depreciation | 9,523 | 11,274 |
| Furniture, fixtures, and equipment, net | \$ 4,782 | \$ 4,063 |

Depreciation expense was \$1,565, \$1,824 and \$1,936 for the years ended March 31, 2018, 2017 and 2016, respectively, and is included in general, administrative and other expenses in the Consolidated Statements of Income.

6. Acquisition

On August 11, 2017, HLA acquired substantially all the assets of Real Asset Portfolio Management LLC (“RAPM”) for a total aggregate purchase price of approximately \$5,840, of which \$5,228 was paid in cash with the remainder settled in 27,240 shares of Class A common stock valued at approximately \$612. An additional amount based upon an agreed-upon multiple of earnings, which is currently estimated at approximately \$6,069, could be payable to the principals of RAPM who are now employees of HLA if they remain employed by HLA through the expected payment date in October 2018. As the amount is contingent upon future employment, the amount will be recognized as compensation expense over the required performance period. The Company recorded approximately \$2,948 of intangible assets related to the acquired investment management contracts, which assets will be amortized over 8 years, and \$2,874 of goodwill, which are both recorded in other assets in the Consolidated Balance Sheets. The remaining assets acquired and liabilities assumed were not material to the consolidated financial statements. Revenue and net income attributable to the acquisition of RAPM were not material for the year ended March 31, 2018, and pro forma information related to this acquisition is not included because the impact on the Company’s Consolidated Statements of Income is not considered to be material.

7. Debt

Term Loan and Revolving Loan

On August 23, 2017, HLA entered into a Term Loan and Security Agreement (the “Term Loan Agreement”) and a Revolving Loan and Security Agreement (the “Revolving Loan Agreement” and, together with the Term Loan Agreement, the “Loan Agreements”) with First Republic Bank (“First Republic”) for \$75,000 and \$10,450, respectively. After expenses, the net amount of cash received was \$85,066 and was utilized to pay off the outstanding principal amount and accrued interest of the predecessor credit facility. The previous unamortized deferred financing costs of \$1,657 were written off and are included in interest expense in the Consolidated Statements of Income.

The Term Loan Agreement provides for a term loan facility in an aggregate principal amount of \$75,000 and also contains an accordion feature that allows HLA to increase the commitment under the facility by up to \$25,000 under certain conditions (the “Term Loan Facility”). Borrowings under the Term Loan Facility accrue interest at a floating per annum rate equal to the prime rate minus 1.25%, subject to a floor of 2.75%. The Term Loan Facility matures on November 1, 2024. At March 31, 2018, the Company had an outstanding balance net of unamortized debt discount and deferred financing costs of \$351 on the Term Loan Facility of \$73,712.

The Revolving Loan Agreement provides for a revolving credit facility up to an aggregate principal amount of \$25,000 (the “Revolving Loan Facility”). Borrowings under the Revolving Loan Facility accrue interest at a floating per annum rate equal to the prime rate minus 1.50%, subject to a floor of 2.50%. The Revolving Loan Facility matures on August 21, 2020 and requires compliance with conditions precedent that must be satisfied prior to any borrowing. At March 31, 2018, the Company had an outstanding balance on the Revolving Loan Facility of \$10,450.

The Loan Agreements contain covenants that, among other things, limit HLA’s ability to incur indebtedness, transfer or dispose of assets, merge with other companies, create, incur or allow liens, make investments, pay dividends or make distributions, engage in transactions with affiliates and take certain actions with respect to management fees. The Loan Agreements also require HLA to maintain (i) a specified amount of management fees in each fiscal year during the term of each of the Loan

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Agreements, (ii) adjusted EBITDA, as defined in the Term Loan Agreement, less dividend distributions on a trailing six-month basis of \$12,500 or greater, tested semi-annually, and (iii) a specified tangible net worth during each fiscal year during the term of each of the Loan Agreements. The obligations under the Loan Agreements are secured by substantially all of the assets of HLA.

The aggregate minimum principal payments on the Term Loan are due as follows:

| Fiscal year ending March 31, | | |
|------------------------------|-----------|---------------|
| 2019 | \$ | 2,813 |
| 2020 | | 5,625 |
| 2021 | | 10,313 |
| 2022 | | 13,125 |
| 2023 | | 15,000 |
| Thereafter | | 27,187 |
| | <u>\$</u> | <u>74,063</u> |

Predecessor Credit Facility

On July 9, 2015, the Company entered into a Credit and Guaranty Agreement (the “Credit Agreement”) with various lenders for a senior secured term loan of \$260,000. After expenses, including underwriting fees and other expenses, the net amount received was \$253,994. The Company utilized the proceeds (along with available cash) primarily to pay off the previous term loan for \$108,757 and recapitalize the Company by purchasing interests from certain equity holders for \$165,238 in the aggregate. The previous unamortized deferred financing costs of \$2,408 were immediately written off and included in interest expense in the Consolidated Statements of Income for the year ended March 31, 2016. At March 31, 2017, the Company had an outstanding balance net of unamortized discount and deferred financing costs of \$1,790 on the predecessor credit facility of \$84,310.

The fair value of the outstanding balances of the Company’s debt instruments at March 31, 2018 and 2017 approximated par value based on current market rates for similar debt instruments and are classified as Level II within the fair value hierarchy.

Interest Rate Caps

In July 2015, the Company purchased interest rate caps through June 30, 2020 to limit exposure to fluctuations in LIBOR above 2.5% on a portion of the Company’s predecessor credit facility. In October 2016, the Company de-designated its remaining interest rate caps as cash flow hedges and discontinued hedge accounting. In August 2017, in connection with the payoff of the predecessor credit facility with the proceeds from the Loan Agreements, which accrue interest indexed to the prime rate, the amount accumulated in other comprehensive income (loss) was reclassified into earnings through interest expense in the Consolidated Statements of Income because the cash flows of future interest payments indexed to LIBOR will no longer occur. The changes in the fair value of these interest rate caps after the de-designation are recorded in other non-operating income in the Consolidated Statements of Income. The fair value of the interest rate caps was \$219 and \$194 as of March 31, 2018 and 2017, respectively, and is included in other assets in the Consolidated Balance Sheets. The fair value of the interest rate caps is determined utilizing quoted prices in active markets for the same or similar instruments and is classified as Level II within the fair value hierarchy.

Letters of Credit

The Company had letters of credit outstanding of \$145 and \$145 as of March 31, 2018 and 2017, respectively.

8. Equity

Subsequent to the Reorganization and IPO as described in Note 1, the Company has two classes of common stock outstanding, Class A common stock and Class B common stock.

Class A common stock

Holders of Class A common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Additionally, holders of shares of Class A common stock are entitled to receive dividends when and if declared by the Board of Directors, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock.

Class B common stock

Holders of Class B common stock are entitled to ten votes for each share held of record on all matters submitted to a vote of stockholders, but have *de minimis* economic rights. Shares of Class B common stock were issued in the Reorganization to the holders of Class B units of HLA at a one-to-one ratio. Shares of Class B common stock (together with the corresponding Class B units) may be exchanged for shares of Class A common stock on a one-to-one basis, or, at the Company's election, for cash in an amount equal to the net proceeds from the sale of shares of Class A common stock equal to the number of shares of Class B common stock being exchanged, subject to certain restrictions pursuant to the exchange agreement as discussed in Note 1.

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Shares of Common Stock Outstanding

The following table shows a rollforward of our common stock outstanding since our IPO:

| | Class A Common Stock | Class B Common Stock |
|--|-----------------------------|-----------------------------|
| March 6, 2017 | — | — |
| Issued to the public in the IPO | 13,656,250 | — |
| Issued to HLA Class B unitholders in the Reorganization | — | 27,935,255 |
| HLA units exchanged in the Reorganization | 3,899,169 | — |
| Restricted interests converted to restricted stock in connection with the Reorganization | 1,080,063 | — |
| Restricted stock granted at time of IPO | 231,288 | — |
| Restricted stock granted after IPO | 284,263 | — |
| Repurchase of restricted stock for tax withholding | (114,529) | — |
| March 31, 2017 | <u>19,036,504</u> | <u>27,935,255</u> |
| Restricted stock granted | 235,219 | — |
| Shares issued due to option exercise | 233,495 | — |
| Shares issued in connection with RAPM acquisition | 27,240 | — |
| Shares issued (repurchased) in connection with secondary offering | 3,834,686 | (2,235,187) |
| Shares repurchased for employee tax withholdings | (186,280) | — |
| Forfeitures of restricted stock | (41,388) | — |
| March 31, 2018 | <u><u>23,139,476</u></u> | <u><u>25,700,068</u></u> |

During the year ended March 31, 2018, the Company retired 114,529 shares of Class A common stock held as treasury stock (that were outstanding as of March 31, 2017) at a total cost of \$2,151 and 186,280 shares of Class A common stock at a total cost of \$6,473, which were purchased from employees to fund statutory tax withholding requirements.

HLA Operating Agreement

In accordance with the limited liability company agreement of HLA (the “HLA Operating Agreement”), profits and losses from HLA are allocated on a pro rata basis based upon each member’s economic interests. The HLA Operating Agreement provides that distributions are made on a pro rata basis in an amount sufficient to pay income taxes owed by the members on their share of HLA’s taxable income. In addition to these tax distributions, HLA made distributions in excess of required tax distributions to members in an aggregate amount of \$27,631, \$45,000, and \$25,000 for the years ended March 31, 2018, 2017, and 2016, respectively, which included an excess distribution to option holders of \$0, \$2,608, and \$2,124 for the years ended March 31, 2018, 2017, and 2016, respectively.

9. Equity-Based Compensation

2017 Equity Incentive Plan

The Company has adopted its 2017 Equity Incentive Plan, as amended (the “2017 Equity Plan”), which permits the issuance of up to 5,000,000 shares of Class A common stock, which may be granted as incentive stock options, nonqualified stock options, SARs, restricted stock, restricted stock units, or PSUs. Awards under the Plan generally vest over four years, with options expiring not more than ten years from the date of grant, three months after termination of employment or one year after the date of

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death or termination due to disability of the grantee. As of March 31, 2018, there were 3,277,862 shares of Class A common stock available to grant under the Plan. Pursuant to the terms of the Plan, awards may not be granted after February 28, 2027.

Conversion of Restricted Interests

On March 6, 2017, in connection with the Reorganization described in Note 1, all outstanding options and unvested restricted interests of HLA were cancelled and replaced with stock options and restricted stock awards under the Plan. The replacement awards were issued with remaining vesting periods and other terms substantially identical to the awards they replaced. There was no difference in the fair value of the cancelled awards and replacement awards and no additional compensation expense was recorded.

Summary of Option Activity

A summary of option activity under the Plan for the three years ended March 31, 2018 is presented below:

| | Year Ended March 31, | | | | | |
|--|----------------------|---|----------------------|---|----------------------|---|
| | 2018 | | 2017 | | 2016 | |
| | Number of Options | Weighted- Average Exercise Price | Number of Options | Weighted- Average Exercise Price | Number of Options | Weighted- Average Exercise Price |
| Options outstanding at beginning of year | 233,495 | \$ 1.34 | 3,532,340 | \$ 1.03 | 4,486,955 | \$ 0.94 |
| Options exercised | (233,495) | 1.34 | (3,298,845) | 1.01 | (954,615) | 0.61 |
| Options outstanding at end of year | — | — | 233,495 | 1.34 | 3,532,340 | 1.03 |
| Options exercisable at end of year | — | — | 233,495 | 1.34 | | |

The intrinsic value of options exercised was \$4,350, \$46,436, and \$10,487 for the years ended March 31, 2018, 2017 and 2016, respectively.

At March 31, 2018, there was no unrecognized compensation expense related to options issued under the Plan.

Restricted Stock

The Company has granted restricted Class A common stock under the Plan to certain employees as part of the annual bonus program and in connection with the Reorganization. Holders of restricted stock have all of the rights of a shareholder with respect to such shares, including the right to vote the shares but not the right to receive dividends or other distributions. Substantially all of the awards vest over four years in equal annual installments. On each vesting date, the related employee tax liabilities are either paid in cash by the employee or stock is sold back to the Company at the then-current fair value to offset the required minimum tax withholding obligations. Forfeitures are recognized as they occur. Compensation expense related to the awards is recognized ratably each month over the vesting period.

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(In thousands, except share and per share amounts)

The change in unvested restricted stock, including unvested restricted interests prior to the IPO, is as follows:

| | Total Unvested | Weighted- Average Grant-Date Fair Value of Award |
|----------------|---------------------------|---|
| March 31, 2017 | 1,138,521 | \$ 14.49 |
| Granted | 235,219 | 32.45 |
| Vested | (438,795) | 12.37 |
| Forfeited | (41,388) | 14.18 |
| March 31, 2018 | 893,557 | \$ 19.32 |

The weighted-average fair value per share of restricted stock awarded during the years ended March 31, 2018, 2017 and 2016 was \$32.45, \$17.49, and \$13.95, respectively. The total fair value of restricted stock that vested during the years ended March 31, 2018, 2017 and 2016 was \$16,214, \$8,589, and \$6,596, respectively. As of March 31, 2018, total unrecognized compensation expense related to restricted stock was \$16,800 with a weighted-average amortization period of 3.04 years.

The total tax benefit recognized from share-based compensation for the years ended March 31, 2018, 2017 and 2016 was \$2,403, \$656 and \$83, respectively.

10. Compensation and Benefits

The Company has recorded the following amounts related to compensation and benefits:

| | Year Ended March 31, | | |
|--|-----------------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| Base compensation and benefits | \$ 72,151 | \$ 65,968 | \$ 72,179 |
| Incentive fee compensation | 1,774 | 1,467 | 16,156 |
| Equity-based compensation | 5,544 | 4,681 | 3,730 |
| Contingent compensation related to acquisition | 3,399 | — | — |
| Total compensation and benefits | \$ 82,868 | \$ 72,116 | \$ 92,065 |

The incentive fee compensation paid for the year ended March 31, 2016 subject to claw-back from employees is \$635. There was no incentive fee compensation paid for the years ended March 31, 2018 and 2017 that is subject to claw-back.

The Company provides defined contribution plans covering U.S., United Kingdom and Hong Kong employees subject to minimum age and service guidelines. Eligible employees may contribute a percentage of their annual compensation subject to statutory guidelines.

The Company makes discretionary and/or matching contributions to the plans, which amounted to \$1,303, \$1,122, and \$1,080 for the years ended March 31, 2018, 2017 and 2016, respectively, and is included in compensation and benefits expense in the Consolidated Statements of Income.

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The Company also provides annual discretionary bonus awards to its employees based on company and individual performance, which are included in compensation and benefits in the Consolidated Statements of Income.

11. Income Taxes

The Company's income (loss) before income taxes consisted of the following:

| | Year Ended March 31, | | |
|-------------------------------------|----------------------|------------------|------------------|
| | 2018 | 2017 | 2016 |
| Domestic income before income taxes | \$ 138,290 | \$ 73,565 | \$ 55,252 |
| Foreign income before income taxes | 1,340 | 1,189 | 1,469 |
| Total income before income taxes | <u>\$ 139,630</u> | <u>\$ 74,754</u> | <u>\$ 56,721</u> |

Components of income tax expense consist of the following:

| | Year Ended March 31, | | |
|---|----------------------|---------------|---------------|
| | 2018 | 2017 | 2016 |
| Current: | | | |
| Federal | \$ 8,001 | \$ — | \$ — |
| State and local | 1,769 | — | — |
| Foreign | 580 | 290 | 139 |
| Total current income tax expense | <u>\$ 10,350</u> | <u>\$ 290</u> | <u>\$ 139</u> |
| Deferred: | | | |
| Federal | \$ 24,180 | \$ 356 | \$ — |
| State and local | (496) | 53 | — |
| Foreign | (701) | (383) | 730 |
| Total deferred income tax (benefit) expense | 22,983 | 26 | 730 |
| Total income tax expense | <u>\$ 33,333</u> | <u>\$ 316</u> | <u>\$ 869</u> |

A reconciliation of the U.S. statutory income tax rate to the Company's effective tax rate is as follows:

| | Year Ended March 31, | | |
|--|----------------------|--------------|--------------|
| | 2018 | 2017 | 2016 |
| Federal tax at statutory rate | 31.6 % | 35.0 % | 35.0 % |
| State income taxes, net of federal benefit | 1.5 % | 5.2 % | 3.1 % |
| Non-controlling interest | (19.8)% | (39.7)% | (38.1)% |
| Foreign income taxes | (0.4)% | (0.3)% | 0.6 % |
| Valuation allowance | (1.6)% | 0.2 % | 1.0 % |
| Tax reform impact | 13.7 % | — % | — % |
| Other | (1.1)% | — % | — % |
| Effective tax rate | <u>23.9 %</u> | <u>0.4 %</u> | <u>1.6 %</u> |

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Federal Tax Reform

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Tax Act”) was enacted, resulting in significant changes to U.S. federal income tax laws which include, but are not limited to: (1) a reduction of the corporate income tax rate from a maximum graduated tax rate of 35% to a flat tax rate of 21% effective January 1, 2018, (2) a limitation of the tax deduction for interest expense, (3) expensing the cost of acquired qualified property, and (4) a one-time transition tax on accumulated, undistributed earnings of certain foreign subsidiaries. As a result of the rate change and other changes in the Tax Act, the Company has recorded a reduction in its net deferred tax assets of \$20,130 with a corresponding increase in deferred income tax expense, a one-time transition tax on the mandatory deemed repatriation of foreign earnings of \$442 as income tax expense, both of which are offset by the reversal of a deferred tax liability on undistributed foreign earnings of \$574 recorded as a deferred income tax benefit.

The Company’s U.S. federal statutory income tax rate was impacted by the enactment of the Tax Act. Consequently, the blended federal statutory tax rate for the Company’s fiscal year 2018 is 31.55% based on the weighted average of a 35% tax rate for 275 days and 21% for 90 days. The Company’s overall effective tax rate is less than the statutory rate due primarily to the portion of income allocated to the non-controlling entities, which are generally not subject to corporate-level income tax except for operations in certain foreign jurisdictions.

The SEC Staff issued Staff Accounting Bulletin No. 118 in December 2017 which addresses situations where the information needed to account for the income tax effects of the Tax Act is either not available, not prepared, or incomplete for the reporting period in which the Tax Act was enacted. The Company has determined that the \$20,130 deferred income tax expense related to the remeasurement of certain deferred tax assets and liabilities, and the \$442 current income tax expense related to the transition tax on mandatory deemed repatriation of foreign earnings, are provisional amounts and reasonable estimates at March 31, 2018. The Company has not yet completed its analysis of the Global Intangible Low-Taxed Income (“GILTI”) tax provisions of the Tax Act, and therefore, is not yet able to reasonably estimate the income tax effect. The Company expects to complete its evaluation of the provisional amounts during the second half of 2018 as technical guidance is released and as it completes its 2017 federal and state income tax returns.

The significant components of deferred tax assets and liabilities are as follows:

| | Year Ended March 31, | |
|----------------------------------|-----------------------------|------------------|
| | 2018 | 2017 |
| Deferred tax assets: | | |
| Basis difference in HLA | \$ 101,951 | \$ 98,942 |
| Equity-based compensation | — | 355 |
| Net operating loss carryforwards | 1,861 | 680 |
| Valuation allowance | (30,693) | (38,180) |
| State taxes | 262 | — |
| Total deferred tax assets | <u>\$ 73,381</u> | <u>\$ 61,797</u> |
| Deferred tax liabilities: | | |
| Undistributed foreign earnings | \$ — | \$ 574 |
| Total deferred tax liabilities | — | 574 |
| Net deferred tax assets | <u>\$ 73,381</u> | <u>\$ 61,223</u> |

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As of March 31, 2018 and 2017, the Company had net operating loss carryforwards of \$1,861 and \$680 that were generated from certain foreign subsidiaries. These net operating losses can be carried forward indefinitely. As of March 31, 2018 and 2017, it is more likely than not that the tax benefits from certain of these net operating loss carryforwards will not be realized, therefore, a valuation allowance of \$845 and \$680 has been established, respectively.

In connection with the Reorganization and 2018 Offering, the Company recorded a deferred tax asset in the amount of \$101,951. It is more likely than not that a portion of these tax benefits will not be realized, therefore, a valuation allowance of \$29,848 has been established as of March 31, 2018.

The Company believes it is more likely than not that the deferred tax assets (except those identified above) will be realized based on the Company's historic earnings, forecasted income, and the reversal of temporary differences. The net change in the valuation allowance was an decrease of \$7,487.

As of March 31, 2018, 2017, and 2016, the Company had no unrecognized tax positions. The Company does not expect any material increase or decrease in its gross unrecognized tax positions during the next twelve months. If and when the Company does record unrecognized tax positions in the future, any interest and penalties related to unrecognized tax positions will be recorded in the income tax expense line in the Consolidated Statements of Income.

The Company files income tax returns as required by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company may be subject to examination by federal and certain state and local tax authorities. As of March 31, 2018, the Company's federal income tax returns for the years 2014 through 2017 and state and local tax returns for the years 2011 through 2017 remain open and are subject to examination. Currently, no tax authorities are auditing any of the Company's income tax matters.

Tax Receivable Agreement

The Company has recorded a liability related to the TRA of \$34,133 and \$10,734 as of March 31, 2018 and 2017. In the event that the valuation allowance related to tax benefits associated with the TRA is released in a future period, an additional estimated payable will be due to the TRA Recipients of \$8,394.

12. Earnings per Share

Basic earnings per share of Class A common stock is computed by dividing net income attributable to HLI by the weighted-average number of shares of Class A common stock outstanding. Diluted earnings per share of Class A common stock is computed by dividing net income attributable to HLI by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

Shares of the Company's Class B common stock do not share in the earnings or losses attributable to HLI and therefore are not participating securities. As a result, a separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been included. Shares of the Company's Class B common stock are, however, considered potentially dilutive to the Class A common stock because each share of Class B common stock, together with a corresponding Class B unit, is exchangeable for a share of Class A common stock on a one-for-one basis.

There were no shares of Class A common stock outstanding prior to March 6, 2017, therefore no earnings per share information has been presented for any period prior to that date.

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The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock:

| | Year Ended March 31, 2018 | | | Year Ended March 31, 2017 ⁽¹⁾ | | |
|---|--------------------------------------|-----------------------------|---------------------|--|-----------------------------|---------------------|
| | Net income attributable to HLI | Weighted- Average Shares | Per share amount | Net income attributable to HLI | Weighted- Average Shares | Per share amount |
| Basic EPS of Class A common stock | \$ 17,341 | 18,414,715 | \$ 0.94 | \$ 612 | 17,788,363 | \$ 0.03 |
| Adjustment to net income: | | | | | | |
| Assumed exercise and vesting of employee awards | 356 | | | 9 | | |
| Effect of dilutive securities: | | | | | | |
| Assumed exercise and vesting of employee awards | | 575,654 | | | 552,716 | |
| Diluted EPS of Class A common stock | \$ 17,697 | 18,990,369 | \$ 0.93 | \$ 621 | 18,341,079 | \$ 0.03 |

(1) Represents earnings per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the period from March 6, 2017 through March 31, 2017, the period following the Reorganization and IPO, as defined in Note 1.

The calculation of diluted earnings per share excludes 30,603,983 outstanding Class B and C Units of HLA, which are exchangeable into Class A common stock under the “if-converted” method, because the inclusion of such shares would be antidilutive.

13. Related-Party Transactions

The Company has investment management agreements with various specialized funds and customized separate accounts that it manages. The Company earned management and advisory fees from Partnerships of \$113,507, \$105,087, and \$88,330 for the years ended March 31, 2018, 2017 and 2016, respectively. The Company earned incentive fees from Partnerships of \$43,522, \$6,495, and \$20,923 for the years ended March 31, 2018, 2017 and 2016, respectively.

The Company entered into a service agreement on June 1, 2017 with a joint venture pursuant to which it had expenses of \$3,638 for the year ended March 31, 2018, which amount is included in general, administrative and other expenses in the Consolidated Statements of Income. The Company also has a payable to the joint venture of \$393 as of March 31, 2018, which is included in other liabilities in the Consolidated Balance Sheets.

Due from related parties in the Consolidated Balance Sheets consist primarily of advances made on behalf of the Partnerships for the payment of certain operating costs and expenses for which the Company is subsequently reimbursed and refundable tax distributions made to members of HLA.

Fees receivable from the Partnerships were \$1,929 and \$918 for the periods ended March 31, 2018 and 2017, respectively, and are included in fees receivable in the Consolidated Balance Sheets.

Hamilton Lane Incorporated
Notes to Consolidated Financial Statements
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14. Supplemental Cash Flow Information

| | Year Ended March 31, | | |
|--|----------------------|-----------|-----------|
| | 2018 | 2017 | 2016 |
| Cash paid during the year for interest | \$ 3,075 | \$ 10,234 | \$ 9,237 |
| Cash paid during the year for income taxes | \$ 8,790 | \$ 280 | \$ 175 |
| Fair value of non-cash consideration received for Company's interest in proprietary investment | \$ — | \$ — | \$ 10,798 |
| Non-cash investing activities: | | | |
| Shares issued for acquisition of business | \$ 612 | \$ — | \$ — |
| Non-cash financing activities: | | | |
| Exchange of HLA Class A Units to HLI Class A common stock | \$ — | \$ 4 | \$ — |
| Establishment of net deferred tax assets related to tax receivable agreement | \$ 34,492 | \$ 61,278 | \$ — |
| Dividends declared but not paid | \$ 3,893 | \$ — | \$ — |
| Members' distributions declared but not paid | \$ 11,837 | \$ 2,385 | \$ — |

15. Commitments and Contingencies

Litigation

In the ordinary course of business, the Company may be subject to various legal, regulatory, and/or administrative proceedings from time to time. Although there can be no assurance of the outcome of such proceedings, in the opinion of management, the Company does not believe it is probable that any pending or, to its knowledge, threatened legal proceeding or claim would individually or in the aggregate materially affect its consolidated financial statements.

Incentive Fees

In connection with Carried Interest from the Partnerships, the Company only recognizes its allocable share of the Partnerships' earnings to the extent that this income is not subject to continuing contingencies. Carried Interest allocated to the Company from the Partnerships that is subject to continuing contingencies is not recognized in the accompanying Consolidated Balance Sheets. The Partnerships have allocated Carried Interest, which is still subject to contingencies, in the amounts of \$303,766 and \$236,857 at March 31, 2018 and 2017, respectively, of which \$6,245 and \$45,166 at March 31, 2018 and 2017, respectively, has been received and deferred by the Company.

If the Company ultimately receives the unrecognized Carried Interest, a total of \$75,306 and \$48,849 as of March 31, 2018 and 2017, respectively, would be potentially payable to certain employees and third parties pursuant to compensation arrangements related to the carried interest profit-sharing plans. Such amounts have not been recorded in the Consolidated Balance Sheets or Consolidated Statements of Income as this liability is not yet probable.

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Leases

The Company has entered into operating lease agreements for office equipment, office space, and related information services. The Company leases office space in various countries around the world and maintains its headquarters in Bala Cynwyd, Pennsylvania, where it leases primary office space under a non-cancellable lease agreement expiring December 2021 with two options to extend the term for five years each. Total lease expense was \$5,286, \$4,801, and \$4,740 for the years ended March 31, 2018, 2017 and 2016, respectively, and is recorded on the straight-line basis and included in general, administrative and other expenses in the Consolidated Statements of Income.

Future minimum lease payments under noncancelable operating leases consist of the following:

Fiscal year ending March 31:

| | | |
|------------|----|-------|
| 2019 | \$ | 5,138 |
| 2020 | | 4,913 |
| 2021 | | 4,154 |
| 2022 | | 2,833 |
| 2023 | | 705 |
| Thereafter | | 602 |

Commitments

The Company serves as the investment manager of the Partnerships. The general partner or managing member of each Partnership is generally a separate subsidiary of the Company and has agreed to invest funds on the same basis as the limited partners in most instances. The aggregate unfunded commitment of the general partners to the Partnerships was \$101,054 and \$76,908 as of March 31, 2018 and 2017, respectively.

16. Management and Advisory Fees

The following presents management and advisory fee revenues by product offering:

| | Year Ended March 31, | | |
|------------------------------------|----------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 |
| Customized separate accounts | \$ 79,144 | \$ 71,261 | \$ 67,879 |
| Specialized funds | 83,151 | 74,675 | 62,340 |
| Advisory and reporting | 28,359 | 23,798 | 22,536 |
| Distribution management | 4,376 | 2,940 | 4,875 |
| Total management and advisory fees | <u>\$ 195,030</u> | <u>\$ 172,674</u> | <u>\$ 157,630</u> |

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17. Quarterly Financial Information (Unaudited)

| | For the quarter ended | | | |
|---|-----------------------|--------------------|-------------------|----------------|
| | June 30, 2017 | September 30, 2017 | December 31, 2017 | March 31, 2018 |
| Total revenues | \$ 52,701 | \$ 48,709 | \$ 65,014 | \$ 77,609 |
| Total expenses | 28,420 | 28,703 | 30,710 | 33,247 |
| Net income | 25,612 | 18,234 | 17,833 | 44,618 |
| Net income attributable to Hamilton Lane Incorporated | 5,464 | 4,688 | (6,309) | 13,498 |
| Earnings (loss) per share of Class A common stock: | | | | |
| Class A - Basic | \$.30 | \$.26 | \$ (.35) | \$.69 |
| Class A - Diluted | \$.30 | \$.26 | \$ (.35) | \$.68 |

| | For the quarter ended | | | |
|---|-----------------------|--------------------|-------------------|----------------|
| | June 30, 2016 | September 30, 2016 | December 31, 2016 | March 31, 2017 |
| Total revenues | \$ 39,566 | \$ 51,244 | \$ 42,331 | \$ 46,679 |
| Total expenses | 22,706 | 27,801 | 25,579 | 27,619 |
| Net income | 16,391 | 24,358 | 17,063 | 16,626 |
| Net income attributable to Hamilton Lane Incorporated | — | — | — | 612 |
| Earnings per share of Class A common stock ⁽¹⁾ : | | | | |
| Class A - Basic | — | — | — | \$.03 |
| Class A - Diluted | — | — | — | \$.03 |

(1) Represents earnings per share of Class A common stock outstanding for the period from March 6, 2017 through March 31, 2017, the period following the Reorganization and IPO.

18. Subsequent Events

On May 27, 2018, one of the Company's technology investments, which is carried at cost, announced the signing of a definitive agreement to be acquired by another company. The acquisition is expected to close in the second half of 2018 and is subject to customary closing conditions and regulatory filings and approvals. Based upon the current terms of the agreement, the Company estimates it will record a gain of approximately \$7,600 in connection with the transaction.

On June 7, 2018, the Company declared a quarterly dividend of \$0.2125 per share of Class A common stock to record holders at the close of business on June 18, 2018. The payment date will be July 6, 2018.

Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2018. Our disclosure controls and procedures are intended to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at March 31, 2018.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of March 31, 2018, based on the criteria described in the *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of its evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2018.

Because we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting for so long as we are an emerging growth company.

Changes in Internal Control over Financial Reporting

As previously identified and discussed in our Annual Report on Form 10-K for the year ended March 31, 2017, we identified a material weakness in our internal control over financial reporting related to our calculation of deferred taxes and payable under the tax receivable agreement we entered into in connection with our IPO. During the year ended March 31, 2018, we have taken the following steps in connection with the remediation of the material weakness:

- We hired a Director of Tax to oversee financial reporting for income taxes.
- We implemented additional controls and procedures to ensure that future calculations are performed correctly. We tested these controls as part of our assessment and found them to be designed and operating effectively as of March 31, 2018.
- We established additional monitoring and oversight controls to ensure the accuracy and completeness of our consolidated financial statements and related controls. We tested these controls as part of our assessment and found them to be designed and operating effectively as of March 31, 2018.

Except as discussed above, there were no changes to our internal control over financial reporting that occurred during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Carried Interest Plan

HLA maintains the Hamilton Lane Advisors, L.L.C. 2016 Carried Interest Plan, pursuant to which awards of cash and profits interests are made to certain full-time salaried employees of HLA who are key contributors to the success of the business. On June 13, 2018, HLA amended and restated the Hamilton Lane Advisors, L.L.C. 2016 Carried Interest Plan, effective as of January 1, 2018 (as amended and restated, the “Carried Interest Plan”). The amendment delegates authority to administer the Carried Interest Plan to HLA’s Compensation Committee. In addition, the amendment (i) added a 20% reduction in payments to participants who cease to be employees, and a full forfeiture of future payments for anyone terminated for “Cause,” as defined in the Plan. Other ministerial changes were made to clarify the plan’s operation and administration. Outstanding awards of carried interest made under prior carried interest plans are not subject to these reduction provisions, absent consent of the participant.

It is not currently knowable what amounts will be payable to named executive officers under the Carried Interest Plan. The Carried Interest Plan, as amended, is described in full under the heading “Executive Compensation Arrangements—Carried Interest Compensation” in Part III, Item 11 of this Form 10-K and attached as Exhibit 10.14 hereto.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

MANAGEMENT

The following table sets forth the names, ages and positions of our current directors and executive officers. Each of our executive officers is employed by and holds the listed positions at HLA. Our board of directors has appointed our senior management team to the same positions at Hamilton Lane Incorporated.

| Name | Age | Position |
|----------------------|-----|---------------------------------------|
| Hartley R. Rogers | 58 | Chairman and Director |
| Mario L. Giannini | 65 | Chief Executive Officer and Director |
| Randy M. Stilman | 56 | Chief Financial Officer and Treasurer |
| Erik R. Hirsch | 45 | Vice Chairman and Director |
| Kevin J. Lucey | 51 | Chief Operating Officer |
| Lydia A. Gavalis | 54 | General Counsel and Secretary |
| Juan Delgado-Moreira | 47 | Managing Director |
| Michael Donohue | 42 | Managing Director and Controller |
| David J. Berkman | 56 | Director |
| O. Griffith Sexton | 74 | Director |
| Leslie F. Varon | 61 | Director |

Hartley R. Rogers

Mr. Rogers is the Chairman of our board of directors, a Managing Director, and a member of various investment committees. Prior to serving as Chairman, Mr. Rogers was the Vice Chairman of the board of directors of HLA. He is a Managing Director of Aries Advisors, LLC and Co-Head of CSFB Equity Partners, a private equity fund that is in liquidation and for which Aries Advisors, LLC is an investment advisor. Prior to joining Hamilton Lane in 2003, he was a Managing Director in the Private Equity Division of Credit Suisse First Boston from 1997 to 2001. Subsequently, he was a Managing Director and investment committee member of DLJ Merchant Banking Partners III, a \$5.3 billion private equity fund, from 2001 to 2002. Prior to joining CSFB in 1997, Mr. Rogers was a Managing Director of Morgan Stanley & Co. Incorporated, where his responsibilities included serving as President of the general partners of the Princes Gate Investors family of private equity funds. He worked at Morgan Stanley from 1981 to 1983, 1986 to 1993 and from 1995 to 1997. He serves on the boards (or equivalent bodies) of the Green Vale School, the Peoples' Symphony Concerts and previously served on the board of the Metropolitan Opera. He also serves on the board of the Institute for International Education and is a member of its investment committee. As of May 3, 2018, Mr. Rogers stepped down as a director of Acadia Healthcare (NASDAQ: ACHC). He is a graduate of Harvard College and received an M.B.A. from Harvard Business School.

Mr. Rogers' extensive experience in private markets, including his long tenure as our Chairman, brings valuable industry-specific knowledge and insights to the board of directors and provides the board of directors with an in-depth understanding of our business and operations.

Mario L. Giannini

Mr. Giannini is our Chief Executive Officer, a member of our board of directors and a Co-Chairman of various investment committees. Mr. Giannini has been a director since 2007 and has been Chief Executive Officer since 2001. Prior to becoming Chief Executive Officer, Mr. Giannini was the President of HLA from 1998 to 2001. Prior to joining Hamilton Lane in 1993, he served as Executive Vice President and General Counsel of Industrial Valley Title Insurance Company from 1989 to 1992, Deputy General Counsel of Fidelity Bank in Philadelphia from 1984 to 1989, and Senior Attorney at Continental Illinois Bank in Chicago from 1979 to 1983. Mr. Giannini received a B.A. from California State University, Northridge, a J.D. from Boston College and a Master of Laws degree from the University of Virginia. He is a former member of the state bars of California and Illinois.

Mr. Giannini's extensive experience in private markets, including his long tenure overseeing our strategic direction as Chief Executive Officer, brings valuable industry-specific knowledge and insights to the board of directors and provides the board of directors with an in-depth understanding of our business and operations.

Randy M. Stilman

Mr. Stilman is our Chief Financial Officer and Treasurer. Mr. Stilman has been the Chief Financial Officer of HLA since joining Hamilton Lane in 1997. Prior to joining Hamilton Lane, he was the Director of Accounting for Chemical Leaman Tank Lines from 1995 to 1997, Controller of CLT Appraisal Services from 1993 to 1995, and Vice President of Finance of Industrial Valley Title Insurance Company from 1989 to 1993. He began his career as an Audit Supervisor at the accounting firm of Laventhol & Horwath. Mr. Stilman received a B.B.A. from Temple University and is a certified public accountant. He is a member of the American and Pennsylvania Institutes of Certified Public Accountants.

Erik R. Hirsch

Mr. Hirsch has served as our Vice Chairman since October 2016 and has been a member of our board of directors since March 2017. He also serves as Chairman of HLA's Investment Committee. Prior to becoming our Vice Chairman, he previously served as Chief Investment Officer from April 2003 to October 2016. Prior to serving as Chief Investment Officer, Mr. Hirsch held the positions of Managing Director, Vice President and Associate. Before joining Hamilton Lane in 1999, Mr. Hirsch was a corporate investment banker in the merger and acquisition department of Brown Brothers Harriman & Co. from 1998 to 1999. From 1995 to 1998, he was a municipal financial consultant with Public Financial Management, specializing in asset securitization, strategic consulting and sport stadium financings. Civically, Mr. Hirsch is the Chief Executive Officer and President of the Snug Harbor Foundation and serves on the board of directors of the Sixers Youth Foundation. Mr. Hirsch received a B.A. from the University of Virginia.

Mr. Hirsch's extensive experience in private markets, including his long tenure managing our investments as Chief Investment Officer, brings valuable industry-specific knowledge and insights to the board of directors and provides the board of directors with an in-depth understanding of our business and operations.

Kevin J. Lucey

Mr. Lucey has been our Chief Operating Officer since 2011. He is a member of HLA's Investment Committee and leads our Operating Committee, Business Development, Relationship Management, Human Resources and Information Technology functions. Mr. Lucey joined the firm in 2007 from Delaware Investments, where he was Executive Vice President responsible for global distribution, client services, product management and product development from 2003 to 2006. Mr. Lucey previously served

as Senior Vice President of Putnam Investments from 1995 to 2003, responsible for 401(k) sales. He also has held positions at Mellon Bank, The Boston Company and Colonial Management Associates. Mr. Lucey received a B.A. in Finance from Merrimack College, where he has served on the board of trustees since 2015.

Lydia A. Gavalis

Ms. Gavalis is our General Counsel and Secretary. She is responsible for Hamilton Lane's global legal affairs, directly and through her legal and compliance team. Prior to joining the firm in 2016, Ms. Gavalis worked for SEI Investments Company for more than 18 years. She served as Division General Counsel of SEI's Institutional Investors business segment; General Counsel for both SEI Private Trust Company, a U.S. federal savings association, and SEI Trust Company, a U.S. state-chartered trust company; Head of SEI's Corporate Legal Services team; and Director & General Counsel of the company's London-based asset management firm, SEI Investments (Europe) Limited. Ms. Gavalis received a J.D. from Temple University School of Law in 1989 and a B.A. from Rosemont College in 1986, where she received the E.R.S. Law School award. She is a member of the state bar of Pennsylvania.

Juan Delgado-Moreira

Mr. Delgado-Moreira is a Managing Director of HLA and serves as the head of our Asia business. He is a member of HLA's Investment Committee and leads our Asian investment activities and client relationships. Prior to joining Hamilton Lane in 2005, Mr. Delgado-Moreira was an Investment Manager at Baring Private Equity Partners Ltd. in London, where he focused on mid-market private equity in Europe. Previously, Mr. Delgado-Moreira held senior research positions at institutions in the United Kingdom, including the University of Essex, and was a lecturer and Fulbright Scholar at Stanford University. Mr. Delgado-Moreira began his career as an analyst in Madrid, Spain at the Sociedad Estatal de Participaciones Industriales (formerly known as the Instituto Nacional de Industria). Mr. Delgado-Moreira received a B.A. in Political Science and Sociology and a Ph.D. in Research Methods/Statistics from the Universidad Complutense de Madrid. He is a chartered financial analyst and a member of the CFA Institute.

Michael Donohue

Mr. Donohue is our Controller and a Managing Director in HLA's Finance Department, where he oversees internal reporting, SEC and external reporting, tax and financial planning and analysis. Prior to joining Hamilton Lane in 2008, Mr. Donohue was Assistant Controller at an international chemical manufacturer. Previously, he was an audit manager with KPMG in Philadelphia. He began his career at Crown Holdings, where he held several accounting positions. Mr. Donohue received a B.S. in Accounting from The Pennsylvania State University and an M.B.A. from Villanova University and is a certified public accountant. He is a member of the American and Pennsylvania Institutes of Certified Public Accountants.

David J. Berkman

Mr. Berkman has been a member of our board of directors since May 2017. Since January 2000, Mr. Berkman has served as the Managing Partner of Associated Partners, LP, a private equity firm primarily engaged in telecommunications infrastructure operations and investments. Mr. Berkman serves on the boards (or equivalent bodies) of Entercom Communications Corp. (NYSE: ETM), as Lead Director, and serves on its audit, compensation, nominating/corporate governance and executive committees, and Franklin Square Holdings, LP. He previously served on the board of Actua Corporation until resigning in February 2018 in connection with the sale of substantially all of that company's assets and subsequent

voluntary delisting from the Nasdaq Global Market, liquidation and wind-up of its remaining business. He also served on the board of Diamond Resorts International, Inc. until the sale of that company to a private investor in September 2016. He also serves on the advisory committee of First Round Capital, a venture firm. Civically, Mr. Berkman serves on the Board of Overseers of the University of Pennsylvania School of Engineering and Applied Science. Mr. Berkman received a B.S. in Economics from the Wharton School of the University of Pennsylvania.

Mr. Berkman's extensive experience in private markets, in the start-up and operation of various platforms, as well as his long-standing service on other public company boards, enables him to bring valuable investment, operations, and governance knowledge to the board of directors. Additionally, his insight in the areas of corporate finance, financial reporting, and accounting and controls is expected to be valuable to the Company.

O. Griffith Sexton

Mr. Sexton has been a member of our board of directors since March 2017. Mr. Sexton has served on the board of HLA since 2003. He was an adjunct professor of finance at Columbia Business School from 1995 to 2010 and is a visiting lecturer at Princeton University, where he teaches courses in corporate finance. Mr. Sexton was an investment banking professional at Morgan Stanley from 1973 to 1995 where he served as a managing director from 1985 to 1995. His responsibilities included the development and execution of advisory assignments involving major corporate transactions such as mergers, acquisitions, divestitures, corporate defense, recapitalizations, financial restructurings, joint ventures, and spin-offs and squeeze outs. He has served as an advisory director of Morgan Stanley from 1995 to 2005 and from 2014 to the present. Mr. Sexton was a member of the board of directors of Morgan Stanley from 2005 to 2014 and of Investor AB, a publicly traded Swedish investment company, from 2003 to 2015. A former U.S. naval aviator and Vietnam veteran, Mr. Sexton holds a B.S.E. from Princeton and an M.B.A. from Stanford.

Mr. Sexton's broad experience in finance and academia brings valuable insight, an in-depth understanding of the industry and a unique perspective to the board of directors.

Leslie F. Varon

Ms. Varon has been a member of our board of directors since May 2017. Ms. Varon served as Chief Financial Officer of Xerox Corporation from November 2015 through December 2016 during which time she led the restructuring of the \$18 billion business process services, printing equipment, software and solutions company, including the successful spin-off of its \$7 billion services business. After that transaction, she became Special Advisor to the new Xerox Chief Executive Officer until March 2017 when she retired from the company. Prior to becoming Chief Financial Officer at Xerox, she was briefly VP Investor Relations from March 2015 through October 2015. Previously, she served Xerox as VP Finance & Corporate Controller from July 2006 to February 2015, where she oversaw global financial operating executives and had responsibility for corporate financial planning and analysis, accounting, internal audit, risk management, global real estate and worldwide shared services centers. Earlier in her career, Ms. Varon was Vice President Finance & Operations support for Xerox's North American business, Vice President Xerox Investor Relations and Corporate Secretary and Director of Corporate Audit. From 2006 to 2017 she served on the board of Xerox International Partners, a joint venture between Xerox Corporation and Fuji Xerox Corporation, representing Xerox Corporation's ownership stake. Ms. Varon is also a member of the audit committee of the board of directors of Dentsply Sirona Inc. (Nasdaq: XRAY). She received a B.A. from Binghamton University and an M.B.A. with concentrations in finance and marketing from Virginia Tech.

Ms. Varon’s extensive financial background, combined with her investor engagement and corporate governance expertise and demonstrated success in business transformation, crisis management and balance sheet optimization, brings valuable knowledge and insights to the board of directors.

Composition of the Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our certificate of incorporation provides that the size of our board of directors may be set from time to time by our then current board of directors. Our board of directors has set the size of the board at six members: Messrs. Rogers, Giannini, Berkman, Hirsch and Sexton and Ms. Varon currently serve on our board of directors, and Mr. Rogers serves as Chairman.

Our directors are elected to serve until their successors are duly elected and qualified or until their earlier death, resignation, removal, retirement or disqualification. We hold an annual meeting of stockholders for the election of directors as required by the rules of Nasdaq. There is no limit on the number of terms a director may serve.

Our board of directors is divided into three classes as nearly equal in size as is practicable. The composition of the board of directors is:

- Class I, which consists of Messrs. Berkman and Sexton, whose terms will expire at our annual meeting of stockholders to be held in 2020;
- Class II, which consists of Mr. Hirsch and Ms. Varon, whose terms will expire at our annual meeting of stockholders to be held in 2018; and
- Class III, which consists of Messrs. Giannini and Rogers, whose terms will expire at our annual meeting of stockholders to be held in 2019.

Upon the expiration of the initial term of office for each class of directors, each director in such class will be elected for a term of three years and serve until a successor is duly elected and qualified or until his or her earlier death, resignation, removal, retirement or disqualification. Vacancies occurring on the board of directors, whether due to death, resignation, removal, retirement, disqualification or for any other reason, and newly created directorships resulting from an increase in the authorized number of directors, may be filled by a majority of the remaining members of the board of directors. Directors may be removed, but only for cause, with the affirmative vote of the holders of 75% of the voting power of our common stock, except that prior to a Sunset, directors may be removed with or without cause with the affirmative vote or consent of the holders of a majority of the voting power of our common stock.

Pursuant to the stockholders agreement described under “Related-Party Transactions—Stockholders Agreement” included in Part III, Item 13 of this Form 10-K, the Company and certain significant outside investors, members of management and significant employee owners have agreed to nominate for director the individuals designated by HLAI. These stockholders will vote their shares in favor of such nominees, and otherwise as directed by HLAI on all matters submitted to our stockholders for a vote.

Because the voting group collectively controls more than 50% of our voting power, we are a “controlled company” under the rules of Nasdaq and therefore qualify for an exemption from the requirement that our board of directors consist of a majority of independent directors, that we establish a compensation committee consisting solely of independent directors and that our director nominees be selected or recommended by independent directors. Accordingly, although we may transition to a board with a majority of independent directors prior to the time we cease to be a “controlled company,” until we

cease to be a “controlled company,” you do not have the same protections afforded to stockholders of companies that are subject to all of these corporate governance requirements. If we cease to be a “controlled company” and our shares continue to be listed on Nasdaq, we will be required to comply with these provisions within the applicable transition periods. See “Risk Factors—Risks Related to Our Organizational Structure—We are a ‘controlled company’ within the meaning of the Nasdaq listing standards and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements” included in Part I, Item 1A of this Form 10-K.

Our board of directors and its committees have supervisory authority over us and HLA.

Stockholder Nominations

The Stockholders Agreement provides that our board of directors will nominate individuals designated by HLAI to be elected as directors at our annual meeting of stockholders.

The Company’s Amended and Restated Bylaws (“Bylaws”) describe how other stockholders may nominate candidates for election to our board of directors. For our 2018 annual meeting of stockholders, stockholders may nominate a candidate for election to our board only by sending written notice to our corporate Secretary at our principal office at One Presidential Boulevard, 4th Floor, Bala Cynwyd, Pennsylvania 19004. This notice must be received on or before June 21, 2018, but no earlier than May 22, 2018 (except that if the date of the 2018 annual meeting of stockholders is not within 30 days of the first anniversary of the immediately preceding year’s annual meeting date, this notice must be received no earlier than the 120th day before the date of the 2018 annual meeting and not later than the later of the 90th day before the date of the 2018 annual meeting, or the close of business on the 10th day after the day on which the first public disclosure of the date of such annual meeting was made).

The notice to our corporate Secretary must set forth the information required by Section 1.12(b) of our Bylaws, including, among other things: (i) the name, age, principal occupation and business and residence address of each person nominated; (ii) the number of shares of our stock which are owned of record and beneficially by each person nominated; (iii) such other information concerning each person nominated, the stockholder making the nomination and the beneficial owner, if any, on whose behalf the nomination is being made as would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for the election of directors (even if an election contest is not involved) or that is otherwise required to be disclosed, under Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder; (iv) the consent of the person being nominated to being named in the proxy statement as a nominee and to serving as a director if elected; (v) the name and record address of the stockholder making the nomination and the beneficial owner, if any, on whose behalf the nomination is made; (vi) the class and number of shares of our stock which are owned beneficially and of record by the stockholder making the nomination and the beneficial owner, if any, on whose behalf the nomination is made; (vii) a description of any agreement, arrangement or understanding with respect to such nomination between the stockholder giving notice and any of its affiliates or associates, and any others acting in concert with any of the foregoing; and (viii) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions and borrowed or loaned shares) that has been entered into the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or to increase or decrease the voting power of, the stockholder making the nomination or any of its affiliates or associates with respect to shares of our stock, as well as certain other information and representations. This list of required information is not exhaustive.

Section 1.12(e) of our Bylaws sets forth the procedures by which stockholders may nominate candidates for election to our Board at a special meeting of stockholders called for the purposes of electing one or more directors to the Board.

A copy of the full text of the relevant Bylaw provisions, which includes the complete list of all information that must be submitted to nominate a director, may be obtained upon written request directed to our corporate Secretary at our principal office. A copy of our Bylaws is filed as Exhibit 3.2 to this report and can be found on the SEC's website at www.sec.gov.

For so long as the Stockholders Agreement remains in effect, HLAI is not subject to the notice procedures set forth in Section 1.12 of our Bylaws with respect to any annual or special meeting of stockholders.

Board Risk Oversight

Our board of directors is responsible for overseeing our risk management process. Our board of directors focuses on our general risk management strategy and the most significant risks facing us, and oversees the implementation of risk mitigation strategies by management. Our board of directors is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and significant transactions.

While the full board of directors has the ultimate oversight responsibility for the risk management process, its committees oversee risk in certain specified areas. In particular, our audit committee oversees management of enterprise risks, financial risks and risks associated with corporate governance, business conduct and ethics and is responsible for overseeing the review and approval of related-party transactions. Our compensation committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements and the incentives created by the compensation awards it administers. Pursuant to the board of directors' instruction, management regularly reports on applicable risks to the relevant committee or the full board of directors, as appropriate, with additional review or reporting on risks conducted as needed or as requested by the board of directors and its committees.

Committees of the Board of Directors

Our board of directors has an audit committee and a compensation committee, each of which has the composition and responsibilities described below. Members serve on these committees for such term or terms as our board of directors may determine or until their earlier resignation or death. Each committee is governed by a written charter, which is posted on our website at www.hamiltonlane.com. From time to time, our board of directors may also establish other, special committees when necessary to address specific issues.

Audit Committee

We have a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our audit committee consists of Messrs. Berkman and Sexton and Ms. Varon, with Ms. Varon serving as the Chair. Rule 10A-3 of the Exchange Act and the Nasdaq rules required us to have an audit committee composed entirely of independent directors by February 28, 2018. Mr. Rogers also served on the audit committee until November 2017. Our board of directors has affirmatively determined that Messrs. Berkman and Sexton and Ms. Varon each meet the definition of "independent director" for purposes of serving on an audit committee under Rule 10A-3 under the Exchange Act and the Nasdaq rules.

The audit committee is responsible for, among other things:

- appointment, termination, compensation and oversight of the work of any accounting firm engaged to prepare or issue an audit report or other audit, review or attestation services;
- considering and approving, in advance, all audit and non-audit services to be performed by independent accountants;
- reviewing and discussing the adequacy and effectiveness of our accounting and financial reporting processes and controls and the audits of our financial statements;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- investigating any matter brought to its attention within the scope of its duties and engaging independent counsel and other advisers as the audit committee deems necessary;
- determining compensation of the independent auditors, compensation of advisors hired by the audit committee and ordinary administrative expenses;
- reviewing quarterly financial statements prior to their release;
- reviewing and assessing the adequacy of a formal written charter on an annual basis;
- reviewing and approving related-party transactions for potential conflict of interest situations on an ongoing basis; and
- handling such other matters that are specifically delegated to the audit committee by our board of directors from time to time.

The board of directors has determined that each of the audit committee members qualifies as an “audit committee financial expert,” as such term is defined in Item 407(d)(5) of Regulation S-K.

Compensation Committee

Our compensation committee consists of Messrs. Rogers, Giannini and Sexton, with Mr. Giannini serving as the Chair.

The compensation committee is responsible for, among other things:

- reviewing and approving the compensation and benefits of all of our executive officers and key employees;
- monitoring and reviewing our compensation and benefit plans, including incentive compensation arrangements;
- establishing and monitoring director compensation;
- annual evaluation of the performance of its duties under its charter; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

Our board of directors reviewed the relevant provisions of Section 162(m) of the Code and the Treasury Regulations issued thereunder with regard to the status of the compensation committee members as outside directors and determined that Mr. Sexton meets the requirements of Section 162(m) of the Code. In connection with the performance of its duties, the compensation committee has (i) unrestricted access to and assistance from the officers, employees and independent auditors of the Company and such resources and support from the Company as the compensation committee deems necessary or desirable, and (ii) the authority to employ, at the expense of the Company, such experts and professionals as the compensation committee deems necessary or desirable from time to time.

Compensation Committee Interlocks and Insider Participation

Messrs. Rogers and Giannini are both executive officers of the Company. No member of the compensation committee is a former executive officer of the Company or any of its subsidiaries. None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of an entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

Code of Ethics

Our Code of Conduct and Ethics (the “Code of Ethics”) is binding on all of our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer and Controller. The Code of Ethics is available on our website at www.hamiltonlane.com. We intend to post on our website any amendments to, or waivers of, any provision of the Code of Ethics to the extent applicable to our Chief Executive Officer, Chief Financial Officer or Controller or that relates to any element of the SEC’s definition of a “code of ethics.”

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on (i) our review of reports submitted to us during and with respect to the year ended March 31, 2018, filed with the SEC pursuant to Section 16(a) of the Exchange Act, including any amendment thereto and (ii) written representations of our directors, executive officers and certain beneficial owners of more than 10% of our Class A common stock, we believe that, with the following exceptions, all reports required to be filed under Section 16(a) of the Exchange Act, with respect to transactions in our equity securities through March 31, 2018, were filed on a timely basis.

In fiscal 2018, HLA Investments, LLC and HRHLA, LLC jointly filed one late Form 4 with respect to the exchange of Class B Units and corresponding cancellation of shares of Class B common stock in connection with the 2018 Offering. Also, Juan Delgado-Moreira and Michael Donohue each filed one late Form 4/A in April 2018 to correct an administrative error that inadvertently reported vested shares of Class A common stock as restricted shares in their respective original Form 4 filings on March 8, 2017 in connection with reporting an award of restricted stock under the Company’s 2017 Equity Plan.

Item 11. Executive Compensation

We are providing compensation disclosure that satisfies the requirements applicable to emerging growth companies, as defined in the JOBS Act.

As an emerging growth company, we have opted to comply with the executive compensation rules applicable to “smaller reporting companies,” as such term is defined under the Securities Act. These rules require compensation disclosure for our principal executive officer and the two most highly compensated executive officers other than our principal executive officer.

Summary Compensation Table

The following table sets forth the compensation earned for the periods indicated by our principal executive officer and our next three most highly compensated executive officers who served in such capacities at March 31, 2018, who collectively comprise our named executive officers.

| Name and Principal Position | Year | Salary (\$) | Bonus ⁽¹⁾ (\$) | Stock Awards ⁽²⁾ (\$) | All Other Compensation (\$) | Total (\$) |
|--|------|-------------|---------------------------|----------------------------------|-----------------------------|------------|
| Mario L. Giannini Chief Executive Officer | 2018 | 350,000 | 1,400,000 | — | 84,554 ⁽³⁾ | 1,834,554 |
| | 2017 | 350,000 | 2,216,800 | 554,211 | 334,524 | 3,455,535 |
| Erik R. Hirsch Vice Chairman | 2018 | 300,000 | 1,800,000 | 600,021 | 94,538 ⁽⁴⁾ | 2,794,559 |
| | 2017 | 300,000 | 1,980,000 | 495,004 | 279,896 | 3,054,900 |
| Hartley R. Rogers Chairman | 2018 | 280,000 | 700,000 | 700,031 | 57,142 ⁽⁵⁾ | 1,737,173 |
| | 2017 | 280,000 | 750,000 | 750,003 | 91,379 | 1,871,382 |
| Juan Delgado-Moreira Managing Director | 2018 | 320,123 | 1,419,098 | 475,037 | 105,749 ⁽⁶⁾ | 2,320,007 |
| | 2017 | 322,206 | 1,470,896 | 367,908 | 382,188 | 2,543,198 |

(1) The amount shown represents the cash portion of the annual bonus.

(2) This amount represents the grant-date fair value of stock awards granted as the equity portion of the annual bonus, computed in accordance with U.S. GAAP pertaining to equity based compensation. See “Compensation and Benefits” in Note 2, “Summary of Significant Accounting Policies” to our consolidated financial statements included in Item 8.

(3) This amount represents payments received in respect of the Company’s carried interest plans of \$76,454 and 401(k) contributions of \$8,100.

(4) This amount represents payments received in respect of the Company’s carried interest plans of \$86,483 and 401(k) contributions of \$8,100.

(5) This amount represents payments received in respect of the Company’s carried interest plans of \$49,042 and 401(k) contributions of \$8,100.

(6) This amount represents payments received in respect of the Company’s carried interest plans of \$45,309, housing cost reimbursement of \$47,635, legal expenses paid by the Company of \$7,683 in connection with the 2018 Offering and contributions to a defined contribution plan of \$5,122.

Outstanding Equity Awards At 2018 Fiscal Year End

| Name | Grant Date | Restricted Stock Awards | |
|--|------------|----------------------------------|--|
| | | Unvested Restricted Stock Awards | Market Value of Unvested Restricted Stock Awards (\$) ⁽¹⁾ |
| Mario L. Giannini Chief Executive Officer | 3/14/2015 | 14,237 | 530,044 |
| | 3/11/2016 | 25,092 | 934,175 |
| | 5/15/2017 | 29,494 | 1,098,062 |
| Erik R. Hirsch Vice Chairman | 3/14/2015 | 11,011 | 409,940 |
| | 3/11/2016 | 19,715 | 733,989 |
| | 3/14/2017 | 19,758 | 738,590 |
| | 3/14/2018 | 15,761 | 586,782 |
| Hartley R. Rogers Chairman | 3/14/2015 | 13,347 | 496,909 |
| | 3/11/2016 | 31,365 | 1,167,719 |
| | 3/14/2017 | 29,936 | 1,114,517 |
| | 3/14/2018 | 18,388 | 684,585 |
| Juan Delgado-Moreira Managing Director | 3/14/2015 | 7,519 | 279,932 |
| | 3/11/2016 | 13,187 | 490,952 |
| | 3/14/2017 | 14,685 | 546,723 |
| | 3/14/2018 | 12,478 | 464,556 |

(1) Prior to the Reorganization, all equity awards vested into Class C interests. As part of the Reorganization, on March 6, 2017, unvested awards were replaced with awards vesting in Class A common stock according to the vesting schedule in effect prior to the Reorganization. The Grant Date column reflects the original award grant date. The value included in this table is based on the closing stock price of our Class A common stock as of March 30, 2018, the last business day of our fiscal year. See “Initial Public Offering and Reorganization” in Item 1.

Pension Benefits and Nonqualified Deferred Compensation

We do not provide pension benefits or nonqualified deferred compensation.

Executive Compensation Arrangements

Equity Compensation

2017 Equity Incentive Plan

Prior to our IPO, we adopted, and our sole stockholder approved, a new omnibus equity incentive plan. In February 2018, we amended the plan to make certain ministerial changes, principally to facilitate continued vesting through planned retirement dates. As amended, we refer to the plan as the “2017 Equity Plan.” The 2017 Equity Plan is intended to advance the interests of Hamilton Lane by enhancing its ability to attract and retain employees, officers and non-employee directors, in each case who are selected to be participants in the plan, and by motivating them to continue working toward and contributing to the success and growth of Hamilton Lane. Persons eligible to receive awards under the 2017 Equity Plan

include current and prospective employees, current and prospective officers and members of our board of directors who are not our employees.

The 2017 Equity Plan authorizes the award of incentive and nonqualified stock options, stock appreciation rights (“SARs”), restricted stock, restricted stock units, incentive bonuses and dividend equivalents, any of which may be performance-based. We believe the variety of awards that may be granted under this plan gives us the flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances.

The 2017 Equity Plan is administered by our compensation committee. The compensation committee has the authority to interpret the 2017 Equity Plan and prescribe, amend and rescind rules and make all other determinations necessary or desirable for the administration of the plan. The 2017 Equity Plan permits the compensation committee to select the participants, to determine the terms and conditions of those awards, including but not limited to the exercise price, the number of Class A shares subject to awards, the term of the awards and the performance goals, and to determine the restrictions applicable to awards and the conditions under which any restrictions will lapse. The compensation committee also has the discretion to determine the vesting schedule applicable to awards, provided that all awards (other than awards replaced as part of the Reorganization) vest in no less than one year. Notwithstanding the foregoing, the 2017 Equity Plan prohibits the taking of any action with respect to an award that would be treated, for accounting purposes, as a “repricing” of such award at a lower exercise, base or purchase price, unless such action is approved by our stockholders.

The 2017 Equity Plan reserved for issuance 5,000,000 shares of Class A common stock (representing approximately 10% of the fully-diluted number of shares of Class A common stock outstanding immediately after the closing of our IPO). The maximum number of Class A shares subject to awards (other than awards being replaced as part of the Reorganization) which may be granted to any individual during any fiscal year is 200,000 and the maximum number of Class A shares subject to stock options and SARs (other than awards being replaced as part of the Reorganization) granted to any individual during a calendar year is 100,000.

Awards granted under the 2017 Equity Plan are evidenced by award agreements. The terms of all options granted under the 2017 Equity Plan are determined by the compensation committee, but may not extend beyond 10 years after the date of grant. Stock options and SARs granted under the 2017 Equity Plan will have an exercise price that is determined by the compensation committee, provided that, except in the case of awards being replaced as part of the Reorganization, the exercise price shall not be less than the fair market value of a share of our Class A common stock on the date of grant.

Upon the death or disability of a plan participant, or upon the occurrence of a change in control or other event, in each case, as determined by the compensation committee, the compensation committee may, but is not required to, provide that each award granted under the 2017 Equity Plan will become immediately vested and, to the extent applicable, exercisable.

Our board of directors has the authority to amend or terminate the 2017 Equity Plan at any time. Stockholder approval for an amendment will generally not be obtained unless required by applicable law or stock exchange rule or deemed necessary or advisable by our board of directors. Unless previously terminated by our board of directors, the 2017 Equity Plan will terminate on February 28, 2027. Amendments to outstanding awards, however, will require the consent of the holder if the amendment adversely affects the rights of the holder.

Predecessor Equity Plan

Prior to our IPO, HLA maintained the 2003 Class C Interest Plan, as amended (the “2003 Plan”). As part of the Reorganization, we issued options to purchase shares of our Class A common stock in replacement of all outstanding options to purchase Class C interests, and we issued awards vesting in Class A common stock to replace outstanding unvested awards of Class C interests under the 2003 Plan. These replacement awards were made under the 2017 Equity Plan and vested according to the same vesting schedule in effect prior to the IPO. We have amended the 2003 Plan to provide that no further awards will be issued thereunder.

Carried Interest Compensation

2016 Carried Interest Plan

HLA maintains its 2016 Carried Interest Plan, pursuant to which awards of cash and profits interests are made to certain full-time salaried employees of HLA who are key contributors to the success of the business. On June 13, 2018, HLA amended and restated the 2016 Carried Interest Plan effective as of January 1, 2018 (as amended and restated, the “Carried Interest Plan”).

Awards under the Carried Interest Plan consist of a portion of the profits and performance fees in excess of specified thresholds earned by HLA from managing or advising various specialized funds and customized separate accounts, which is referred to as the “Carried Interest.” The Carried Interest Plan is administered by HLA’s Compensation Committee, which may delegate its rights and duties to our Carry Plan Committee. Absent such delegation, HLA’s Compensation Committee is generally responsible for making all final determinations with respect to awards under the Carried Interest Plan, including the recipients and relative amounts. However, any award granted to HLA’s Chief Executive Officer must be approved by the board of directors of Hamilton Lane Incorporated.

Under the Carried Interest Plan, HLA’s Finance Department calculates the Carried Interest as and when it determines that a specialized fund or customized separate account has generated Carried Interest. On January 1 of each year commencing on and after January 1, 2018, 25% of the Carried Interest generated for the previous year from each specialized fund and customized separate account that generates Carry Interest (referred to as “Employee Carry”) is allocated to an “Employee Carry Pool” (a pool, created for the benefit of participants, which holds the Employee Carry for such year) as follows: (i) with respect to Employee Carry received from commingled investment funds, 50% of the Employee Carry will be allocated in the year the fund has its first closing, and the remaining 50% will be allocated in the next subsequent year, and (ii) with respect to Employee Carry received from other funds, 100% of the Employee Carry will be allocated in the year the account is first established, with subsequent amounts of Employee Carry for such fund being allocated in the year any amendment becomes effective.

Participants in the Carried Interest Plan receive award agreements specifying the applicable Employee Carry Pool, the number of Employee Carry Pool points awarded to the participant (with each point representing a 1% share of the applicable Employee Carry Pool), and the vesting schedule applicable to the award. A Participant’s award will be paid in the form of (i) with respect to Employee Carry received from commingled investment funds, a profits interest in the Employee Carry Pool, and (ii) with respect to Employee Carry received from other funds, a cash distribution from HLA, which will be made as soon as practicable following the date on which the Employee Carry is allocated to the Employee Carry Pool; provided that no payment will be made before an award is vested.

Upon termination of employment, unvested awards are forfeited, except in the case of the participant’s death, in which case awards will be fully vested and paid to the participant’s designated

beneficiaries. In the case of a participant whose award is fully vested, (i) any not-for-cause termination of employment will result in a 20% reduction of any and all future amounts to be paid to the participant relating to such awards, and (ii) any for-cause termination of employment shall result in the cancellation of all awards and a 100% forfeiture of any and all future amounts otherwise payable to the participant relating to such award.

HLA may withhold amounts in order to satisfy tax withholding obligations and reserve accounts, and has the right to require participants to return distributions in order to satisfy “clawback” or similar obligations to the relevant specialized fund or customized separate account.

The HLA Compensation Committee has the right to amend or terminate the Carried Interest Plan at any time. Consent of the participant is required when such amendment or termination adversely affects the terms of an award.

Predecessor Carried Interest Programs

Although the Carried Interest Plan was formally adopted in January 2016, HLA’s carried interest arrangements have operated since 2012 on terms substantially identical to those described above. Prior to 2012, each year, profits interests tied to future Carry payments from each Carry-earning specialized fund or customized separate account established in that year (totaling up to 25% of the Carry) were awarded to participants by HLA’s Chief Executive Officer. Awards vested over three years, and once vested, the participant was entitled to receive in respect of that award a percentage interest in a portion of the Carry for such specialized fund or customized separate account for the life of the fund or account, as and when earned and received. All such awards are now vested, but HLA has not yet earned the full amount of the Carry to which it may be entitled from certain of the underlying specialized funds and customized separate accounts. Therefore, future distributions of Carry by those funds and accounts will result in payments to participants, including members of management. The amount of these future payments, if any, to our named executive officers will be disclosed as required by SEC rules. We expect future awards will be made under the Carried Interest Plan rather than according to the terms of our prior carried interest programs.

Employment Agreements

With the exception of Mr. Delgado-Moreira, we do not have any employment, severance or change in control arrangements with our named executive officers. However, upon a change in control, our 2017 Equity Plan provides for accelerated vesting of outstanding equity awards held by participants, including each of our named executive officers.

Juan Delgado-Moreira

On May 23, 2016, Hamilton Lane (Hong Kong) Limited entered into an employment agreement with Mr. Delgado-Moreira providing that he would serve as Managing Director on the Fund Investment Team in Hong Kong beginning on June 1, 2016. His term of employment is terminable by either party upon 12 weeks’ written notice, except for a termination for cause, in which case no prior notice is required. Pursuant to the agreement, Mr. Delgado-Moreira is entitled to an annual base salary of 2,500,000 HKD (which was equivalent to \$320,123 at the spot rate in effect on March 31, 2018), which may be increased periodically, and an annual bonus in an amount to be determined based on performance. During the period of June 1, 2016 through May 31, 2017, Mr. Delgado-Moreira received relocation assistance to facilitate his move from the United Kingdom to Hong Kong, including housing reimbursement and continued pension contribution. Mr. Delgado-Moreira is entitled to health coverage and also participates in the Company’s 2017 Equity Plan and the Carried Interest Plans described above.

Director Compensation

Our policy is to not pay director compensation to directors who are also our employees. We pay each of our non-employee directors an annual retainer of \$125,000 in the form of cash, time-based restricted stock awarded under the 2017 Equity Plan or a combination of both, at their election. The restricted stock vests one year after the date of grant. The Chair of the audit committee also receives an additional \$15,000 annual cash retainer. All members of the board of directors are reimbursed for reasonable costs and expenses incurred in attending meetings of our board of directors.

Mr. Berkman and Ms. Varon were each elected to our board of directors in May 2017. For the portion of fiscal 2018 during which they served, Mr. Berkman elected to receive his pro-rated annual retainer in cash, and Ms. Varon elected to receive her pro-rated annual retainer in equal portions of cash and restricted stock. She received her retainer for service as Chair of the audit committee in cash. Mr. Sexton elected to receive his annual retainer for fiscal 2018 service in restricted stock.

The following table shows compensation paid to our non-employee directors in fiscal 2018:

| Name | Fees Earned or Paid in Cash (\$) | Stock Awards (\$) | Total (\$) |
|-----------------------------------|-------------------------------------|----------------------|---------------|
| David J. Berkman | \$ 106,113 | — | \$ 106,113 |
| O. Griffith Sexton ⁽¹⁾ | \$ — | \$ 192,123 | \$ 192,123 |
| Leslie F. Varon | \$ 65,790 | \$ 82,207 | \$ 147,997 |

(1) All reported amounts were paid to Mr. Sexton in fiscal 2018. Mr. Sexton's award includes a pro-rated retainer award for his service on our board from March 6, 2017 to March 31, 2017, the portion of our 2017 fiscal year after our IPO. The board of directors determined in 2018 to make this pro-rated award.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of Hamilton Lane Incorporated Class A common stock and Class B common stock by:

- each person known to us to beneficially own more than 5% of our Class A common stock or our Class B common stock;
- each of our directors;
- each of our named executive officers; and
- all directors and executive officers as a group.

As described in "Related-Party Transactions—Exchange Agreement," each Class B Holder and Class C Holder is entitled to have its Class B units or Class C units, as applicable, exchanged for Class A common stock on a one-for-one basis, or, at our option, for cash. Each Class B Holder holds one share of Class B common stock for each Class B unit it beneficially owns. As a result, the number of shares of Class B common stock listed in the table below correlates to the number of Class B units each Class B Holder beneficially owns. The number of shares of Class A common stock listed in the table below

represents (i) shares of Class A common stock directly owned plus (ii) the number of Class C units each Class C Holder beneficially owns, and assumes no exchange of Class B units for Class A common stock.

As discussed in “Related-Party Transactions—Stockholders Agreement,” certain Class B Holders who are significant outside investors, members of management and significant employee owners entered into a stockholders agreement in connection with our IPO pursuant to which they agreed to vote all their shares of voting stock, including Class A and Class B common stock, together and in accordance with the instructions of HLAI on any matter submitted to our common stockholders for a vote. Because they are a “group” under applicable securities laws, each party to the stockholders agreement is deemed to be a beneficial owner of all securities held by all other parties to the stockholders agreement. The below table disregards shares owned by the group and lists only common stock in which the listed stockholder has a pecuniary interest. The group files reports on Schedule 13D periodically as required by law to disclose its holdings.

In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares of common stock subject to options, or other rights, including the exchange right described above, held by such person that are currently exercisable or will become exercisable within 60 days of the date of this Annual Report on Form 10-K, are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person.

Unless otherwise indicated, the address for all persons listed in the table is: c/o Hamilton Lane Incorporated, One Presidential Blvd., 4th Floor, Bala Cynwyd, PA 19004.

| Name of Beneficial Owner | Common stock owned | | | | % of total voting power | % total economic interest in HLA |
|--|--------------------------|-----|---------------------------|-----|-------------------------|----------------------------------|
| | Class A | | Class B | | | |
| | Number | % | Number | % | | |
| Named Executive Officers and Directors: | | | | | | |
| Mario L. Giannini | 123,756 | * | 6,789,627 ⁽¹⁾ | 26% | 24% | 13% |
| Erik R. Hirsch | 1,558,830 ⁽²⁾ | 6% | 1,417,861 | 6% | 6% | 6% |
| Hartley R. Rogers | 175,209 | 1% | 11,356,448 ⁽³⁾ | 44% | 40% | 21% |
| Juan Delgado-Moreira | 1,417,620 | 5% | — | — | * | 3% |
| David J. Berkman | 25,000 | * | — | — | * | * |
| O. Griffith Sexton | 6,254 | * | 1,432,466 ⁽⁴⁾ | 6% | 5% | 3% |
| Leslie F. Varon | 2,676 | * | — | — | * | * |
| All executive officers and directors as a group (11 persons) | 4,172,367 | 15% | 22,000,985 | 86% | 79% | 49% |
| Other 5% Beneficial Owners: | | | | | | |
| HLA Investments, LLC ⁽⁵⁾ | — | — | 14,538,318 | 57% | 51% | 27% |
| HL Management Investors, LLC ⁽⁶⁾ | 4,705,443 | 17% | 4,655,755 | 18% | 18% | 17% |
| Wasatch Advisors, Inc. ⁽⁷⁾ | 1,677,342 | 6% | — | — | 1% | 3% |
| Federated Investors, Inc. ⁽⁸⁾ | 1,218,645 | 4% | — | — | * | 2% |
| TPG Group Holdings (SBS) Advisors, Inc. ⁽⁹⁾ | 1,026,529 | 4% | — | — | * | 2% |
| TimesSquare Capital Management, LLC ⁽¹⁰⁾ | 999,100 | 4% | — | — | * | 2% |

* Represents beneficial ownership of less than 1%.

- (1) This consists of 2,949,595 shares beneficially owned directly by Mr. Giannini, 977,296 shares beneficially owned by a family trust, 2,579,104 shares beneficially owned by Hamilton Lane Advisors, Inc., which is an S-corporation that is wholly owned by Mr. Giannini, and 283,632 shares beneficially owned by HLAI in which Mr. Giannini has a pecuniary interest. This number does not include, and Mr. Giannini disclaims beneficial ownership of, shares owned by HLAI in which he does not have a pecuniary interest. See footnote 5.
- (2) This number includes shares beneficially owned by HLMI in which Mr. Hirsch has a pecuniary interest. This number does not include, and Mr. Hirsch disclaims beneficial ownership of, shares owned by HLMI in which he does not have a pecuniary interest. See footnote 6.
- (3) This number represents shares beneficially owned by HLAI in which Mr. Rogers has a pecuniary interest. HLAI is controlled by its managing member, which is an entity controlled by Mr. Rogers. See footnote 5.
- (4) This number consists of shares beneficially owned by HLAI. Mr. Sexton is the trustee of two family trusts that have a pecuniary interest in these shares, and he shares voting and dispositive power over these shares with Mrs. Barbara Sexton. This number does not include, and Mr. Sexton disclaims beneficial ownership of, shares beneficially owned by HLAI in which his affiliated trusts do not have a pecuniary interest. See footnote 5.
- (5) HLAI is owned by an affiliate of Mr. Rogers, family trusts of Mr. Sexton, Mr. Giannini and other parties. Mr. Rogers controls the managing member of HLAI. Pursuant to the stockholders agreement, HLAI directs the votes of the voting group comprised of significant outside investors, members of management and significant employee owners. The voting group beneficially owns 32,521,053 shares of Class A common stock as reported in its Schedule 13D filed on March 23, 2018.
- (6) Certain of our executive officers and other senior employees beneficially own all or a portion of their shares of our common stock through HLMI.

- (7) Based solely on information reported in a Schedule 13G filed with the SEC on February 14, 2018 by Wasatch Advisors, Inc. As reported in such filing, Wasatch Advisors, Inc. has sole voting and dispositive power with respect to all 1,677,342 Class A shares, constituting approximately 9% of the Class A shares outstanding. Wasatch Advisors, Inc. is located at 505 Wakara Way, Salt Lake City, UT 84108. In order to present these holdings consistently with those of management, our directors and related parties, the percentage of Class A common stock owned has been recalculated to reflect the exchange of Class C units into Class A common stock in the denominator.
- (8) Based solely on information reported in a Schedule 13G jointly filed with the SEC on February 14, 2018 by Federated Investors, Inc. (“Federated”), Voting Shares Irrevocable Trust, Thomas R. Donahue, Rhodora J. Donohue, and J. Christopher Donahue. As reported in such filing, Federated Investors, Inc. is the beneficial owner of 1,218,645 Class A shares, constituting approximately 6% of the Class A shares outstanding, with sole voting power and sole dispositive power with respect to all 1,218,645 shares. Thomas R. Donahue, Rhodora J. Donohue, and J. Christopher Donahue act as trustees of the Voting Shares Irrevocable Trust and disclaim beneficial ownership of such Class A shares. All of the shares are owned by investment advisory clients of Federated. The Voting Shares Irrevocable Trust holds all of Federated’s outstanding voting stock. Federated Investors, Inc. is located at Federated Investors Tower, Pittsburgh, PA 15222. In order to present these holdings consistently with those of management, our directors and related parties, the percentage of Class A common stock owned has been recalculated to reflect the exchange of Class C units into Class A common stock in the denominator.
- (9) Based solely on information reported in a Schedule 13G/A jointly filed with the SEC on February 14, 2018 by TPG Group Holdings (SBS) Advisors, Inc. (“Group Advisors”), David Bonderman and James G. Coulter. As reported in such filing, Group Advisors is the beneficial owner of 1,026,529 Class A shares, constituting approximately 5% of the Class A shares outstanding, with shared voting power and shared dispositive power with respect to all 1,026,529 shares. Messrs. Bonderman and Coulter disclaim beneficial ownership of such Class A shares except to the extent of their pecuniary interest therein. Group Advisors is located at c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, Texas 76102. In order to present these holdings consistently with those of management, our directors and related parties, the percentage of Class A common stock owned has been recalculated to reflect the exchange of Class C units into Class A common stock in the denominator.
- (10) Based solely on information reported in a Schedule 13G filed with the SEC on February 14, 2018 by TimesSquare Capital Management, LLC (“TimesSquare”). As reported in such filing, TimesSquare is the beneficial owner of 999,100 Class A shares, constituting approximately 5% of the Class A shares outstanding, with sole voting power with respect to 994,600 shares and sole dispositive power with respect to all 999,100 shares. All of the shares are owned by investment advisory clients of TimesSquare, and such clients have the right to receive dividends and proceeds from the sale of such shares. TimesSquare is located at 7 Times Square, 42nd Floor, New York, NY 10036. In order to present these holdings consistently with those of management, our directors and related parties, the percentage of Class A common stock owned has been recalculated to reflect the exchange of Class C units into Class A common stock in the denominator.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Related-Party Transactions

The Reorganization

In connection with the Reorganization, HLA amended its operating agreement and we and the other parties thereto entered into the tax receivable agreement, the exchange agreement, the stockholders agreement and the registration rights agreement, and we acquired from legacy members of HLA certain membership interests using a portion of the proceeds of the IPO, and, in some cases, in exchange for our Class A common stock, issued Class B common stock to certain continuing members of HLA. From time to time after the IPO, HLA members may exchange membership interests in HLA for shares of our Class A common stock or, at our election, for cash, on an ongoing basis.

The following are summaries of certain provisions of our related-party agreements, which are qualified in their entirety by reference to all of the provisions of such agreements. Because these descriptions are only summaries of the applicable agreements, they do not necessarily contain all of the information that you may find useful. We therefore encourage you to review the agreements in their

entirety. Copies of the agreements and any applicable amendments have been filed with the SEC and are incorporated by reference as exhibits to this Form 10-K, and are available electronically on the website of the SEC at www.sec.gov.

HLA Operating Agreement

In connection with the IPO and the Reorganization, the members of HLA amended and restated the limited liability company operating agreement of HLA (as amended to date, the “HLA Operating Agreement”). We hold all of the Class A units in HLA, and serve as its managing member, and thus control all of the business and affairs of HLA and its subsidiaries. Holders of Class B units and Class C units generally do not have voting rights under the HLA Operating Agreement.

Class A units, Class B units and Class C units have the same economic rights per unit. Accordingly, the holders of our Class A common stock (through us), the Class B Holders and the Class C Holders hold approximately 42.1%, 48.6% and 9.3%, respectively, of the economic interests in our business as of March 31, 2018.

We do not intend to cause HLA to issue additional Class B units (and consequently, we do not intend to issue additional shares of Class B common stock) or Class C units in the future, other than as described below.

Net profits and net losses of HLA are allocated, and distributions by HLA will be made, to its members pro rata in accordance with the number of membership units of HLA they hold. HLA will make distributions to the holders of its membership units, which include us, for the purpose of funding tax obligations in respect of HLA that are allocated to them. However, HLA may not make tax distributions to its members if doing so would violate any agreement to which it is then a party.

At any time we issue a share of our Class A common stock for cash, the net proceeds received by us will be promptly used to acquire a Class A unit unless used to settle an exchange of a Class B unit or Class C unit for cash. At any time we issue a share of our Class A common stock upon an exchange of a Class B unit or Class C unit or settle such an exchange for cash, described below under “—Exchange Agreement,” we will contribute the exchanged unit to HLA and HLA will issue to us a Class A unit. At any time we issue a share of our Class A common stock pursuant to any of our equity plans, we will contribute to HLA all of the proceeds that we receive (if any) and HLA will issue to us an equal number of its Class A units, having the same restrictions, if any, as are attached to the shares of Class A common stock issued under the plan. If we issue other classes or series of our equity securities, HLA will issue to us an equal amount of equity securities of HLA with designations, preferences and other rights and terms that are substantially the same as our newly issued equity securities. Conversely, if we retire any shares of our Class A common stock for cash, HLA will, immediately prior to such retirement, redeem an equal number of Class A units held by us, upon the same terms and for the same price, as the shares of our Class A common stock are retired. In addition, membership units of HLA, as well as our common stock, will be subject to equivalent stock splits, dividends, reclassifications and other subdivisions.

Class A units may be issued only to us, the managing member of HLA, and are non-transferable. Class B units and Class C units may be issued only to give effect to changes in our common stock as described above. The sole distinction between Class B units and Class C units is that the Class C Holders did not receive any shares of our Class B common stock in respect of their Class C units. Class B units and Class C units may not be transferred, except with our consent or to a permitted transferee, subject to such conditions as we may specify. In addition, Class B Holders may not transfer any Class B units to any person unless he, she or it transfers an equal number of shares of our Class B common stock to the same transferee.

Under the HLA Operating Agreement, we can require the holders of Class B units and Class C units to sell all of their interests in HLA into certain acquisitions of HLA and, in some circumstances, those holders may require us to include some or all of those interests in such a transaction.

We have the right to determine when distributions will be made to holders of units and the amount of any such distributions, other than with respect to tax distributions as described below. If a distribution is authorized, such distribution will be made to the holders of Class A units, Class B units and Class C units on a pro rata basis in accordance with the number of units held by such holder.

The holders of units, including us, will incur U.S. federal, state and local income taxes on their proportionate share of any taxable income of HLA. Net profits and net losses of HLA will generally be allocated to holders of units (including us) on a pro rata basis in accordance with the number of units held by such holder. The HLA Operating Agreement provides for quarterly cash distributions, which we refer to as “tax distributions,” to the holders of the units. Generally, tax distributions are computed by first determining the tax amount of each holder of units, which amount will generally equal the taxable income allocated to each holder of units (with certain adjustments) and then multiplying that income by an assumed tax rate, which is the highest combined U.S. federal and applicable state and local tax rate applicable to any natural person residing in, or corporation doing business in, New York City or San Francisco, California. HLA then determines an aggregate tax distribution amount by reference to the highest unitholder’s tax amount on a per unit basis and, subject to certain limitations, will distribute that aggregate amount to holders of units based on their respective tax amounts for the period covered by the distribution; in February 2018, we amended the HLA Operating Agreement to clarify that tax distributions would be made according to tax amounts for the relevant period rather than percentage interest on the date of distribution. The pro rata distribution amounts will also be increased to the extent necessary, if any, so that the amount distributed to us is sufficient to enable us to pay our actual tax liabilities and our other expenses and costs (including amounts payable under the tax receivable agreement). In June 2018, we amended the HLA Operating Agreement to clarify the formula for calculating tax distributions and set the estimated tax periods to the calendar quarter.

The HLA Operating Agreement provides that HLA may elect to apply an allocation method with respect to certain HLA investment assets that were held at the time of the closing of our IPO that is expected to result in the future, solely for tax purposes, in certain items of loss being specially allocated to us and corresponding items of gain being specially allocated to the other members of HLA. In conjunction therewith, the tax receivable agreement provides that we will pay over to the other HLA members 85% of the net tax savings to us attributable to those tax losses.

The HLA Operating Agreement provides that it may be amended, supplemented, waived or modified by us in our sole discretion without the approval of any other holder of units, except that no amendment can adversely affect the rights of a holder of any class of units without the consent of holders of a majority of the units of such class.

Tax Receivable Agreement

We used a portion of the proceeds from our IPO to purchase membership units of HLA from certain of the legacy direct and indirect members of HLA. In addition, the legacy direct and indirect members of HLA may exchange their Class C or Class B units for shares of our Class A common stock on a one-for-one basis or, at our election, for cash. When a Class B unit is exchanged for a share of our Class A common stock, a corresponding share of our Class B common stock will automatically be redeemed by us at par value and canceled. As a result of this initial purchase and any subsequent exchanges, we are entitled to a proportionate share of the existing tax basis of the assets of HLA. In addition, HLA has in effect an election under Section 754 of the Code, which has resulted, and may in the future result, in

increases to the tax basis of the assets of HLA. These increases in tax basis are expected to increase our depreciation and amortization deductions and create other tax benefits and therefore may reduce the amount of tax that we would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain assets.

In connection with the IPO and the Reorganization, we entered into a tax receivable agreement with the legacy members of HLA. The agreement requires us to pay to such members (or their owners) 85% of the amount of tax savings, if any, that we realize (or are deemed to realize in the case of an early termination payment, a change in control or a material breach by us of our obligations under the tax receivable agreement, as discussed below) as a result of any possible increases in tax basis described above and of certain other tax benefits attributable to payments under the tax receivable agreement itself. In addition, the HLA Operating Agreement provides that HLA may elect to apply an allocation method with respect to certain HLA investment assets that were held at the time of the closing of our IPO that is expected to result in the future, solely for tax purposes, in certain items of loss being specially allocated to HLI and corresponding items of gain being specially allocated to the other members of HLA. In conjunction therewith, the tax receivable agreement provides that HLI will pay over to the other HLA members 85% of the net tax savings to HLI attributable to those tax losses. These are our obligations and not obligations of HLA. For purposes of the tax receivable agreement, the benefit deemed realized by us is computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no such increase to the tax basis of the assets of HLA, and had we not entered into the tax receivable agreement. The tax receivable agreement became effective immediately upon the consummation of our IPO and will remain in effect until all such tax benefits have been utilized or expired, unless the agreement is terminated early, as described below. We believe that a substantial portion of the intangible assets, including goodwill, of HLA at the time of the IPO, and at the time of the 2018 Offering, that are allocable to the membership units of HLA acquired or deemed acquired in taxable transactions by us from legacy direct or indirect members of HLA, are amortizable for tax purposes. We and our stockholders retain the remaining 15% of the tax benefits that we realize or are deemed to realize. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the agreement, will vary depending upon a number of factors, including:

- the timing of purchases or exchanges—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the depreciable or amortizable assets of HLA at the time of each purchase or exchange;
- the price of shares of our Class A common stock at the time of the purchase or exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of HLA is directly related to the price of shares of our Class A common stock at the time of the purchase or exchange;
- the extent to which such purchases or exchanges are taxable—if an exchange or purchase is not taxable for any reason, increased tax deductions will not be available;
- the amount and timing of our income—we expect that the tax receivable agreement will require us to pay 85% of the deemed benefits as and when deemed realized. If we do not have taxable income, we generally will not be required (absent a change of control or other circumstances requiring an early termination payment) to make payments under the tax receivable agreement for that taxable year because no benefit will have been realized. However, any tax benefits that do not result in realized benefits in a given tax year will likely generate tax attributes that may be

utilized to generate benefits in future tax years. The utilization of any such tax attributes will result in payments under the tax receivable agreement; and

- tax rates in effect at the time that we realize the relevant tax benefits—for instance, the recent reduction in the federal corporate income tax rate from a top graduated marginal tax rate of 35% to a 21% flat tax rate.

The payments that we may make under the tax receivable agreement could be substantial.

We have the right to terminate the tax receivable agreement, in whole or, in certain circumstances, in part, at any time. In addition, the tax receivable agreement will terminate early upon certain mergers or consolidations or other changes of control or if we materially breach our obligations under the tax receivable agreement. If we exercise our right to terminate the tax receivable agreement, or if the tax receivable agreement is terminated early in accordance with its terms, our payment obligations under the tax receivable agreement will be accelerated and will become due and payable in a lump sum amount equal to the present value of the anticipated future tax benefits calculated based on a discount rate equal to the lesser of (x) 7.5% and (y) LIBOR plus 400 basis points and on certain assumptions, including that (i) we will have sufficient taxable income to use in full the deductions arising from any increased tax basis and (ii) except in the case of a partial termination, all Class B units and Class C units outstanding on the termination date are deemed to be exchanged on the termination date. As a result, we could be required to make payments under the tax receivable agreement that are substantial and in excess of our actual cash tax savings. See “Risk Factors—Risks Related to Our Organizational Structure—In certain circumstances, payments under the tax receivable agreement may be accelerated and/or significantly exceed the actual tax benefits we realize” included in Part I, Item 1A of this Form 10-K.

Decisions made in the course of running our business, such as with respect to mergers and other forms of business combinations that constitute changes in control, may influence the timing and amount of payments we make under the tax receivable agreement in a manner that does not correspond to our use of the corresponding tax benefits. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control.

Payments are generally due under the tax receivable agreement within a specified period of time following the filing of our tax return for the taxable year with respect to which the payment obligation arises, although interest on such payments will begin to accrue at a rate of LIBOR plus 100 basis points from the due date (without extensions) of such tax return. Late payments generally accrue interest at a rate of LIBOR plus 500 basis points. Because of our structure, our ability to make payments under the tax receivable agreement is dependent on the ability of HLA to make distributions to us. The ability of HLA to make such distributions will be subject to, among other things, restrictions in the Loan Agreements, copies of which have been filed with the SEC and are incorporated by reference as exhibits to this Form 10-K. If we are unable to make payments under the tax receivable agreement for any reason, such payments will be deferred and will accrue interest until paid.

Payments under the tax receivable agreement will be based on the tax reporting positions that we determine. Although we are not aware of any material issue that would cause the IRS to challenge a tax basis increase, we will not, in the event of such a challenge, be reimbursed for any payments previously made under the tax receivable agreement (although we would reduce future amounts otherwise payable under the tax receivable agreement). No assurance can be given that the IRS will agree with the allocation of value among our assets or that sufficient subsequent payments under the tax receivable agreement will be available to offset prior payments for disallowed benefits. As a result, in certain circumstances,

payments could be made under the tax receivable agreement in excess of the benefit that we actually realize in respect of the increases in tax basis resulting from our purchases or exchanges of membership units of HLA and certain other tax benefits related to our entering into the tax receivable agreement.

Exchange Agreement

In connection with the IPO and the Reorganization, we entered into an exchange agreement with the other members of HLA that entitles those members (and certain permitted transferees thereof, including the beneficial owners of the Class B units and Class C units) to exchange their Class C units, and their Class B units together with an equal number of shares of Class B common stock, for shares of Class A common stock on a one-for-one basis or, at our election, for cash. In February 2018, the parties to the exchange agreement amended it to facilitate cash settlements of exchanges using the proceeds of equity offerings or block trades.

The exchange agreement permits those members to exercise their exchange rights subject to certain timing and other conditions. In particular, exchanges by our senior management and other senior employees are subject to timing and volume limitations: no exchanges were permitted until February 28, 2018; thereafter, exchanges may not exceed one-third of their original holdings until February 28, 2019 and two-thirds of their original holdings until February 28, 2020. After February 28, 2020, these limitations expire. These limitations do not apply to exchanges by our other employees who own Class B units or Class C units or holders who may sell freely under Rule 144, subject to compliance with our corporate policies, including periodic blackout periods imposed by us.

In addition, the exchange agreement provides that an owner does not have the right to exchange Class B units or Class C units if we determine that such exchange would be prohibited by law or regulation or would violate other agreements with HLA to which the owner is subject. We may impose additional restrictions on exchanges that we determine to be necessary or advisable so that HLA is not treated as a “publicly traded partnership” for U.S. federal income tax purposes.

Any beneficial holder exchanging Class B units must ensure that the applicable Class B Holder delivers a corresponding number of shares of Class B common stock to us for redemption and cancellation as a condition of exercising its right to exchange Class B units for shares of our Class A common stock. When a Class B unit or Class C unit is surrendered for exchange, it will not be available for reissuance.

Stockholders Agreement

Certain Class B Holders who are significant outside investors, members of management and significant employee owners entered into a stockholders agreement with the Company and HLA in connection with the IPO and the Reorganization pursuant to which they agreed to vote all their shares of voting stock, including Class A and Class B common stock, together and in accordance with the instructions of HLAI on any matter submitted to our common stockholders for a vote.

Under the stockholders agreement, these holders agreed to take all necessary action to cause the persons designated by HLAI to be the full slate of nominees recommended by our board of directors (or any committee or subcommittee thereof for election of directors) at each annual or special meeting of stockholders at which directors are to be elected.

HLAI holds approximately 51% of the aggregate voting power of our Class A common stock and Class B common stock, and the parties to the stockholders agreement collectively hold over 90% of the aggregate voting power of our Class A common stock and Class B common stock. The governing documents of HLAI require generally the approval of two of Messrs. Giannini, Rogers, and Sexton for

those votes to be cast in favor of certain fundamental actions, including a material acquisition, an increase in our authorized capital, and an issuance of preferred stock. Otherwise, HLAI is controlled by its managing member, an entity controlled by Mr. Rogers. As a result of these arrangements, HLAI, its current members, and their permitted transferees control the outcome of any such matters that are submitted to our stockholders for the foreseeable future.

Registration Rights Agreement

In connection with the IPO and the Reorganization, we entered into a registration rights agreement with certain Class B Holders who are significant outside investors, members of management and significant employee owners. The registration rights agreement provides these holders with certain registration rights whereby, at any time following the first anniversary of our IPO, these holders will have the right to require us to register under the Securities Act the shares of Class A common stock issuable to them upon exchange of their Class B units or Class C units. The registration rights agreement also provides for piggyback registration rights for these holders, subject to certain conditions and exceptions.

Indemnification Agreements

Our bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by the DGCL, subject to certain exceptions contained in our bylaws. In addition, our certificate of incorporation, provides that our directors will not be liable for monetary damages for breach of fiduciary duty.

We have entered into indemnification agreements with each of our executive officers and directors. The indemnification agreements provide the executive officers and directors with contractual rights to indemnification, and expense advancement and reimbursement, to the fullest extent permitted under the DGCL, subject to certain exceptions contained in those agreements.

There is no pending litigation or proceeding naming any of our directors or officers to which indemnification is being sought, and we are not aware of any pending litigation that may result in claims for indemnification by any director or officer.

2018 Offering

In March 2018, we and certain selling stockholders completed a registered offering of an aggregate of 4,531,001 shares of Class A common stock at a price of \$34.25 per share. The purpose of the 2018 Offering was to provide liquidity to significant direct and indirect owners of HLA. The shares sold consisted of (i) 696,315 shares held by the selling stockholders and (ii) 3,834,686 newly issued shares by us. We received approximately \$125.2 million in proceeds from the sale of our shares, net of underwriting discounts and commissions and estimated offering expenses, and used all of the net proceeds to settle in cash exchanges by certain members of HLA of a total of 2,235,187 Class B units and 1,599,499 Class C units. In connection with the exchange of the Class B units, we also repurchased for par value and canceled a corresponding number of shares of Class B common stock. We did not receive any proceeds from the sale of shares by the selling stockholders.

Juan Delgado-Moreira, one of our executive officers, and Oakville Number Two Trust, a more than 5% beneficial owner of our Class A common stock by virtue of its membership in our voting group, each participated in the 2018 Offering as selling stockholders, selling 446,315 and 250,000 shares of our Class A common stock, respectively.

The following directors, executive officers and beneficial owners of more than 5% of our Class A common stock exchanged Class B units and/or Class C units for cash consideration of \$32.79 per unit (and, for each Class B unit, surrendered to us a corresponding share of Class B common stock for payment of \$0.001 per share):

| Exchanging Holder | Class B Units Exchanged | Class C Units Exchanged |
|---|----------------------------|----------------------------|
| Hartley Rogers | 285,715 | — |
| Mario Giannini | 943,075 | — |
| Erik Hirsch | — | 504,667 |
| Randy Stilman | — | 226,914 |
| Michael Donohue | — | 12,626 |
| Kevin Lucey | — | 126,154 |
| 2008 Sexton Des. Trust FBO Laura Sexton | 475,000 | — |
| 2008 Sexton Des. Trust FBO Matthew Sexton | 475,000 | — |
| Initial Trust under The Frederick B. Whittemore 2008 Children’s Trust | 19,145 | — |
| Tara Blackburn | — | 180,000 |
| Stephen Brennan | — | 36,819 |
| Michael Kelly | — | 67,851 |
| Thomas Kerr | — | 10,000 |
| Paul Yett | — | 300,000 |

Related-Party Transaction Approval Policy

Our audit committee has the primary responsibility for reviewing and approving or ratifying transactions with related parties. Our audit committee has adopted a formal Related-Party Transaction Policy, pursuant to which the audit committee reviews all transactions in which we and our executive officers, directors (including director nominees) and stockholders owning in excess of 5% of our Class A common stock or their immediate family members are participants. The audit committee must approve or ratify any related-party transaction for it to be consummated or continue.

The audit committee reviews related-party transactions as they arise and are reported to the audit committee. The audit committee also reviews materials prepared by our board of directors and our executive officers to determine whether any related-party transactions have occurred that have not been reported. In reviewing any related-party transaction, the audit committee is to consider all relevant facts and circumstances, including the aggregate dollar value of the transaction, the related party’s relationship to us and interest in the transaction, and the benefits to us of the transaction. The audit committee determines, in its discretion, whether the proposed transaction is in the best interests of Hamilton Lane and our stockholders.

Director Independence

Our board of directors consists of Hartley R. Rogers, Mario L. Giannini, David J. Berkman, Erik R. Hirsch, O. Griffith Sexton and Leslie F. Varon. Mr. Rogers serves as Chair.

Our board of directors has determined that Messrs. Berkman and Sexton and Ms. Varon are each “independent” as defined under the rules of Nasdaq. In making this determination, the board of directors considered the relationships that each individual has with our Company and all other facts and circumstances

that the board of directors deemed relevant in determining his or her independence, including ownership interests in us.

We are a “controlled company” under Nasdaq rules and therefore qualify for an exemption from the requirement that our board of directors consist of a majority of independent directors, that we establish a compensation committee consisting solely of independent directors and that our director nominees be selected or recommended by independent directors. Our audit committee consists of Messrs. Berkman and Sexton and Ms. Varon, who serves as Chair.

Item 14. Principal Accountant Fees and Services

Audit Fees

Audit fees charged to us by Ernst & Young LLP for professional services rendered for the audits of our consolidated financial statements for the fiscal year 2018, 2017, 2016, 2015 and 2014 included in our Registration Statement on Form S-1 and Form 10-K during the year ended March 31, 2018 and 2017 totaled \$1,130,000 and \$3,587,498, respectively.

Audit-Related Fees

Audit-related fees charged to us by Ernst & Young LLP for services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees” consisted primarily of fees for attest services of individual investment funds during the year ended March 31, 2018 and 2017 totaled \$130,485 and \$147,999 respectively.

Tax Fees

Tax fees charged to us by Ernst & Young LLP for tax services rendered, primarily related to advice on tax structuring and foreign tax compliance and transfer pricing services, during the year ended March 31, 2018 and 2017 totaled \$22,976 and \$233,876, respectively.

All Other Fees

The fees billed to us by Ernst & Young LLP for all other services rendered, primarily related to a subscription to an online accounting research tool, during the year ended March 31, 2018 and 2017 totaled \$7,200 and \$1,995.

Pre-Approval Policies and Procedures

All of the fees paid to Ernst & Young LLP (i) during the year ended March 31, 2017, were pre-approved by HLA, and (ii) during the year ended March 31, 2018, were pre-approved by our audit committee in accordance with the Company’s Pre-Approval Policy for Audit and Non-Audit Services (the “Pre-Approval Policy”) discussed below.

The Pre-Approval Policy was adopted by our audit committee and governs the pre-approval, selection, retention and termination of any services provided by the Company’s independent registered public accounting firm. The Pre-Approval Policy expressly prohibits non-audit services for which engagement is not permitted by the SEC’s rules and regulations, including internal audit outsourcing and expert services unrelated to the audit. A list of prohibited and permitted services is set forth in the Pre-Approval Policy. Permitted services include audit, audit-related, permitted non-audit and tax-related services. Audit and audit-related services may include, among other things, services related to securities filings, accounting and financial reporting consultations, statutory audits and acquisition-related due diligence and benefit plan audits.

For audit services, the independent auditor is to provide, for audit committee approval, an engagement letter for each fiscal year outlining the proposed plan covering the audit services' scope, terms and compensation. Additional engagement letters related to other permitted services may not require separate audit committee approval if such services have been pre-approved. The independent auditor will represent to the audit committee, in each of its engagement letters, that each proposed service to be provided does not violate the SEC's auditor independence rules.

Management and the independent auditor must submit to the audit committee a request for pre-approval of any proposed services that have not been previously pre-approved. Responses to requests for services are required to include a statement that the services are consistent with and shall not violate the SEC rules on auditor independence. The audit committee must approve permissible non-audit services in order for the independent auditor to be retained by us for such services.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Form 10-K:

1. All financial statements. See Index to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.
2. Financial Statement Schedules. Financial statement schedules are omitted as they are either not required or the information is otherwise included in the consolidated financial statements.
3. Exhibits. See Exhibit Index.

Item 16. Form 10-K Summary

Omitted at the Company's option.

Exhibit Index

| Exhibit No. | Description of Exhibit | Incorporated By Reference | | | | Filed Herewith |
|------------------------|--|---------------------------|---------|-------------|------------|----------------|
| | | Form | Exhibit | Filing Date | File No. | |
| 3.1 | Amended and Restated Certificate of Incorporation of Hamilton Lane Incorporated | 8-K | 3.1 | 3/10/17 | 001-38021 | |
| 3.2 | Amended and Restated Bylaws of Hamilton Lane Incorporated | 10-K | 3.2 | 6/27/17 | 001-38021 | |
| 10.1 | Fourth Amended and Restated Limited Liability Company Agreement of Hamilton Lane Advisors, L.L.C., dated as of March 6, 2017, by and among Hamilton Lane Advisors, L.L.C. and its members | 8-K | 10.1 | 3/10/17 | 001-38021 | |
| 10.2 | Amendment No. 1 to the Fourth Amended and Restated Limited Liability Company Agreement of Hamilton Lane Advisors, L.L.C., dated as of February 26, 2018, by and among Hamilton Lane Advisors, L.L.C. and its members | S-1 | 10.2 | 2/26/18 | 333-223235 | |
| 10.3 | Amendment No. 2 to the Fourth Amended and Restated Limited Liability Company Agreement of Hamilton Lane Advisors, L.L.C., dated as of June 13, 2018, by and among Hamilton Lane Advisors, L.L.C. and its members | | | | | X |
| 10.4 | Tax Receivable Agreement, dated as of March 6, 2017, by and among Hamilton Lane Incorporated, Hamilton Lane Advisors, L.L.C., and each of the other persons and entities party thereto | 8-K | 10.2 | 3/10/17 | 001-38021 | |
| 10.5 | Exchange Agreement, dated as of March 6, 2017, by and among Hamilton Lane Incorporated, Hamilton Lane Advisors, L.L.C., and each of the other persons and entities party thereto | 8-K | 10.3 | 3/10/17 | 001-38021 | |
| 10.6 | Amendment No. 1 to the Exchange Agreement, dated as of February 6, 2018, by and among Hamilton Lane Incorporated, Hamilton Lane Advisors, L.L.C., and each of the other persons and entities party thereto | 10-Q | 10.3 | 2/9/18 | 001-38021 | |
| 10.7 | Registration Rights Agreement, dated as of March 6, 2017, by and among Hamilton Lane Incorporated and the other persons party thereto | 8-K | 10.4 | 3/10/17 | 001-38021 | |
| 10.8 | Stockholders Agreement, dated as of March 6, 2017, by and among Hamilton Lane Incorporated, Hamilton Lane Advisors, L.L.C. and the other persons and entities party thereto | 8-K | 10.5 | 3/10/17 | 001-38021 | |
| 10.9† | Hamilton Lane Incorporated 2017 Equity Incentive Plan | S-1/A | 10.6 | 2/16/17 | 333-215846 | |
| 10.10† | Amendment No. 1 to the Hamilton Lane Incorporated 2017 Equity Incentive Plan | 10-Q | 10.2 | 2/9/18 | 001-38021 | |
| 10.11† | Form of Restricted Stock Award Agreement under the 2017 Equity Incentive Plan | S-1/A | 10.7 | 2/16/17 | 333-215846 | |

| Exhibit No. | Description of Exhibit | Incorporated By Reference | | | | Filed Herewith |
|-------------------------|--|---------------------------|---------|-------------|------------|----------------|
| | | Form | Exhibit | Filing Date | File No. | |
| 10.12 † | Form of Director Restricted Stock Award Agreement under the 2017 Equity Incentive Plan | 10-Q | 10.1 | 2/9/18 | 001-38021 | |
| 10.13 † | Form of Non-Qualified Stock Option Agreement under the 2017 Equity Incentive Plan | S-1/A | 10.8 | 2/16/17 | 333-215846 | |
| 10.14 † | Hamilton Lane Advisors, L.L.C. 2016 Carried Interest Plan (amended and restated, effective as of January 1, 2018) | | | | | X |
| 10.15 † | Form of Indemnification Agreement between Hamilton Lane Incorporated and certain of its directors and officers | S-1/A | 10.9 | 2/16/17 | 333-215846 | |
| 10.16 ◦ | Term Loan and Security Agreement, dated August 23, 2017, by and between First Republic Bank and Hamilton Lane Advisors, L.L.C. | 8-K | 10.1 | 8/25/17 | 001-38021 | |
| 10.17 ◦ | Revolving Loan and Security Agreement, dated August 23, 2017, by and between First Republic Bank and Hamilton Lane Advisors, L.L.C. | 8-K | 10.2 | 8/25/17 | 001-38021 | |
| 10.18 † | Employment Agreement, effective as of May 23, 2016, by and between Hamilton Lane (Hong Kong) Limited and Juan Delgado-Moreira | 10-K | 10.12 | 6/27/17 | 001-38021 | |
| 21.1 | List of Subsidiaries | | | | | X |
| 23.1 | Consent of Independent Registered Public Accounting Firm | | | | | X |
| 31.1 | Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley | | | | | X |
| 31.2 | Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley | | | | | X |
| 32.1 ‡ | Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | |
| 100.INS | XBRL Instance Document | | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema | | | | | X |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase | | | | | X |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase | | | | | X |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase | | | | | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase | | | | | X |

† Indicates a management contract or compensatory plan or arrangement.

○ Confidential treatment has been granted for portions of this exhibit.
‡ Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 14th day of June, 2018.

HAMILTON LANE INCORPORATED

By: /s/ Mario L. Giannini

Name: Mario L. Giannini

Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 14th day of June, 2018.

| <u>Signature</u> | <u>Title</u> |
|---|---|
| <u>/s/ Hartley R. Rogers</u> Hartley R. Rogers | Chairman of the Board of Directors |
| <u>/s/ Mario L. Giannini</u> Mario L. Giannini | Chief Executive Officer and Director (Principal Executive Officer) |
| <u>/s/ Randy M. Stilman</u> Randy M. Stilman | Chief Financial Officer and Treasurer (Principal Financial Officer) |
| <u>/s/ Michael T. Donohue</u> Michael T. Donohue | Controller (Principal Accounting Officer) |
| <u>/s/ David J. Berkman</u> David J. Berkman | Director |
| <u>/s/ Erik R. Hirsch</u> Erik R. Hirsch | Director |
| <u>/s/ O. Griffith Sexton</u> O. Griffith Sexton | Director |
| <u>/s/ Leslie F. Varon</u> Leslie F. Varon | Director |

**AMENDMENT No. 2
TO THE
FOURTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
HAMILTON LANE ADVISORS, L.L.C.**

This AMENDMENT No. 2 TO THE FOURTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF HAMILTON LANE ADVISORS, L.L.C. is entered into as of June 13, 2018 by Hamilton Lane Incorporated (the "Managing Member"). Capitalized terms used herein but not otherwise defined herein shall have the meaning ascribed to them in that certain Fourth Amended and Restated Limited Liability Company Agreement of Hamilton Lane Advisors, L.L.C., dated as of March 6, 2017, by and among the Managing Member, Hamilton Lane Advisors, Inc., the Company, Hamilton Lane Advisors, L.L.C., HL Management Investors, LLC, HLA Investments, LLC and the other persons and entities party thereto, as amended prior to the date hereof (the "Operating Agreement").

WHEREAS, the Managing Member has the right to amend the Operating Agreement;

WHEREAS, the Operating Agreement contemplates tax distributions being made to its members;

WHEREAS, the Managing Member wishes to clarify the procedures for calculating tax distributions;

NOW, THEREFORE, intending to be legally bound hereby, the Managing Member hereby amends the Operating Agreement as follows:

1. Section 6.4(a) of the Operating Agreement is hereby amended and restated in its entirety to read as follows:

(a) Subject to the limitations set forth in any indenture or other credit, or other financing and warehousing or similar agreement governing indebtedness or other liabilities of the Company or any of its subsidiaries, and subject to Section 6.4(c), as soon as practicable following the end of each Quarterly Estimated Tax Period of each Taxable Year, the Company shall, to the extent of available cash of the Company, make a distribution in cash (each, a "Tax Distribution"), pro rata in accordance with the Percentage Interests in effect on the date of such Tax Distribution, after adjusting for distributions required under Section 6.4(c) and considering offsetting impact to distributions to transferees, in an amount equal to the greater of (1) the excess of (i) (x) the taxable income of the Company attributable to such period and all prior Quarterly Estimated Tax Periods in such Taxable Year, based upon (I) the information returns filed by the Company, as amended or adjusted to date, and (II) estimated amounts, in the case of periods for which the Company has not yet filed information returns (determined by disregarding any adjustment to the taxable income of any Member that arises under Code section 743(b) and is attributable to the acquisition by such Member of an interest in the Company in a transaction described in Code section 743(a)), multiplied

by (y) the Assumed Tax Rate, over (ii) the aggregate amount of Tax Distributions made by the Company with respect to such Taxable Year, regardless of when made, or (2) the amount necessary when paid to all the Members pro rata that will result in a payment to HLI sufficient to enable HLI to pay its actual tax liabilities (including estimated taxes) and all its other expenses and liabilities (including, but not limited to, its obligations under the Tax Receivable Agreement).

2. The definition of “Quarterly Estimated Tax Periods” in Section 2.1 of the Operating Agreement is hereby amended and restated in its entirety to read as follows:

“Quarterly Estimated Tax Periods” means the three calendar month periods with respect to which Federal quarterly estimated tax payments are made. The first such period begins on January 1 and ends on March 31. The second such period begins on April 1 and ends on June 30. The third such period begins on July 1 and ends on September 30. The fourth such period begins on October 1 and ends on December 31.

3. Except as explicitly modified by Sections 1 and 2 above, the other provisions, terms and conditions of the Operating Agreement are and will remain in full force and effect. On and after the Effective Date, each reference in the Operating Agreement to “this Agreement,” “the Agreement,” “hereunder,” “hereof,” “herein,” or words of like import, and each reference to the Operating Agreement in any other agreements, documents, or instruments executed and delivered pursuant to, or in connection with, the Operating Agreement, will mean and be a reference to the Operating Agreement as amended by this Amendment.

* * *

IN WITNESS WHEREOF, the undersigned Managing Member has caused this Amendment No. 2 to be duly executed and delivered as of the date first set forth above.

HAMILTON LANE INCORPORATED

By: /s/ Randy Stilman

Name: Randy Stilman

Title: Chief Financial Officer

HAMILTON LANE ADVISORS, L.L.C.

**2016 CARRIED INTEREST PLAN
(Amended and Restated, Effective as of January 1, 2018)**

1. **Purpose.** The purpose of the Hamilton Lane Advisors, L.L.C. 2016 Carried Interest Plan, as herein amended and restated, effective as of January 1, 2018 (the “Hamilton Lane Advisors, L.L.C. 2018 Carried Interest Plan” or “Plan”), is to provide additional compensation to certain employees of Hamilton Lane Advisors, L.L.C. (the “Company”) based on the performance of certain investment funds and separate accounts managed by the Company. The Funds provide for the payment of carried interest to the Company or an Affiliate when the investments of the Funds generate profits in excess of specified thresholds. The Compensation Committee has determined to allocate 25% of the Carried Interest from the Funds to employees who are deemed to contribute materially to the Company’s financial success, including directly or indirectly, the management of the Funds. Such Employee Carry is to be allocated on an annual basis and held in specified Employee Carry Pools. Employee Carry Pools shall be reflected on the attached Schedule A, which may be updated by the Company to reflect any newly created annual pools. The remaining 75% of Carried Interest from the Funds will be included in the general revenues of the Company from operations.
2. **Definitions.** As used in this Plan:
 - a. “Affiliate” means, with respect to any person, any other person that, directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with, such person and/or one or more Affiliates thereof. The term “Control” includes, without limitation, the possession, directly or indirectly, of the power to direct the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise. The term “Affiliate” shall not include at any time any portfolio company of the Company or any of its Affiliates.
 - b. “Award” means the amount of Employee Carry Pool points awarded to a Participant under this Plan.
 - c. “Beneficiary” means a person or persons or legal entity designated by a Participant to receive payment after the Participant’s death of the proceeds of life insurance maintained by the Company for such Participant or, if no designation is made or if the designated Beneficiary predeceases the Participant, the Participant’s surviving spouse or, if none, the Participant’s estate.
 - d. “Board” means the board of directors of Hamilton Lane Incorporated, the Company’s parent holding company and sole managing member.

- e. “Carried Interest” means profits and performance fees earned from Funds in excess of a specified thresholds, in each case managed by the Company or an Affiliate and calculated in accordance with the governing documents of the applicable Fund. For the avoidance of doubt, Carried Interest shall not include any management, advisory, distribution management (including performance fees derived from distribution management accounts) or administration fees paid with respect to any Fund.
- f. “Carry Plan Committee” means the subcommittee created by the Compensation Committee tasked with certain responsibilities relating to administration of the Plan.
- g. “Cause” means in the case of a Participant, at the time of Termination of Employment or Service: (i) fraud or dishonesty in connection with the Participant’s employment or service, or theft, misappropriation or embezzlement of the Company’s and/or any Company Affiliate’s funds or other property; (ii) conviction, indictment, or the entering of a plea of nolo contendere with respect to any felony, crime involving fraud or misrepresentation, or any other crime (whether or not such felony or crime is connected with his or her employment or service) the effect of which in the judgment of the Company is likely to affect, materially and adversely, the Company and/or any Company Affiliate; (iii) abuse of alcohol or other drugs which materially interferes with the performance by the Participant of his or her duties, or the use of any illegal drugs or narcotics; or (iv) engaging in any Competition or breaching his or her Non-Competition Agreement while employed by, or providing services to, the Company or a Company Affiliate.
- h. “CEO” means the chief executive officer of Hamilton Lane Incorporated.
- i. “Company” is defined in Section 1.
- j. “Compensation Committee” means the compensation committee of the Company.
- k. “Competition” means any of the following activities: (i) engaging in, working for, providing services to, participating in the ownership, management, or operation of, or having a financial interest in any business engaged in the same or similar activities to those now or hereinafter carried on by the Company or any Company Affiliate (other than as a passive owner of not more than one percent (1%) of the outstanding publicly traded stock of any company in such business); (ii) interfering with the relationship of the Company or any Company Affiliate and any of its employees (including, but not limited to, causing, soliciting or otherwise helping another business to hire any employee of the Company or any Company Affiliate); (iii) directly or indirectly diverting (or attempting to divert) from the Company or any Company Affiliate any business in which the Company or any Company Affiliate has been actively engaged; (iv) interfering with the

relationship of the Company or any Company Affiliate with any of their respective clients or prospective clients; or (v) disclosing (except in the good-faith performance of a Participant's employment or services to the Company or any Company Affiliate) to any person (other than an employee of the Company, any Company Affiliate, and/or any of their respective authorized professional advisers), or using for himself or herself, any confidential proprietary information belonging to or relating to the Company or any Company Affiliate.

- l. "Confidentiality and Non-Disclosure" has the meanings and obligations as set forth in the Participant's Confidentiality and Non-disclosure Agreement with the Company.
- m. "Employee Carry." means the 25% of the Carried Interest to be allocated to Participants.
- n. "Employee Carry Pool" means a new pool, created for the benefit of Participants each calendar year, which pool holds the Employee Carry with respect to an applicable Fund. The Employee Carry Pool shall be filled as follows: (i) for any separate accounts, 100% of the Employee Carry for such Fund in the year the separate account is first established, with subsequent amounts of Employee Carry for such Fund being allocated in the year any amendment becomes effective, and (ii) for any commingled products, 50% of the Employee Carry for such Fund in the year the Fund has its first closing, and the remaining 50% in the subsequent year.
- o. "Fund" means a commingled investment fund, single client investment fund, separate account or other client account managed by the Company or one or more of its Affiliates.
- p. "Grant Date" means the date on which an Award is granted to a Participant.
- q. "Key Employee" means any person, including an Officer, who is employed by the Company and/or its Affiliates on a full-time basis, who is compensated for such employment by a regular salary, and who is in a position to contribute materially to the Company's financial success.
- r. "Officer" means any officer of Hamilton Lane Incorporated.
- s. "Participant" means any Key Employee to whom an Award has been granted under Section 5.
- t. "Plan" means the Hamilton Lane Advisors, L.L.C. 2016 Carried Interest Plan as amended and restated herein, and hereafter, as may be amended, from time to time.

- u. “Termination of Employment” means, with respect to any Participant, the Participant’s separation from service with the Company and/or its Affiliates for any reason, whether voluntary or involuntary.

3. **Administration.**

- a. The Compensation Committee shall have the authority to administer, interpret, and/or authorize exceptions to the Plan. The Compensation Committee may delegate its responsibilities under the Plan to the Carry Plan Committee. The Carry Plan Committee (after consultation with relevant senior Company managers) will recommend to the Compensation Committee the creation of new Employee Carry Pools and all Awards, as well as any amendments relating to the Plan. Any Awards made under the Plan shall be conclusive and binding for all purposes of the Plan. No Participant who is a member of the Carry Plan Committee shall participate in any decision-making activities under the Plan that will in any way affect his or her own Award recommendation under the Plan. Final Awards will be reflected in a Compensation Committee resolution (or, if for the Chief Executive Officer, in a Board resolution). Participants who are awarded Employee Carry will receive award letters, a template of which is attached hereto as Schedule B (each, an “Award Letter”).
 - b. No member of the Compensation Committee or the Carry Plan Committee shall be personally liable to any person by reason of any action taken or not taken by him or her with respect to the Plan or for any mistake of judgment made by him or her in his or her capacity as an administrator of the Plan. The Company shall indemnify and hold harmless each member of each such Committee, and each employee to whom any duty or power relating to the administration, interpretation or implementation of the Plan may be allocated or delegated against any cost or expense (including reasonable counsel fees) or liability (including any sum paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan, unless arising out of such person’s own fraud, violation of law and/or Company policies, self-dealing and/or willful misconduct.
4. **Participants.** In order to be eligible to participate in the Plan, an individual must be a Key Employee. Subject to the provisions of the Plan, the Carry Plan Committee will: (i) initially determine whether an employee qualifies as a Key Employee and (ii) make recommendations to the Compensation Committee regarding identified Key Employees and proposed Award amounts to be granted under the Plan. Final determinations shall be reflected in a resolution of the Compensation Committee. Any recommended Award to the Chief Executive Officer, initially approved by the Compensation Committee, must then be submitted by the Compensation Committee to the Board for final approval.

5. **Calculation, Award and Vesting of Carried Interest.**

- a. Carried Interest for each Fund, including the Employee Carry, shall be calculated by the Corporate Finance Department as and when the Company determines that the Fund has generated Carried Interest. The Company shall record all Carried Interest in a special ledger, reflected by the Corporate Finance Department, on a system maintained by it and/or its third party service provider. Should a third party service provider be retained, such fees, costs and expenses shall be paid by the Plan, out of the 25% allocation of Carried Interest from the Funds.
 - b. Each Employee Carry Pool will consist of 100 points, with each point representing 1% of such pool. Awards of Employee Carry shall be made annually as of January 1 of that year, provided that Employee Carry may be allocated initially to either the Company or to the general partner of the Employee Carry Pool, as relevant, and awarded later to Participants. Forfeited Employee Carry awards shall be re-awarded to other Key Employee(s). Awards in each case are to be made at the discretion of the Compensation Committee.
 - c. Each Award shall specify the Employee Carry Pool year and the number of points awarded to the Participant. Except as further specified in this Section 5.c, Awards shall vest in five equal annual installments of 20% on each January 1 following the Award date. Awards granted under: (i) the Employee Carry Pools established in the years 2012 through 2014 shall vest over a period of two years, and (ii) the Employee Carry Pools established in the years 2015 through 2016 and in 2017, shall vest over a period of four years. The vesting schedule for an Award to a Participant who has not achieved the third anniversary of his or her hire date will be tolled until January 1 of the year commencing on or after such third anniversary, which shall count as the first vesting date, at which point the vesting schedule will commence as if first awarded on such January 1.
 - d. Each Award will be communicated to the applicable Participant by his or her manager during fiscal year-end reviews in conjunction with compensation discussions or at other times as determined by the Company or Compensation Committee.
 - e. The special ledger as referenced in Section 5.a above, shall reflect an Award account for each Participant. The Award account shall record the following information for each Award made to a Participant: (i) the name of the Participant; (ii) the amount of the Award granted to him or her (expressed in number of points); (iii) the Grant Date; and (iv) payment details. The Award account shall be maintained under the Plan solely for participant informational purposes.
6. **Payment of Cash Attributable to Awards.** Payments of cash attributable to awards of Employee Carry shall be made out of the Employee Carry Pool either through the Company's payroll system, net of required withholdings, or made directly, gross of taxes, except for required U.S. income tax withholdings for non-U.S. residents and, if applicable, any required

state income tax withholdings for nonresidents of a state, according to the provisions set forth in Section 10. Payments will be made, at a minimum, annually by January 31st of the calendar year following the calendar year in which the Participant vests in the award (and no later than December 31st of such year), subject to Section 5. No Awards under the Plan shall be paid prior to vesting.

7. **Termination.** Upon a Participant's Termination of Employment or Service (for whatever reason) any Awards granted but unvested prior to the date of termination shall be automatically cancelled and forfeited; provided, however, that in the case of Termination of Employment or Service by reason of a Participant's death, the Participant's unvested amount shall be considered vested and will be payable to the Participant's designated Beneficiary when Plan payments are made. Any not-for-Cause Termination of Employment or Service of a Participant whose Awards have fully vested shall result in a 20% reduction of any and all future amounts to be paid to such Participant relating to such Awards. Any Termination of Employment or Service of a Participant for Cause whose Awards have fully vested shall result in the cancellation of all Awards and a 100% forfeiture of any and all future amounts otherwise payable to Participant relating to such Awards. The obligations of the Participant regarding Confidentiality and non-Disclosure, non-Competition shall survive the Termination of Employment or Service. The determination of whether Termination of Employment or Service is for-Cause shall be made: (i) in the case of the CEO, by the Board, and (ii) in all other cases, by the CFO and/or General Counsel, taking into account, in each case, any additional definition of cause contained in a Participant's Employment or Service Agreement (if any).
8. **Transferability.** No Award payable under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, charge, or otherwise transfer or dispose of ("Transfer") such Award shall be void. No Award shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such Award. If any Participant or Beneficiary shall become bankrupt or attempt to Transfer any Award, the Participant or Beneficiary's right to receive payment with respect to such Award shall, in the discretion of the Company, cease and terminate. In such event, the Company may hold or apply the same or any part thereof for the benefit of the Participant or his or her Beneficiary(ies), his or her spouse, children, or other dependents, or any of them, in such manner and in such proportions as the Carry Plan Committee may deem proper, in its sole and absolute discretion.
9. **Limitations.** Participants shall acquire no rights hereunder except for the right to receive cash in payment of Awards in accordance with the terms of this Plan. Without limiting the generality of the foregoing, nothing contained in this Plan shall, or shall be construed to: (i) give any Key Employee any right to be awarded Carried Interest; (ii) give any Participant any rights whatsoever with respect to any equity in the Company; (iii) limit in any way the right of the Company and/or its Affiliate to terminate a Participant's employment with the Company and/or its Affiliate at any time; or (iv) be evidence of any agreement or

understanding, expressed or implied, that the Company and/or its Affiliate will employ a Participant in any particular position or at any particular rate of remuneration.

10. **Structure of Employee Carry Pools.**

- a. Carried Interest from Funds (derived from separate accounts) consists of compensation income for the Company, and the payment of Employee Carry with respect to such amounts shall constitute wages for federal income tax purposes at the time of the payment thereof. Such payments shall be subject to all applicable withholding for federal, state and local income tax and FICA.
- b. Carried Interest from Funds (derived from commingled products and single client funds) constitute equity interests in such commingled products and single client funds, which are profits interests for Federal income tax purposes, as described in IRS Revenue Procedures 93-27 and 2001-43. All such Carried Interests from Funds that are received in a year shall be treated for Federal income tax purposes as owned by a partnership in which (except to the extent otherwise provided in Section 10.c below) the Company owns a 75% interest and the Participants own the remaining 25% interest in proportion to their respective points for the year. A separate partnership shall be created for each calendar year (the "Annual Profits Interest Partnership"). Each Participant shall be treated as receiving his interest in each such Annual Profits Interest Partnership on account of services such Participant is, and will be, rendering to such partnership in the capacity as a partner therein.
- c. To the extent, if any, that a Carried Interest from a Fund includes a capital interest as of the date that an interest in such Carried Interest is awarded to a Participant, that amount of capital shall be treated separately and in the same manner as Carried Interest from Funds (derived from separate accounts), as described in Section 10.a above. The Participant's partnership interest in the Annual Profits Interest Partnership shall include only the profits interest portion of such Carried Interest.
- d. Any Carried Interest derived from Funds that do not fit within Section 10.a., b., or c. above will be treated as required by applicable tax law.

11. **Amendment and Termination of the Plan.** The Compensation Committee may amend or terminate this Plan at any time; provided, however, that an amendment to or termination of this Plan shall not adversely affect the rights of Participants or Beneficiaries to payments in respect of any Award that has been granted prior to the date of such amendment or termination, without such Participant's or Beneficiary's written consent.

12. **Miscellaneous.**

- a. This Plan is effective as of January 1, 2018.

- b. The Company shall have the right to deduct from all payments under this Plan any federal, state or local taxes required by law to be withheld with respect to such payments. Such withholding may be made from other amounts due from the Company to the Participant (including salary or bonus, deferred or otherwise) or upon any other event that would cause an Award to be deemed taxable compensation or wages to the Participant.
- c. The Company shall have the right to: (i) withhold from any Award or distribution to Participants any amount that, in the reasonable judgment of the Company, is needed to satisfy any clawback, reserve account or similar obligation to a Fund, and (ii) to require the Participant to return Awards and distributions made to the Participant hereunder to the extent necessary to satisfy any clawback or similar obligation to a Fund after taking into account amounts withheld pursuant to this clause (c).
- d. No amounts payable in respect of any Award or received by any Participant pursuant to this Plan, shall be included as “wages” or “salary” in determining the amount of any payment under any welfare benefit, pension plan, profit sharing plan, or any other employee benefit plan (e.g., life insurance or disability insurance) of the Company, unless specifically permitted by the terms of any such plan.
- e. This Plan and Awards granted hereunder shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania without reference to principles of conflicts of laws.

SCHEDULE A

EMPLOYEE CARRY POOLS

1. 2012-2014
2. 2015-2016
3. 2017

SCHEDULE B

TEMPLATE AWARD LETTER

**HAMILTON LANE ADVISORS, L.L.C.
2016 CARRIED INTEREST PLAN**

AWARD AGREEMENT

This 2016 Carried Interest Plan Award Agreement (the "Agreement") is entered into as of the Grant Date (as defined below) by and between the Employee (as defined below) and Hamilton Lane Advisors, L.L.C. (the "Company"). Unless otherwise defined herein, capitalized terms shall have the respective meanings set forth in the Plan (as defined below).

WITNESSETH THAT:

WHEREAS, the Company (and/or its Affiliates) manages the separate accounts and funds listed on Appendix A hereto (collectively, the "Funds"); and

WHEREAS, the Funds provide for the payment of Carried Interest to the Company and its Affiliates; and

WHEREAS, the Company has adopted the Hamilton Lane Advisors, L.L.C. 2016 Carried Interest Plan, as amended (the "Plan"), in order to grant to Key Employees the right to receive 25% of such Carried Interest (the "Employee Carry Pool"), subject to the vesting and other provisions of the Plan; and

WHEREAS, the Employee has been selected by the committee administering the Plan (the "Carry Plan Committee") as a Key Employee eligible to receive an award under the Plan;

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Employee as follows:

1. Award. Subject to the terms of this Agreement and the Plan, the Employee is hereby granted points in the Employee Carry Pool, as described in paragraph 2.

2. Terms of Award.

(a) The Employee is _____.

(b) The Employee Carry Pool year is _____.

(c) The Grant Date is _____.

(d) The number of points in the Employee Carry Pool granted under this Agreement is _____, with each point representing 1% of the Employee Carry Pool.

3. Vesting Schedule.

(a) Except as otherwise provided herein, the Employee's Award shall vest in accordance with the following schedule:

| Percentage of Award Vested | Vesting Date |
|----------------------------|--------------|
| 20% | |
| 40% | |
| 60% | |
| 80% | |
| 100% | |

(b) Upon Employee's Termination of Employment for any reason, any portion of the Award not yet vested shall be automatically cancelled and forfeited; provided that in the case of Termination of Employment as a result of Employee's death, the Employee's unvested amount shall be considered vested and payable to the Employee's designated Beneficiary when Plan payments are made.

(c) Any not-for-Cause Termination of Employment after Employee's Award has vested shall result in a 20% reduction in any and all future amounts to be paid to Employee related to the Award. Any for-Cause Termination of Employment after Employee's Award has vested shall result in the cancellation of the Award and a forfeiture of 100% of any and all future amounts to be paid to Employee related to the Award.

4. Payment of Cash Attributable to Awards. Payment of cash attributable to the Award shall be made out of the Employee Carry Pool either through the Company's payroll system, net of required payroll taxes and other withholdings, or directly, gross of all applicable taxes. Payments will be made, at a minimum, annually by January 31st of the calendar year following the calendar year in which the Employee vests in the award (and no later than December 31st of such year.

5. Transferability. No Award made under this Agreement shall be subject to anticipation, alienation, sale, assignment, pledge or encumbrance, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or otherwise transfer or dispose of such Award shall be void.

6. Amendment and Termination. This Agreement may be amended in accordance with the term of the Plan and may otherwise be amended by written agreement of the Employee and the Company without the consent of any other person.

7. Company Rights. The Company has the right to (i) withhold from any payment hereunder any amount that, in the reasonable judgment of the Company, is needed to satisfy any clawback, reserve account or similar obligation to the Funds, and (ii) to require the Employee to return all payments made hereunder to the Employee to the extent necessary to satisfy any such clawback, reserve account or similar obligation to the Funds.

8. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Carry Plan Committee, and the Carry Plan Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Carry Plan Committee and any decision made by it with respect to the Agreement is final and binding on all parties. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan.

9. Not an Employment Contract. This Award will not confer on the Employee any right with respect to the continuance of employment or other service to the Company or any Affiliate, nor will it interfere in any way with any right the Company or any Affiliate would otherwise have to terminate or modify the terms of such Employee's employment or other service at any time.

10. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Company and the Employee and their respective heirs, executors, administrators, legal representatives, successors and assigns, subject to the transfer restrictions set forth in this Agreement and the Plan.

11. Applicable Law. This Agreement shall be construed in accordance with the laws of Delaware (without reference to principles of conflict of laws).

12. Clawback Policy. Notwithstanding any other provision of this Agreement, the Award hereunder will be subject to any compensation recovery or clawback policy the Company adopts, including any policy required to comply with applicable law or listing standards, as such policy may be amended from time to time in the Company's sole discretion.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this 2016 Carried Interest Plan Award Agreement on _____.

HAMILTON LANE ADVISORS, L.L.C.

By: _____

Name

Title

Employee

Address

APPENDIX A

[]

SUBSIDIARIES OF HAMILTON LANE INCORPORATED (as of June 14, 2018)

| <u>Name of Subsidiary</u> | <u>Jurisdiction/State of Incorporation</u> |
|---|--|
| Alpha Z GP LLC | Delaware |
| Alpha Z II GP LLC | Delaware |
| Alpha Z III GP LLC | Delaware |
| Alpha Z Private Equity Fund III L.P. | Cayman Islands |
| Alpha Z Private Equity Fund II, LP | Cayman Islands |
| Alpha Z Private Equity Fund, LP | Cayman Islands |
| AUSPE Fund GP LLC | Delaware |
| AUSPE Fund L.P. | Cayman Islands |
| Capital Yuan Tao Associates, L.P. | Cayman Islands |
| Capital Yuan Tao GP, LLC | Delaware |
| COPTL, LP | Delaware |
| CT Offshore Private Investments LP | Cayman Islands |
| CT Private Investments GP LLC | Delaware |
| CT Private Investments LP | Delaware |
| Edgewood Partners LP | Delaware |
| Epsilon Investment GP LLC | Delaware |
| Epsilon Pension Investment Canada LP | Cayman islands |
| Finance Street AIV Splitter L.P. | Delaware |
| Finance Street GP LLC | Delaware |
| Finance Street, LP | Cayman Islands |
| First Stockholm Global Private Equity L.P. | Delaware |
| Florida Growth Fund II LLC | Delaware |
| Florida Growth Fund LLC | Delaware |
| Fourth Stockholm Co-Investment Blocker LP | Cayman Islands |
| Fourth Stockholm Co-Investment SPV L.P. | Delaware |
| Fourth Stockholm Global Private Equity L.P. | Delaware |
| Fourth Stockholm Pyramid Blocker Corp. | Delaware |
| Golden State Investment Fund LLC | Delaware |
| Green Core Fund L.P. | Cayman Islands |
| Green Core GP LLC | Delaware |
| Hamilton Lane (Australia) Pty Limited | Australia |
| Hamilton Lane (Hong Kong) Limited | Hong Kong |
| Hamilton Lane (Israel) Limited | Israel |
| Hamilton Lane (Japan) GK | Japan |
| Hamilton Lane (UK) Limited | United Kingdom |
| Hamilton Lane Aalto Fund | Luxembourg |
| Hamilton Lane Advisors, Inc. | Pennsylvania |
| Hamilton Lane Advisors, L.L.C. | Pennsylvania |
| Hamilton Lane AIFM LTD | United Kingdom |
| Hamilton Lane AP7 Private Equity Investments LP | Delaware |
| Hamilton Lane Brasil Fundo de Fundos II – Fundo de Investimento em Participações Multiestratégia. | Brazil |
| Hamilton Lane Brasil Fundo de Investimento em Quotas de Fundo de Investimento Multimercado | Brazil |
| Hamilton Lane Capital Opportunities Fund LP | Delaware |

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|---|----------------|
| Hamilton Lane CI2 AIV-A LP | Delaware |
| Hamilton Lane CI2 AIV-B LP | Delaware |
| Hamilton Lane CI2 AIV-C LP | Delaware |
| Hamilton Lane CI2 Offshore SIV-A L.P. | Cayman Islands |
| Hamilton Lane Co-Investment Feeder Fund III LP | Delaware |
| Hamilton Lane Co-Investment Feeder Fund IV LP | Cayman Islands |
| Hamilton Lane Co-Investment Feeder Fund IV LP | Cayman Islands |
| Hamilton Lane Co-Investment Fund II CH DE Blocker L.P. | Delaware |
| Hamilton Lane Co-Investment Fund II Holdings LP | Delaware |
| Hamilton Lane Co-Investment Fund II L.P. | Delaware |
| Hamilton Lane Co-Investment Fund III (U.S.) Blocker LP | Delaware |
| Hamilton Lane Co-Investment Fund III (U.S.) Blocker-2 LP | Delaware |
| Hamilton Lane Co-Investment Fund III (U.S.) Blocker-3 LP | Delaware |
| Hamilton Lane Co-Investment Fund III (U.S.) Blocker-4 LP | Delaware |
| Hamilton Lane Co-Investment Fund III (U.S.) Blocker-5 LP | Delaware |
| Hamilton Lane Co-Investment Fund III (U.S.) Blocker-6 JJ LP | Delaware |
| Hamilton Lane Co-Investment Fund III (U.S.) Blocker-7 WWEX LP | Delaware |
| Hamilton Lane Co-Investment Fund III (U.S.) Blocker-8 DM LP | Delaware |
| Hamilton Lane Co-Investment Fund III (U.S.) Blocker-9 Smile Doc LP | Delaware |
| Hamilton Lane Co-Investment Fund III Cayman Blocker-2 LP | Cayman Islands |
| Hamilton Lane Co-Investment Fund III Holdings LP | Delaware |
| Hamilton Lane Co-Investment Fund III Holdings-2 LP | Delaware |
| Hamilton Lane Co-Investment Fund III LP | Delaware |
| Hamilton Lane Co-Investment Fund IV Holdings LP | Delaware |
| Hamilton Lane Co-Investment Fund IV Holdings-2 LP | Delaware |
| Hamilton Lane Co-Investment Fund IV LP | Delaware |
| Hamilton Lane Co-Investment Fund, LP | Delaware |
| Hamilton Lane Co-Investment GP II LLC | Delaware |
| Hamilton Lane Co-Investment GP III LLC | Delaware |
| Hamilton Lane Co-Investment GP IV LLC | Delaware |
| Hamilton Lane Co-Investment GP, LLC | Delaware |
| Hamilton Lane Co-Investment III (U.S.) Blocker-8 DM LP | Delaware |
| Hamilton Lane Co-Investment Offshore Fund II L.P | Cayman Islands |
| Hamilton Lane Co-Investment Offshore Fund IV LP | Cayman Islands |
| Hamilton Lane Co-Investment Offshore Fund L.P. | Cayman Islands |
| Hamilton Lane COPTL, LLC | Pennsylvania |
| Hamilton Lane ENPAM Fund | Luxembourg |
| Hamilton Lane European Investors SCA SICAV-RAIF | Luxembourg |
| Hamilton Lane European Investors SCA SICAV-RAIF - CI IV Parallel Sub-Fund | Luxembourg |
| Hamilton Lane European Investors SCA SICAV-RAIF - PEF X Parallel Sub-Fund | Luxembourg |
| Hamilton Lane European Partners SICAV-SIF | Luxembourg |
| Hamilton Lane European Partners SICAV-SIF CI-III Parallel Sub-Fund | Luxembourg |
| Hamilton Lane European Partners SICAV-SIF PEF IX Parallel Sub-Fund | Luxembourg |
| Hamilton Lane Fundo de Investimento em Participacoes Co-Investimento | Brazil |
| Hamilton Lane Fundo de Investimento em Quotas de Fundos de Investimento em Participacoes | Brazil |
| Hamilton Lane Global SMID, L.P. | Cayman Islands |

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|--|----------------|
| Hamilton Lane GP IX, LLC | Delaware |
| Hamilton Lane GP S.à r.l. | Luxembourg |
| Hamilton Lane GP VI, LLC | Delaware |
| Hamilton Lane GP VII, LLC | Delaware |
| Hamilton Lane GP VIII, LLC | Delaware |
| Hamilton Lane GP X LLC | Delaware |
| Hamilton Lane Impact Fund LP | Delaware |
| Hamilton Lane Investimentos Ltda. | Brazil |
| Hamilton Lane Investment Holdings, LLC | Delaware |
| Hamilton Lane Investors GP LLC | Delaware |
| Hamilton Lane Investors LP | Delaware |
| Hamilton Lane Investors LP, Series HA-P | Delaware |
| Hamilton Lane Investors LP, Series PN-P | Delaware |
| Hamilton Lane Investors LP, Series PT | Delaware |
| Hamilton Lane Investors LP, Series RD-P | Delaware |
| Hamilton Lane Investors LP, Series VR-P | Delaware |
| Hamilton Lane IX GP LLC | Delaware |
| Hamilton Lane Market Street Opportunities Fund LP | Delaware |
| Hamilton Lane Market Street Opportunities Offshore Fund LP | Cayman Islands |
| Hamilton Lane New York Co-Investment II, LLC | Delaware |
| Hamilton Lane New York Co-Investment III, LLC | Delaware |
| Hamilton Lane New York Co-Investment, LLC | Delaware |
| Hamilton Lane New York II, LLC | Delaware |
| Hamilton Lane New York LLC | Pennsylvania |
| Hamilton Lane NM Fund I LP | Delaware |
| Hamilton Lane Parallel Investors (AS) LP | Delaware |
| Hamilton Lane Parallel Investors (AS) LP, Series AS | Delaware |
| Hamilton Lane Parallel Investors, LP | Delaware |
| Hamilton Lane Parallel Investors LP, Series HA | Cayman Islands |
| Hamilton Lane Parallel Investors LP, Series PN | Cayman Islands |
| Hamilton Lane Parallel Investors LP, Series RD | Cayman Islands |
| Hamilton Lane Parallel Investors LP, Series VR | Cayman Islands |
| HL Parallel Investors Cayman Blocker (Series HA) LP | Cayman Islands |
| HL Parallel Investors Cayman Blocker (Series HA) LP | Cayman Islands |
| HL Parallel Investors Cayman Blocker (Series PN) LP | Cayman Islands |
| HL Parallel Investors Cayman Blocker (Series PN) LP | Cayman Islands |
| HL Parallel Investors Cayman Blocker (Series RD) LP | Cayman Islands |
| HL Parallel Investors Cayman Blocker (Series RD) LP | Cayman Islands |
| HL Parallel Investors Cayman Blocker (Series VR) LP | Cayman Islands |
| HL Parallel Investors Cayman Blocker (Series VR) LP | Cayman Islands |
| HL Parallel Investors Delaware Blocker (Series HA) LP | Delaware |
| HL Parallel Investors Delaware Blocker (Series HA) LP | Delaware |
| HL Parallel Investors Delaware Blocker (Series PN) LP | Delaware |
| HL Parallel Investors Delaware Blocker (Series PN) LP | Delaware |
| HL Parallel Investors Delaware Blocker (Series RD) LP | Delaware |
| HL Parallel Investors Delaware Blocker (Series RD) LP | Delaware |
| HL Parallel Investors Delaware Blocker (Series VR) LP | Delaware |
| HL Parallel Investors Delaware Blocker (Series VR) LP | Delaware |
| Hamilton Lane PMOF PH DE Blocker LP | Delaware |

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|---|------------------------|
| Hamilton Lane Private Equity Feeder Fund S.C.A. SICAV-SIF | Luxembourg |
| Hamilton Lane Private Equity Feeder Fund S.C.A. SICAV-SIF HL PE Fund VII Series A Sub-Fund | Luxembourg |
| Hamilton Lane Private Equity Feeder Fund S.C.A. SICAV-SIF HL PE Fund VII Series B Sub-Fund | Luxembourg |
| Hamilton Lane Private Equity Fund For the Benefit of Marco Consulting Group Clients, LP | Delaware |
| Hamilton Lane Private Equity Fund IV, LP | Guernsey |
| Hamilton Lane Private Equity Fund IX Holdings LP | Delaware |
| Hamilton Lane Private Equity Fund IX LP | Delaware |
| Hamilton Lane Private Equity Fund plc | Ireland |
| Hamilton Lane Private Equity Fund V, LP | Guernsey |
| Hamilton Lane Private Equity Fund VI LP | Delaware |
| Hamilton Lane Private Equity Fund VII L.P. | Delaware |
| Hamilton Lane Private Equity Fund VII L.P., Series A | Delaware |
| Hamilton Lane Private Equity Fund VII L.P., Series B | Delaware |
| Hamilton Lane Private Equity Fund VIII LP | Delaware |
| Hamilton Lane Private Equity Fund VIII LP, Global Series | Delaware |
| Hamilton Lane Private Equity Fund X LP | Delaware |
| Hamilton Lane Private Equity Fund X Holdings LP | Delaware |
| Hamilton Lane Private Equity Offshore Fund IX LP | Cayman Islands |
| Hamilton Lane Private Equity Offshore Fund VI LP | Cayman Islands |
| Hamilton Lane Private Equity Offshore Fund VII, LP | Cayman Islands |
| Hamilton Lane Private Equity Offshore Fund VII, LP, Series A | Cayman Islands |
| Hamilton Lane Private Equity Offshore Fund VII, LP, Series B | Cayman Islands |
| Hamilton Lane Private Equity Offshore Fund VIII LP | Cayman Islands |
| Hamilton Lane Private Equity Offshore Fund X LP | Cayman Islands |
| Hamilton Lane Private Equity Partners LP | British Virgin Islands |
| Hamilton Lane Private Markets Opportunity Feeder Fund (Credit Series) LP | Cayman Islands |
| Hamilton Lane Private Markets Opportunity Feeder Fund (Fund-of-Funds Series) LP | Cayman Islands |
| Hamilton Lane Private Markets Opportunity Fund LP | Delaware |
| Hamilton Lane Private Markets Opportunity Fund LP, Fund-of-Funds Series | Delaware |
| Hamilton Lane Private Markets Opportunity Fund LP, Credit Series | Delaware |
| Hamilton Lane Secondary Feeder Fund IV-A LP | Delaware |
| Hamilton Lane Secondary Feeder Fund IV-B LP | Cayman Islands |
| Hamilton Lane Secondary Fund II GP LLC | Delaware |
| Hamilton Lane Secondary Fund II LP | Delaware |
| Hamilton Lane Secondary Fund III GP LLC | Delaware |
| Hamilton Lane Secondary Fund III LP | Delaware |
| Hamilton Lane Secondary Fund III-A Blocker LP | Delaware |
| Hamilton Lane Secondary Fund III-A Cayman Blocker L.P. | Cayman Islands |
| Hamilton Lane Secondary Fund III-A LP | Delaware |
| Hamilton Lane Secondary Fund III-B Blocker LP | Delaware |
| Hamilton Lane Secondary Fund III-B Cayman Blocker L.P. | Cayman Islands |
| Hamilton Lane Secondary Fund III-B LP | Delaware |
| Hamilton Lane Secondary Fund IV GP LLC | Delaware |
| Hamilton Lane Secondary Fund IV LP | Delaware |

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| Hamilton Lane Secondary Fund IV-EU LP | United Kingdom |
| Hamilton Lane Secondary Fund, LP | Delaware |
| Hamilton Lane Secondary Fund, LP, Series A | Delaware |
| Hamilton Lane Secondary Fund, LP, Series B | Delaware |
| Hamilton Lane Secondary Fund, LP, Series C | Delaware |
| Hamilton Lane Secondary Fund, LP, Series D | Delaware |
| Hamilton Lane Secondary Fund, LP, Series E | Delaware |
| Hamilton Lane Secondary GP, LLC | Delaware |
| Hamilton Lane Secondary Offshore Fund II L.P. | Cayman Islands |
| Hamilton Lane Securities, LLC | Delaware |
| Hamilton Lane SF2 GP Nominee Holdco Inc. | Delaware |
| Hamilton Lane SF2 Offshore AIV-A LP | Cayman Islands |
| Hamilton Lane SMID Fund, L.P. | Delaware |
| Hamilton Lane SOMPO Investments Ltd. | Cayman Islands |
| Hamilton Lane SPV GP LLC | Delaware |
| Hamilton Lane Strategic Opportunities 2015 Fund LP | Delaware |
| Hamilton Lane Strategic Opportunities 2015 GP LLC | Delaware |
| Hamilton Lane Strategic Opportunities 2015 Offshore Fund LP | Cayman Islands |
| Hamilton Lane Strategic Opportunities 2016 Fund LP | Delaware |
| Hamilton Lane Strategic Opportunities 2016 GP LLC | Delaware |
| Hamilton Lane Strategic Opportunities 2016 Offshore Fund LP | Cayman Islands |
| Hamilton Lane Strategic Opportunities 2017 Fund Holdings LP | Delaware |
| Hamilton Lane Strategic Opportunities 2017 Fund LP | Delaware |
| Hamilton Lane Strategic Opportunities 2017 Fund PH DE Blocker LP | Delaware |
| Hamilton Lane Strategic Opportunities 2017 Fund S.C.S. | Luxembourg |
| Hamilton Lane Strategic Opportunities 2017 GP LLC | Delaware |
| Hamilton Lane Strategic Opportunities 2017 GP S.à r.l. | Luxembourg |
| Hamilton Lane Strategic Opportunities 2017 Offshore Fund LP | Cayman Islands |
| Hamilton Lane Strategic Opportunities 2018 GP LLC | Delaware |
| Hamilton Lane Strategic Opportunities 2018 GP S.à r.l. | Luxembourg |
| Hamilton Lane Strategic Opportunities Fund IV (Series 2018) SCS | Luxembourg |
| Hamilton Lane Strategic Opportunities Fund IV (Series 2018) Holdings LP | Delaware |
| Hamilton Lane Strategic Opportunities Fund IV (Series 2018) LP | Delaware |
| Hamilton Lane Strategic Opportunities Offshore Fund IV (Series 2018) LP | Cayman Islands |
| Hamilton Lane Venture Capital Fund GP, LLC | Delaware |
| Hamilton Lane Venture Capital Fund LP | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2009 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2010 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2011 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2012 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2013 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2014 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2015 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2016 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2017 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series 2018 | Delaware |
| Hamilton Lane Venture Capital Fund LP, Series CL | Delaware |
| Hamilton Lane Venture Capital Offshore Fund LP, Series 2009 | Cayman Islands |
| Hamilton Lane Venture Capital Offshore Fund LP, Series 2010 | Cayman Islands |

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| Hamilton Lane Venture Capital Offshore Fund LP, Series 2011 | Cayman Islands |
| Hamilton Lane Venture Capital Offshore Fund LP, Series 2012 | Cayman Islands |
| Hamilton Lane Venture Capital Offshore Fund LP, Series 2013 | Cayman Islands |
| Hamilton Lane Venture Capital Offshore Fund LP, Series 2014 | Cayman Islands |
| Hamilton Lane Venture Capital Offshore Fund LP, Series 2015 | Cayman Islands |
| Hamilton Lane Venture Capital Offshore Fund LP, Series 2016 | Cayman Islands |
| Hamilton Lane Venture Capital Offshore Fund LP, Series 2017 | Cayman Islands |
| Hamilton Lane Venture Capital Offshore Fund LP, Series 2018 | Cayman Islands |
| Hamilton Lane Venture Capital Offshore Fund LP, Series CL | Cayman Islands |
| Hamilton Lane/BNP CI AIV-A UK LP | United Kingdom |
| Hamilton Lane/BNP CI AIV-B UK LP | United Kingdom |
| Hamilton Lane/BNP CI AIV-C UK LP | United Kingdom |
| Hamilton Lane/BNP Co-Investment Fund GenPar GP LLC | Delaware |
| Hamilton Lane/BNP Co-Investment Fund GP LP | Delaware |
| Hamilton Lane/BNP Co-Investment Vehicle UK LP | United Kingdom |
| Hamilton Lane-Carpenters Partnership Fund II L.P. | Delaware |
| Hamilton Lane-Carpenters Partnership Fund III L.P. | Delaware |
| Hamilton Lane-Carpenters Partnership Fund IV L.P. | Delaware |
| Hamilton Lane-Carpenters Partnership Fund, L.P. | Delaware |
| HL Aalto Splitter GP LLC | Delaware |
| HL Aalto Splitter LP | Delaware |
| HL Account Management LLC | Delaware |
| HL AP7 Manager LLC | Delaware |
| HL Capital Opportunities GP LLC | Delaware |
| HL CI-IV Blocker (DE) LP | Delaware |
| HL City Line Partners L.P. | Delaware |
| HL Edgewood GP LLC | Delaware |
| HL EMD LLC | Delaware |
| HL ENPAM Fund Splitter LP | Delaware |
| HL ENPAM GP S.à r.l. | Luxembourg |
| HL ENPAM Splitter GP LLC | Delaware |
| HL European Investors GP S.à r.l. | Luxembourg |
| HL European Partners GP S.à r.l. | Luxembourg |
| HL Evergreen Secondary Fund GP LLC | Delaware |
| HL Florida Growth LLC | Delaware |
| HL General Partner V Limited | Pennsylvania |
| HL Global SMID GP LLC | Delaware |
| HL Golden State, LLC | Delaware |
| HL Impact Fund GP LLC | Delaware |
| HL International Clal DE Blocker LP | Delaware |
| HL International Clal Feeder LP | Cayman Islands |
| HL International Clal SMID Feeder LP | Cayman Islands |
| HL International Investors (Series H1 Feeder) LP | Cayman Islands |
| HL International Investors (Series H1 Feeder-A) LLC | Delaware |
| HL International Investors (Series H2 Feeder LP | Cayman Islands |
| HL International Investors (Series I Feeder) LP | Cayman Islands |
| HL International Investors GP LLC | Delaware |
| HL International Investors LP | Delaware |
| HL International Investors LP, Secondary Opportunities Series | Delaware |

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| HL International Investors LP, Series A | Delaware |
| HL International Investors LP, Series B | Delaware |
| HL International Investors LP, Series C | Delaware |
| HL International Investors LP, Series D | Delaware |
| HL International Investors LP, Series E | Delaware |
| HL International Investors LP, Series F | Delaware |
| HL International Investors LP, Series G | Delaware |
| HL International Investors LP, Series H | Delaware |
| HL International Investors LP, Series H1 | Delaware |
| HL International Investors LP, Series H2 | Delaware |
| HL International Investors LP, Series H3 | Delaware |
| HL International Investors LP, HL Secondary Opportunities 2018 Series | Delaware |
| HL International Investors LP, Series I | Delaware |
| HL International Investors LP, Series J | Delaware |
| HL International Investors LP, Series K | Delaware |
| HL International Investors LP, Series L | Delaware |
| HL International Investors LP, Series M | Delaware |
| HL International Investors LP, Series N | Delaware |
| HL International Investors LP, Series O | Delaware |
| HL International Investors LP, Series P | Delaware |
| HL International Investors LP, Series Q | Delaware |
| HL Lake Success GP LP | Delaware |
| HL Large Buyout Club Fund GP S.à.r.l. | |
| HL Large Club Buyout Fund SCS | Luxembourg |
| HL Large Buyout Club Fund II GP LLC | Delaware |
| HL Large Buyout Club Fund II SA RAIF | Luxembourg |
| HL Large Club Buyout Fund SCS | Luxembourg |
| HL Magellan Investment SPV-11 L.P. | Delaware |
| HL Management Investors, LLC | Delaware |
| HL Market Street GP LLC | Delaware |
| HL Miras Secondary Fund LP | Cayman Islands |
| HL Multi Co-Invest S.à r.l. | Luxembourg |
| HL MVPE16 GP LLC | Delaware |
| HL Nevada Fund Manager, LLC | Delaware |
| HL Newco 1 Cayman Fund LP | Cayman Islands |
| HL Newco 1 GP LLC | Delaware |
| HL Lake Hempstead GP LLC | Delaware |
| HL Lake Success GP LLC | Delaware |
| HL Moran GP LLC | Delaware |
| HL Newco 3 GP LLC | Delaware |
| HL NM Fund I GP LLC | Delaware |
| HL NM Secondary Opportunity GP LLC | Delaware |
| HL NY Apt GP LLC | Delaware |
| HL NY Apt GP L.P. | Delaware |
| HL NMERB Co-Investment GP LLC | Delaware |
| HL NPS Co-Investment Fund III Cayman Blocker LP | Cayman Islands |
| HL NPS Co-Investment Fund LP | Delaware |
| HL NPS Co-Investment GP LLC | Delaware |

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| HL NPS Co-Investment Master Fund LP | Delaware |
| HL Offshore Holdings GP, LLC | Delaware |
| HL Offshore Holdings, LP | Cayman Islands |
| HL PA Co-Investment GP LLC | Delaware |
| HL PE Fund for the Benefit of MCG Clients GP LLC | Delaware |
| HL Pennsylvania Co-Investment Fund, L.P. | Delaware |
| HL PMOF GP LLC | Delaware |
| HL PMOF PH DE Blocker GP LLC | Delaware |
| HL Reformation GP LLC | Delaware |
| HL Second Stockholm GP LLC | Delaware |
| HL Secondary Aggregator I L.P. | Delaware |
| HL Secondary Investment SPV-10 Wolf LP | Delaware |
| HL Secondary Investment SPV-12 (Roark) L.P. | Delaware |
| HL Secondary Investment SPV-5 L.P. | Delaware |
| HL Secondary Investment SPV-6 L.P. | Delaware |
| HL Secondary Investment SPV-6A L.P. | Delaware |
| HL Secondary Investment SPV-7 L.P. | Delaware |
| HL Secondary Investment SPV-8 L.P. | Delaware |
| HL Secondary Investment SPV-9 L.P. | Delaware |
| HL SIHL-2 LLC | Delaware |
| HL SMID GP LLC | Delaware |
| HL SO-IV (Series 2018) DE Blocker (Ryan) LP | Delaware |
| HL Strategic Opportunities 2017 DE Blocker (Ryan) LP | Delaware |
| HL Technology Services LLC | Delaware |
| HL Utes GP LLC | Delaware |
| HL Wyoming Nowood Fund GP, LLC | Delaware |
| HL/AS Global Coinvest GP LLC | Delaware |
| HL/AS Global Coinvest LP | Delaware |
| HL/BNP Co-Investment Vehicle UK GP LLP | United Kingdom |
| HLA Carpenters II, LLC | Delaware |
| HLA Carpenters III, LLC | Delaware |
| HLA Carpenters IV, LLC | Delaware |
| HLA Carpenters, LLC | Pennsylvania |
| HLSA Holdings II, LLC | Delaware |
| HLSA Holdings, LLC | Delaware |
| HLSF IV Holdings LP | Delaware |
| HLSF IV-A Blocker (Cayman) LP | Cayman Islands |
| HLSF IV-A Blocker (DE) LP, Series 1 | Delaware |
| HLSF IV-B Blocker (Cayman) LP | Cayman Islands |
| HLSF IV-B Blocker (DE) LP, Series 1 | Delaware |
| HLSF IV-C Blocker (DE) LP | Delaware |
| HLSF IV-EU Blocker (Cayman) LP | Cayman Islands |
| HLSF IV-EU GP LLP | United Kingdom |
| HLSF Silver Cup, LP | Cayman Islands |
| HLSK, LLC | Delaware |
| HLSP Investment Management II Limited | Guernsey |
| HLSP Investment Management III Limited | Guernsey |
| HLSP Investment Management L.L.C. | Colorado |
| HLUS Holdings LLC | Delaware |

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| Hospital Sisters Health System Strategic Fund LP | Cayman Islands |
| HSHS Strategic GP LLC | Delaware |
| Hudson River Co-Investment Fund II, L.P. | Delaware |
| Hudson River Co-Investment Fund III, L.P. | Delaware |
| Hudson River Co-Investment Fund, L.P. | Delaware |
| JATI GP LLC | Delaware |
| JATI Private Equity Fund III, LP | Cayman Islands |
| JATI Private Equity Fund II, LP | Cayman Islands |
| JATI Private Equity Fund, LP | Cayman Islands |
| KAY-Hamilton Lane GP LLC | Delaware |
| KAY-Hamilton Lane LP | Cayman Islands |
| KPI – Hamilton Lane Multi-Strategy Fund I GP LLC | Delaware |
| KPI – Hamilton Lane Multi-Strategy Fund I LP | Cayman Islands |
| KPI – Hamilton Lane Multi-Strategy Fund I Master LP | Delaware |
| Lake Hempstead Fund, L.P. | Delaware |
| Lake Success Fund, L.P. | Delaware |
| Moran Real Asset Fund II, L.P. | Delaware |
| Moran Real Asset Fund, L.P. | Delaware |
| MVPE16 GP LLC | Delaware |
| MVPE16 PH DE Blocker LP | Delaware |
| MVPE16 Paysafe LP | Delaware |
| New York Credit Co-Investment Fund GP II LLC | Delaware |
| New York Credit Co-Investment Fund GP LLC | Delaware |
| New York Credit Co-Investment Fund II L.P. | Delaware |
| New York Credit Co-Investment Fund L.P. | Delaware |
| New York Credit SBIC Fund GP LLC | Delaware |
| New York Credit SBIC Fund L.P. | Delaware |
| NJHL European Buyout Investment Fund L.P. | Delaware |
| NJHL Investments GP LLC | Delaware |
| NS Private Equity Fund, LP | Cayman Islands |
| NS Private Equity GP LLC | Delaware |
| Private Market Connect LLC | Delaware |
| RAPM NM Secondary Opportunity Fund, L.P. | Delaware |
| Reformation Private Fund GP LLC | Delaware |
| Reformation Private Fund LP | Cayman Islands |
| Second Stockholm Global Private Equity L.P. | Delaware |
| Secondary Investment SPV-1 GP LLC | Delaware |
| Secondary Investment SPV-1, L.P. | Delaware |
| Secondary Investment SPV-2 GP LLC | Delaware |
| Secondary Investment SPV-2 L.P. | Delaware |
| Secondary Investment SPV-3 GP LLC | Delaware |
| Secondary Investment SPV-3 L.P. | Delaware |
| Secondary Investment SPV-4 GP LLC | Delaware |
| Secondary Investment SPV-4 LP | Delaware |
| Silver State Opportunities Fund, LLC | Nevada |
| SR HL PE 1 GP LLC | Delaware |
| SRE HL PE 1 (Master) LP | Delaware |
| SRE HL PE 1 LP | Cayman Islands |
| SREH HL PE 1 (Master) LP | Delaware |

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| SREH HL PE 1 LP | Cayman Islands |
| SRZ HL PE 1 (Master) LP | Delaware |
| SRZ HL PE 1 LP | Cayman Islands |
| Tarragon GP, LLC | Delaware |
| Tarragon LP | Cayman Islands |
| Tarragon Master Fund LP | Delaware |
| The Hudson River Fund II, LP | Delaware |
| The Hudson River Fund L.P. | Delaware |
| The Markaz/Hamilton Lane Technology Fund, LP | Guernsey |
| Third Stockholm Global Private Equity L.P. | Delaware |
| Utah Real Assets Portfolio LP | Delaware |
| Wyoming Nowood Fund, LP | Delaware |

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-216443) pertaining to the Securities to be Offered to Employees in Employee Benefit Plans of Hamilton Lane Incorporated of our report dated June 14, 2018, with respect to the consolidated financial statements of Hamilton Lane Incorporated, included in this Annual Report (Form 10-K of Hamilton Lane Incorporated) for the year ended March 31, 2018.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
June 14, 2018

**CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mario L. Giannini, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hamilton Lane Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 14, 2018

/s/ Mario L. Giannini

Mario L. Giannini

Chief Executive Officer

**CERTIFICATION BY THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Randy M. Stilman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hamilton Lane Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 14, 2018

/s/ Randy M. Stilman

Randy M. Stilman

Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mario L. Giannini, Chief Executive Officer, and I, Randy M. Stilman, Chief Financial Officer, of Hamilton Lane Incorporated, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Annual Report on Form 10-K for the year ended March 31, 2018 (the "Periodic Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Hamilton Lane Incorporated.

Date: June 14, 2018

/s/ Mario L. Giannini

Mario L. Giannini

Chief Executive Officer

Date: June 14, 2018

/s/ Randy M. Stilman

Randy M. Stilman

Chief Financial Officer