

**INVESTMENT ADVISER BROCHURE**

**PERCHERON INVESTMENT MANAGEMENT LP**

**Percheron Investment Management LP  
50-60 Francisco St  
San Francisco, CA 94133  
<https://percheroncapital.com/>**

**January 27, 2021**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Percheron Investment Management LP (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (415) 830-7744. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>Material Changes .....</b>	<b>2</b>
<b>Advisory Business .....</b>	<b>2</b>
<b>Fees and Compensation .....</b>	<b>3</b>
<b>Performance-Based Fees and Side-By-Side Management .....</b>	<b>11</b>
<b>Types of Clients .....</b>	<b>12</b>
<b>Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>13</b>
<b>Disciplinary Information .....</b>	<b>59</b>
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>60</b>
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>60</b>
<b>Brokerage Practices .....</b>	<b>61</b>
<b>Review of Accounts .....</b>	<b>63</b>
<b>Client Referrals and Other Compensation .....</b>	<b>63</b>
<b>Custody .....</b>	<b>64</b>
<b>Investment Discretion .....</b>	<b>64</b>
<b>Voting Client Securities .....</b>	<b>64</b>
<b>Financial Information .....</b>	<b>64</b>

## MATERIAL CHANGES

This Brochure is being filed in association with the Adviser's initial registration. There have been no previous filings; therefore, no material changes have been made to this Brochure from any prior filing. This Brochure will be amended annually or as necessary to reflect material changes.

## ADVISORY BUSINESS

The Adviser, a Delaware limited partnership and a registered investment adviser, and its affiliated investment advisers intend to provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser commenced operations in June 2020. Within 120 days of the filing of this Brochure, the Adviser expects to manage in excess of \$100,000,000 in client assets on a discretionary basis.

The Adviser's clients are expected to include Percheron Capital Fund I LP and Percheron Capital Fund I-A LP, each a Delaware limited partnership, and certain co-investment funds (including any parallel or alternative vehicle, each a "**Fund**," and together with any future private investment funds to which Percheron Investment Management LP or its affiliates provide investment advisory services, the "**Funds**").

The Adviser also is permitted to serve as investment adviser to an "executive fund" offered to employees, affiliates and other investors with a relationship to the Adviser or its personnel.

Percheron Capital Fund I GP LP (together with any future general partners that may be formed from time to time, each a "**General Partner**" and together with the Adviser and their affiliated entities, "**Percheron**"), is affiliated with the Adviser.

Each General Partner is subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Adviser.

The Funds are private equity funds and invest through negotiated transactions in operating entities (or "portfolio investments") and real estate (generally referred to together herein as "portfolio investments"). Percheron's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Adviser or its affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

The advisory services to the Funds are detailed in the applicable Fund's private placement memoranda or other offering documents (each, a "**Memorandum**"), limited partnership or other operating agreements (each, a "**Partnership Agreement**" and, together with any relevant Memorandum, the "**Governing Documents**") and, as applicable, are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds

participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the Governing Documents; such arrangements generally do not and will not create an adviser-client relationship between the Adviser and any investor. The Funds or the General Partners generally enter into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the Governing Documents with respect to such investors.

Additionally, from time to time and as permitted by the Governing Documents, Percheron expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors, Limited Partners (as defined below) or other persons, including other sponsors, market participants, strategic investors (e.g., strategic partners and co-venturers), finders, consultants, Operating Partners (as defined below), Senior Advisors (as defined below) and other service providers, Percheron’s personnel and/or certain other persons associated with Percheron and/or its affiliates. Such co-investments typically involve investment and disposal of interests in the applicable portfolio investment at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Fund) purchases a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio investment (also known as a post-closing sell-down or transfer), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in Percheron’s sole discretion, Percheron reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

The Adviser is principally owned by Christopher Collins and Christopher Lawler, who serve as the Adviser’s Managing Partners. Percheron Investment Management GP LLC acts as the general partner to the Adviser, and is wholly owned by Christopher Collins and Christopher Lawler.

## **FEES AND COMPENSATION**

In general, Percheron receives a management fee (the “**Management Fee**”) and a carried interest in connection with advisory services provided to the Funds. Percheron and/or its affiliates receive additional compensation in connection with management and other services performed for portfolio investments of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Percheron in accordance with the Governing Documents. In addition, Percheron reserves the right to receive compensation for management and other services performed in connection with co-investments made in portfolio investments of the Funds. Investors in a Fund also bear certain expenses. A summary of the Fund’s anticipated fees and expenses follows, but investors should review the applicable Fund’s Governing Documents for details regarding fee structure and expenses.

## Management Fees

The Fund is expected to pay a Management Fee equal to 2% on an annual basis of aggregate capital commitments (“**Commitments**”) of investors that are not designated as “affiliated partners” by the General Partner. Payments are made quarterly in advance. Commencing with the first Management Fee due date after the expiration of the Fund’s investment period or earlier upon the occurrence of certain events as set forth in the applicable Partnership Agreement, the Management Fee will equal 2% of (i) the aggregate unrecouped Bridge Financing (as defined below) and investment contributions made (or payable to the Fund pursuant to capital call notices then issued or to be issued to repay indebtedness incurred by the Fund and used to fund an investment) with respect to investments that have not been disposed of or completely written-off (as determined pursuant to the Partnership Agreement), less (ii) the aggregate amount of any completely written-off investments that have not been disposed of, in each case with respect to investors not designated as “affiliated partners” by the General Partner. Installments of the Management Fee payable for any period other than a full three-month period are adjusted on a *pro rata* basis according to the actual number of days in such period.

The Fund’s Management Fee is expected to be reduced, but not below zero, by an amount equal to 100% of Transaction Fees (as may be adjusted pursuant to the Partnership Agreement) attributable to Limited Partners (as defined below) not designated as “affiliated partners” by the General Partner, as set forth in the applicable Partnership Agreement. “**Transaction Fees**” include: (i) closing fees, commitment fees, monitoring fees, financial consulting fees, advisory fees, directors’ fees and other similar fees paid to the General Partner with respect to any Fund investment; (ii) transaction fees paid to the General Partner with respect to any Fund investment; and (iii) break-up fees and litigation proceeds with respect to Fund transactions not consummated that are paid to the General Partner, in each case net of certain expenses as set forth in the Partnership Agreement; but not including, in any event, any amount received by the General Partner, the Operating Partners, a Senior Advisor or other person from an investment, prospective investment or other person (A) as reimbursement for expenses directly related to such investment or prospective investment, (B) as compensation for services provided to such investment or prospective investment in the ordinary course of such investment’s or prospective investment’s business, (C) as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such investment or prospective investment, (D) as compensation (including fees, salaries, bonuses, employee benefits, retainers, incentive equity or other stock awards and other amounts) for services rendered by an Operating Partner or a Senior Advisor to or in respect of an investment or prospective investment or (E) any other amounts that the applicable Fund’s advisory board otherwise approves as not constituting “Transaction Fees.”

Various costs and expenses will reduce Transaction Fees (and therefore such amounts will not reduce the Management Fee), including out-of-pocket costs and expenses (including travel expenses) incurred by the General Partner in connection with any consummated or unconsummated transaction or in connection with generating any such Transaction Fees. Any Transaction Fees with respect to an investment or potential investment (including a transaction not consummated) shall be allocated to the Fund (and offset against the Management Fee as described above) only to the extent of the Fund’s relative ownership (or anticipated ownership) of such investment or potential investment on a fully diluted basis. Accordingly, the Fund will, in most cases, only benefit from the Management Fee reduction described above with respect to its

allocable portion of any such Transaction Fee and not the portion allocable to any other person that holds an economic interest in (or, in the case of a transaction not consummated, would have held an economic interest in) the applicable investment (e.g., co-investors).

The Governing Documents generally permit the General Partner to waive or agree to reduce the Management Fee. Certain waived portions of the Management Fee are treated by the Governing Documents as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operates to reduce the amount of capital such General Partner would otherwise be required to contribute to the Fund. The limited partners of such Fund (each, a "**Limited Partner**"), other than certain Limited Partners with respect to which Management Fees are not charged, will be required to make additional contributions. The exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by the General Partner and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will be delayed.

### **Carried Interest**

As more fully described in the Governing Documents, the Fund's General Partner generally will receive a carried interest with respect to the Fund equal to 20% of realized profits in excess of an 8% compounded preferred return and subject to a General Partner catch-up provision. The carried interest distributed to the General Partner is subject to a potential clawback at the end of the Fund's life if such General Partner has received excess cumulative distributions.

It is expected that any future Funds will have a similar fee structure.

### **Other Information**

The General Partner is authorized, in its sole discretion, to designate certain investors as "affiliated partners" (whether or not they are actual affiliates of Percheron); including Percheron employees, Operating Partners (as defined below), Senior Advisors (as defined below), "friends and family" of Percheron or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors. Such "affiliated partners" generally will be exempted from all or some portion of the Management Fee and/or carried interest. For example, the General Partner and Limited Partners who are affiliates, employees or other designees, including persons designated as "affiliated partners," Operating Partners or Senior Advisors engaged or retained by Percheron, generally will not be subject to the Management Fee or carried interest. Percheron is also permitted to waive or reduce management fees and/or carried interest for any "executive fund" it manages. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

Any such exemption from fees and/or carried interest is permitted to be made by a direct exemption, a rebate by the Adviser and/or its affiliates, or through other Funds which co-invest with a Fund. Additionally, the General Partner has the right to permit investors, affiliated with

Percheron or otherwise (including the persons indicated above), to invest through the General Partner or other vehicles that do not bear Management Fees or carried interest.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Governing Documents, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of Percheron or its affiliates generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the Adviser or its affiliates.

In addition to the Management Fee and carried interest payable to Percheron, each Fund bears certain expenses. As set forth more fully in each Fund's Governing Documents, each Fund will pay, or reimburse the General Partner for, all other fees, costs, expenses, liabilities and obligations (referred to collectively in this paragraph as "costs") relating to the Fund's and/or its subsidiaries' activities, business, portfolio investments or actual or potential investments (to the extent not borne or reimbursed by a portfolio investment or potential portfolio investment), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the origination, identification and sourcing of investment opportunities for the Fund, including meeting with consultants, broker-dealers, investment banks and other sources of investments and developing an investment pipeline; (ii) activities with respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases, deal sourcing or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, the Fund's portfolio investments and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other costs payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence, software and service providers, consultants and similar professionals in connection therewith and any costs related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful and whether or not such activities were undertaken prior to the Fund's initial closing; (iii) indebtedness of, or guarantees made by, the Fund, its management company, its General Partner or any "affiliated partner" on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iv) financing, commitment, origination and similar activities; (v) broker (including real estate broker), dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, bonuses, guaranteed minimums, sales commissions, investment banker, finder and similar services (including buy- and sell-side finders' fees as well as similar deal sourcing payments); (vi) brokerage, sale, custodial, depository and local paying agent (including any depository appointed pursuant to the Alternative Investment Fund Managers Directive ("AIFMD") or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), expenses of a Swiss representative and paying agent appointed pursuant to the Swiss Collective Investment

Scheme Act (as amended), including any related law, rule or regulation relating to the implementation thereof but excluding, for clarity, any initial engagement expenses described in the Governing Documents, trustee, record keeping, account, registered office and similar services; (vii) legal, accounting, research (including expert consultants, research reports, subscriptions to research services, research calls and meetings and research or industry conferences), auditing, administration (including costs associated with compliance with any anti-money laundering laws and regulations and any third-party Fund administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services, including with respect to transactions entered into between the Fund and other investment vehicles affiliated with the General Partner, as well as costs related to the establishment or maintenance of such services), consulting including consulting and retainer fees, salary, bonus and other compensation or expense reimbursements paid to, and benefits or personnel costs (including employee benefits, payroll taxes, insurance, paid time-off and overhead) provided to or on behalf of, consultants, Operating Partners, Senior Advisors or consultants performing investment initiatives, including those related to sourcing or identifying investment opportunities, or providing services related to environmental, social and governance (“ESG”) investment considerations and policies and other consultants (including those with respect to go-to-market, supply chain, lean management and change management), recruiting (including executive recruiters for investments and any costs associated with recruiting, including headhunter fees, background checks or relocation expenses), tax, information technology and other professional services; (viii) reverse breakup, termination and other similar arrangements; (ix) insurance (including directors and officers liability, fidelity bond, cyber security, investment management liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs related to any retention or deductibles and broker fees, costs and commissions) and the costs of any consultants or other advisors utilized in the procurement, review and analysis of insurance policies; (x) filing, title, transfer, survey, environmental diligence, registration and other similar activities; (xi) printing, communications, mailing, courier, marketing, advertising and publicity; (xii) the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms, other communications with investors or any other administrative, compliance or regulatory filings or reports (including Form PF and Bureau of Economic Analysis reports) or other information, including costs of any third-party service providers and professionals related to the foregoing; (xiii) costs associated with the reporting, filings or other ongoing compliance with the requirements contemplated by the AIFMD (excluding, for clarity, the initial or preliminary registrations, filings and compliance described in the Governing Documents), as implemented in any relevant jurisdiction or any similar law, rule or regulation and including any secondary legislation, regulations, rules or associated guidance, and any related requirements; (xiv) compliance with any financial account reporting regime applicable to the Fund, any alternative investment vehicle or the General Partner, including the “Foreign Account Tax Compliance Act” or “FATCA” and the OECD Standard for Automatic Exchange of Financial Account Information - Common Reporting Standard and any similar laws, rules and regulations, and any costs of any third-party services providers and professionals related to the foregoing; (xv) developing, licensing, implementing, maintaining or upgrading any web portal, website, extranet tools, computer software (including accounting, investor tracking, investor reporting, ledger systems, financial management and cybersecurity) or other administrative or reporting tools (including subscription-based services); (xvi) any activities with respect to protecting the



confidential or non-public nature of any information or data (including any costs incurred in connection with compliance with the General Data Protection Regulation (EU 2016/679) (as amended) and the Freedom of Information Act, 5 U.S.C. § 552); (xvii) any activities or proceedings of the Fund's advisory board (including any costs incurred by representatives of its General Partner, its advisory board members, permitted observers and other persons in attending or otherwise participating in meetings of its advisory board); (xviii) indemnification obligations (including legal and any other costs incurred in connection with indemnifying any partner or other person pursuant to the applicable Partnership Agreement or otherwise and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the applicable Partnership Agreement), except as otherwise set forth in the applicable Partnership Agreement; (xix) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xx) any annual, periodic or special Limited Partner meeting, and any other conference, meeting or webcast or other video conference with any partner(s) (in each case, including any costs associated with venue, set-up, room and board, dining, entertainment, gifts and mementos, honorarium, events or speakers and other meeting or conference related costs) and any other activities necessitated by and incidental to the Fund's global investor base, in each case to the extent incurred by the Fund, its General Partner or any other affiliate thereof; (xxi) the Management Fee; (xxii) except as otherwise determined by the General Partner in its sole discretion, any cost relating to any alternative investment vehicle or its activities, business, portfolio investments or actual or potential investments (to the extent not borne or reimbursed by an investment of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, any costs incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities and any other costs related to any structuring or restructuring of the Fund or its affiliated entities; (xxiii) the termination, liquidation, winding up or dissolution of the Fund and any legal entities owned directly or indirectly by the Fund, including in respect of investments and related entities; (xxiv) defaults by partners in the payment of any capital contributions; (xxv) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, its General Partner and related entities, any entities owned directly or indirectly by the Fund (including portfolio investments) and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxvi) (A) compliance with any law, rule, regulation, policy directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider costs related thereto, any regulatory costs of the General Partner or any of its affiliates incurred in connection with the operation of the Fund and any costs related to compliance with any ESG or other investment considerations and policies of the General Partner or the Fund and (B) any costs related to the validation of any payments made to the Fund or the General Partner in connection with any voluntary or compulsory review (including as a result of any anti-money laundering laws, rules or regulations); (xxvii) any litigation or governmental inquiry, investigation or proceeding, including any costs of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the applicable Partnership Agreement; (xxviii) any third-party experts, including independent appraisers or ESG experts, engaged by the General

Partner in connection with the Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same entity as one or more investment vehicles (other than the Fund) sponsored, managed or controlled by the General Partner or any of its affiliates; (xxix) unreimbursed costs incurred in connection with any transfer or proposed transfer by a Limited Partner or any Limited Partner's name change, internal restructuring or change in trust, registered agent or custodian; (xxx) any taxes, fees and other governmental charges levied against the Fund or any alternative investment vehicle and all expenses incurred in connection with any tax audit, inquiry, investigation settlement or review of the Fund or any alternative investment vehicle (except to the extent that the Fund is reimbursed therefor by a Fund partner or such tax, fee or charge is treated as having been distributed to the Fund partners pursuant to the applicable Partnership Agreement) and any costs of or related to the "partnership representative" of the Fund and any "designated individual" thereof; (xxxii) distributions to the Fund partners and other costs associated with the acquisition, holding and disposition of investments, including extraordinary expenses; (xxxiii) unreimbursed expenses and unpaid fees of Senior Advisors or Operating Partners; (xxxiv) compliance or regulatory matters, except as otherwise set forth in the applicable Partnership Agreement, including compliance with the applicable Partnership Agreement or any side letter or similar agreement (including the Fund's most favored nations process); (xxxv) amendments to, and waivers, consents or approvals pursuant to, side letters and similar agreements with Limited Partners and "most-favored-nations" election processes in connection therewith; (xxxvi) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the General Partner or the Adviser, or any Senior Advisor or Operating Partner, at any trade show or conference, including any applicable registration fees and exhibition, sponsorship or other presentation fees, costs and expenses; (xxxvii) hosting or attending training programs, meetings or other events for investments or their personnel; (xxxviii) all costs and expenses associated with negotiating, forming and operating a feeder fund which invests all or substantially all of its assets in the Fund, including all expenses associated with its management, operation, winding-up, liquidating and dissolution and with preparing and distributing such feeder fund's financial statements, tax returns and feeder fund limited partner reports, but not including any income based or similar taxes, fees or other governmental charges levied against such feeder fund; (xxxix) any travel (including, where appropriate as determined by the General Partner, the cost of using or chartering private aircraft or other private air travel (at a cost not to exceed the cost of corresponding first class (or equivalent) commercial airfare except during certain extenuating circumstances (e.g., during a pandemic), provided that portfolio investments or prospective portfolio investments may use or charter such private aircraft or private air travel at a cost above the cost of corresponding first class (or equivalent) commercial airfare at any time), other air travel, car or ride sharing services or other modes of transportation), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xl) any of the items listed above relating to any investment, restructuring, taking public or private, disposition or other opportunity not consummated, including any opportunity offered to co-investors; (xli) any organizational expenses; (xlii) any placement fees; and (xliii) any other costs approved by the Fund's advisory board.

The Funds also bear expenses indirectly to the extent a portfolio investment (or intermediate entity) pays expenses, including expenses of the Adviser and/or its affiliates. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the

foregoing items, which generally are expected to be significant. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in “Brokerage Practices.”

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While Percheron believes such circumstances to be unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, Percheron is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio investments alongside one or more Funds, subject to Percheron’s related policies and the relevant Governing Documents and/or Side Letter(s). Where a proposed transaction that was to have included one or more co-investors is not consummated, or a potential co-investor does not invest in a planned co-investment, all fees, costs and expenses or other liabilities or obligations (including broken deal fees and expenses) relating to such proposed transaction will be borne by the Fund and not by any prospective co-investors that were to have participated in such transaction. Typically, the Fund will bear such fees and expenses regardless of whether any co-investor(s) had yet been identified or confirmed, or whether any co-investment vehicle had yet been formed in connection with the relevant transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to also bear its share of such fees and expenses.

The Adviser and/or its affiliates generally have discretion over whether to charge Transaction Fees, monitoring fees or other compensation to a portfolio investment and, if so, the rate, timing, method and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and the Adviser and/or its affiliates on the other hand.

### **Percheron Operating Partners and Senior Advisors**

Additionally, as further described herein and in the applicable Memorandum and/or Partnership Agreement of each Fund, Percheron and/or its affiliates intend to engage, employ or retain operating partners (the “**Operating Partners**”) whose primary role is to advise on industry-specific strategy and market approach, provide investment acquisition support, participate in Percheron’s investment committee, assist with the build out of investments and provide other value creation or other similar services to the Fund, any alternative investment vehicle or any investment or prospective investment of the Fund or any alternative investment vehicle as well as serve on the boards or equivalent bodies or in executive roles or other roles of such investments (including investments in which the Fund does not hold a controlling interest). Percheron also expects to

engage, employ or retain senior advisors (the “**Senior Advisors**”) who are members of the Adviser’s advisory board and provide strategic advice to the Adviser in respect of its business strategy and the Fund’s current and prospective investments.

Operating Partners are typically expected to receive recurring retainers from the Adviser, while any additional compensation they receive in connection with their services to portfolio investments or the Fund, including fees, salaries, bonuses, incentive equity or other stock awards, and any reimbursement of certain costs and expenses, including personnel costs (including employee benefits, payroll taxes, insurance, paid-time-off and overhead), airfare, lodging, meals, entertainment, gifts and other out-of-pocket expenses incurred in connection with providing their services, will be paid by portfolio investments or directly by the Fund (which payments are not included as “Transaction Fees” and will not offset the Management Fee). The Adviser also expects to deploy Operating Partners to portfolio investments to serve as executives or in other similar roles. Under such arrangements, the relevant portfolio investment generally will pay all of the compensation and employee benefits in respect of such Operating Partners which will not offset the Management Fee and the Adviser is expected to cease to pay any recurring retainer in connection with such employment. In addition, Operating Partners are expected to be permitted to invest in the Fund or co-invest in certain investments, with management fees or carried interest reduced or waived, and receive grants in the General Partner’s carried interest. Operating Partners will typically receive access to office space, e-mail addresses, health insurance and other benefits, and are expected to make use of support services and other resources (including employee benefits, payroll taxes, paid-time-off and overhead) of Percheron and its affiliates.

As compensation for their services to the Adviser, Senior Advisors are typically expected to receive recurring retainers from the Adviser, be permitted to invest in the Fund or co-invest in investments, with management fees or carried interest reduced or waived or receive grants in the General Partner’s carried interest. In addition, Senior Advisors are expected to serve on the boards or equivalent bodies of portfolio investments or provide other services to the Fund and portfolio investments thereof. As compensation for those services, Senior Advisors are expected to receive compensation, including fees, salaries, bonuses, incentive equity or other stock awards from the Fund or portfolio investments thereof. Those entities will also bear any costs and expenses, including personnel costs (including employee benefits, payroll taxes, insurance, paid-time-off and overhead), airfare, lodging, meals, entertainment, gifts or other out-of-pocket expenses incurred by Senior Advisors in connection with the provision of their services thereto. As provided above, any of the foregoing compensation, expenses and other amounts paid to or received by Senior Advisors in connection with their services, including with respect to particular transactions or investments, will not be included as “Transaction Fees” and consequently will not reduce the Management Fee.

The use of Operating Partners and Senior Advisors subjects Percheron to conflicts of interest, as discussed under “Conflicts of Interest,” below.

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

As described under “Fees and Compensation,” the relevant General Partner receives a carried interest allocation on certain realized profits in the Fund. Percheron also reserves the right to manage an “executive fund,” which does not bear carried interest (and/or a Management Fee).

This could present a conflict of interest with respect to the “executive fund” because Percheron has an incentive to favor accounts for which it receives the highest performance-based compensation. Additionally, to the extent the Adviser has Funds with varying carried interest terms or Percheron personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

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

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

#### **TYPES OF CLIENTS**

Percheron provides investment advice to the Fund clients, and references throughout this Brochure to “clients” and Percheron’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Funds include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “**Investment Company Act**”). The investors participating in the Funds are expected to include individuals, banks or thrift institutions, insurance companies, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and, directly or indirectly, principals or other employees of Percheron and its affiliates and members of their families, Senior Advisors, Operating Partners or other service providers retained by Percheron.

For legal, tax, regulatory or other reasons, Percheron is authorized to form one or more alternative investment entities to make, restructure, or otherwise hold investments, including outside the Funds. Generally, in such event, each investor that participates in an alternative investment vehicle would do so on substantially the same terms and conditions as it participates in the Funds.

The Fund generally has a minimum investment amount of \$5 million for third-party investors. Such minimum investment amount may be waived by the General Partner. Fund interests are offered and sold solely to “accredited investors,” as defined in Regulation D promulgated under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and, unless waived in the discretion of the General Partner, “qualified purchasers” as that term is defined under the Investment Company Act (or certain qualified knowledgeable Percheron personnel).

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

### General

Percheron intends to principally focus on making control-oriented investments in middle-market, multi-site, essential services businesses based in North America. Percheron's founding principle is to be an outstanding partner, which Percheron's founders (the "**Founders**") believe requires steadfast commitment and unwavering support, values that are emblematic of the core traits of the Percheron workhorse. Through its focused investment approach, Percheron seeks to make investments in high-quality businesses in growing, resilient industries. Percheron will focus on opportunities in the animal health services, automotive services, healthcare & wellness, education services, food & beverage, and residential services end markets.

Percheron intends to target opportunities that they believe exhibit "multiple vectors of growth", or a diversified growth opportunity which provides additional margin of safety in Percheron's investment underwriting. These vectors of growth may include (a) strong organic growth due to the underlying strength of the target end markets, (b) buy and build opportunities given market fragmentation, and (c) new unit greenfield growth given the scalability and strong unit economics of Percheron's targeted multi-site services business models.

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

### Investment and Operating Strategy

Percheron seeks to make control investments in high-quality multi-site, essential services businesses in growing, resilient industries with return profiles designed to protect against capital loss while enabling significant breakout potential. Through an established operational framework to accelerate growth and enhance profitability, Percheron seeks to add value to portfolio investments and create lasting market-leaders within its target end markets.

Percheron is focused on investments that operate across a variety of end markets but generally have very similar characteristics, including: (a) non-discretionary, nondeferrable, "need-based" recurring demand, (b) stable growth, (c) limited disruption risk, (d) scalable business models with attractive unit economics, (e) strong EBITDA margin profiles, (f) low capital intensity and high free cash flow generation, and (g) embedded real estate inefficiencies. Percheron intends to employ an investment strategy centered around Percheron's 3-pillar approach to help achieve attractive risk-adjusted returns. The strategy includes:

1. **Differentiated sourcing** – A sector-led, well-developed sourcing model that is designed to consistently generate desirable off-market opportunities.
2. **Established operational approach** – Value creation through a tested "business-building" framework to accelerate growth and enhance earnings.
3. **Real estate advantage** – Complementary real estate capabilities with the potential to amplify outcomes, generate downside protection and return capital rapidly.

Percheron intends to primarily invest in majority control positions in its portfolio investments. A key component of Percheron's strategy to drive returns is implementing an established operations playbook that impacts many aspects of a portfolio investment's operations. As a result, having majority board control over major corporate decisions is expected to be critical to Percheron's investment strategy. In certain opportunistic situations, Percheron may seek non-control investments. In these circumstances, Percheron would focus on obtaining strong governance controls over aspects of the business that it believes are most critical to driving investment outcomes. Percheron expects to target common equity structures and anticipates using low to moderate leverage in its operating companies, typically representing less than 50% of total capitalization. Percheron will seek to establish appropriate and efficient capital structures for each portfolio company but does not expect to rely on the use of leverage as a primary driver for investment returns.

The Governing Documents of each Fund set out its investment objectives, limitations and restrictions, which are expected to vary from Fund to Fund.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that Percheron's investment strategy entails. The risks involved with Percheron's investment strategy and an investment in a Fund include, but are not limited to, those described below:

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

*Concentration of Investments; Lack of Diversification.* The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment, certain regions or sectors, or within a short period of time. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry or sector may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio investments, real estate investments and real estate-related assets and thus be less diversified. If the Fund co-invests with another investment fund or investment vehicle (including any vehicle managed by Percheron), a Limited Partner invested in such other investment vehicle would have exposure to a single investment through more than one fund, potentially increasing such Limited Partner's losses; conversely, the Fund would have less exposure than if the Fund did not co-invest, potentially diluting returns.

The Fund is authorized to provide interim financing ("**Bridge Financing**") to facilitate certain investments. It is possible that all or a portion of a Bridge Financing will not be recouped within the time period specified in the Partnership Agreement, in which case the investment would be treated as a permanent investment of the Fund. As a result, the Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which exclude Bridge Financing investments.

Unspecified Investments. Limited Partners will be relying on the ability of the General Partner to locate and evaluate the investments to be made by the Fund using the proceeds of this offering. The activity of identifying, structuring, completing and realizing private equity, real estate and other investments involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that the General Partner will be able to identify, or the Fund will be able to complete, investments that satisfy the Fund's investment objectives or, if completed, realize such investments for fair or attractive values or that the Fund will be able to fully invest its committed capital.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity and real estate transactions is highly competitive and involves a high degree of uncertainty. The Fund will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers, real estate firms, and other financial investors, including hedge funds, investing directly or through affiliates, and other private equity and real estate funds. Over the past several years, an increasing number of investment funds have been or are being formed, and many fund sponsors have increased the size of successor funds as compared to their corresponding prior funds. Other investment funds with similar investment objectives to the Fund likely will be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, or more personnel than the General Partner, the Fund and their respective affiliates.

Competition for Investments. To the extent that the Fund encounters significant competition for investments, returns to Limited Partners may decrease. In addition, it is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified and consummated. Regardless of the extent to which the Commitments of the Limited Partners are invested, the Limited Partners will be required to bear Management Fees through the Fund during the Fund's investment period based on the entire amount of the Commitments of the Limited Partners not designated as affiliated partners and other expenses as set forth in the Partnership Agreement.

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

Leveraged Investments; Borrowing. The Fund expects to make use of leverage by incurring or having an investment incur debt to finance a portion of such investment, including in respect of investments or companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which may be impacted by regulatory restrictions and guidelines and which are difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by the Fund will also result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal



Deposit Insurance Corporation) may restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

The use of leverage also imposes restrictive financial and operating covenants on a company or investment, in addition to the burden of debt service, and may impair its ability to operate its business as desired or finance future operations and capital needs. The leveraged capital structure of investments will increase the exposure of the Fund's investments to any deterioration in a company or investment's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged investments in a down market. In the event any investment cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in the investment, which could adversely affect the returns of the Fund. Additionally, lenders would typically have a claim that has priority over any claim by the Fund to the assets of such investment in an insolvency event or proceeding. Should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of an investment, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. If an investment or portfolio investment is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal amount of financial leverage, the Fund will hold a larger than expected equity investment in such investment or portfolio investment and could realize lower than expected returns from the investment or portfolio investment that would adversely affect the Fund's ability to generate attractive returns for the Fund as a whole. Any failure by lenders to provide previously committed financing could also expose the Fund to potential claims by sellers of businesses which the Fund may have been contracted to purchase. Moreover, the investments in which the Fund will invest likely will not be rated by a credit rating agency.

The Fund is also authorized to borrow money or guaranty indebtedness (such as a guaranty of an investment or portfolio investment's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that the Fund would be compensated for providing such guaranty or exposure to such liability. Co-investors are expected to receive the benefit of such guaranty, although as co-investors typically do not agree to participate in guaranty arrangements in negotiating to participate in a transaction, co-investors are not expected to bear a commensurate percentage of potential liability. Any use of leverage by the Fund also will result in interest expense and other costs to the Fund that could exceed, or otherwise not be covered by, distributions made to the Fund or appreciation of its investments. The Fund is authorized to incur leverage on a joint and several basis with one or more other investment funds or other entities managed by or otherwise affiliated with the General Partner or any of its affiliates and, in connection with incurring such indebtedness, the General Partner is authorized, in its sole discretion, to cause the Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when the Fund were to seek to enforce any such right, any such entity could default on its obligation or such right would otherwise be unenforceable. In addition, to the extent the Fund incurs leverage (or provides any guaranty), such amounts could be secured by the capital commitments of the Fund's investors other Fund assets. The inability of the Fund to repay any leverage secured by the capital commitments of the Fund's investors could enable a lender to issue a capital call on behalf of the General Partner of the Fund.

Services Industry Risk. The Fund expects to invest in service industry businesses including in the animal health, automotive, healthcare & wellness, education services, food & beverage and residential services end markets. Service industry businesses in the Fund's anticipated end markets have historically been resilient to economic downturns, however this trend may not continue or may reverse. Service industry end markets are highly competitive and can be significantly affected by demographic and product trends, competitive pricing, fads, marketing campaigns, environmental factors, government regulation, consumer preferences, nutritional and health concerns, federal, state and local food inspection and processing controls, consumer product liability claims, possible product tampering, levels of disposable household income and the availability/expense of liability insurance. There are also risks associated with changing market prices as a result of, among other things, change in government support and trading policies, macroeconomic performance, interest rates, exchange rates and consumer confidence.

Healthcare Sector Risk. The profitability of companies in the healthcare sector, including healthcare equipment and services companies, will, from time to time, be affected by government regulations and government healthcare programs, increases or decreases in the cost of medical products and services, an increased emphasis on outpatient services and product liability claims, among other factors. Healthcare companies are often heavily dependent on patent protection, and the expiration of a company's patent may adversely affect that company's profitability. Healthcare companies are also subject to competitive forces that may result in price discounting and may be susceptible to product obsolescence.

Education Sector Risks. Education companies may be affected by changes in demographics and changes in consumer demands. Furthermore, government regulations, programs and policies can have a significant impact on the products and services provided by education companies. Some education companies rely heavily on tax breaks and government subsidies, which can be very policy-dependent and may not continue indefinitely in the future. Education companies are also affected by macroeconomic growth and the overall strength of the labor market, which can influence the demand for educational products and services. Some education companies have recently faced increased regulatory scrutiny, and in some cases litigation, due to business practices that were perceived as unfair and misleading to consumers. Ongoing and future legal actions could have a negative impact on education companies. The customers or suppliers of education companies may be concentrated in a particular country, region or industry. Any adverse event affecting one of these countries, regions or industries could have a negative impact on such companies.

Unrestricted Investments. Subject only to the Fund's investment restrictions in the Partnership Agreement, the General Partner will have no limitation in the general types of investments that it may make with the assets of the Fund, and will opportunistically select whatever permitted investments it believes during such time are suited to the Fund in light of prevailing market conditions and other factors it considers relevant. For some of these investments, no specific "risk factors" are described in the Fund's Memorandum. The General Partner will not be required to select any particular types of permitted investments and reserves the right to refrain from making certain types of permitted investments on behalf of the Fund, whether or not such investments are specifically described in the Fund's Memorandum, and without notice to Limited Partners. There can be no assurance that the various investments the General Partner expects to make from time to time will be successful and generate profits for the Fund.

Dynamic Investment Strategy. While the General Partner generally intends to seek attractive returns for the Fund primarily through making investments as described herein, the General Partner reserves the right to pursue additional investment strategies, pursue investments outside of the industries and sectors in which the Founders have previously made investments or pursue various types of investment structures including those that are not specifically described herein (including subordinated instruments and preferred equity) and is permitted to modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate, as described above. While this Brochure contains a description of the strategies the Fund is expected to pursue and the types of investments that the Fund is expected to make, many factors may contribute to changes in emphasis in the construction of the portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries.

Impact of Government Regulation, Reimbursement and Reform. Certain industry segments in which the Fund is permitted to invest including various segments of the animal health services, automotive services, healthcare & wellness, education services, food & beverage, and residential services end markets are (or may become) (a) highly regulated at both the federal and state levels in the U.S. and internationally and (b) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations or financial performance of the companies in which the Fund invests.

Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The Fund's ability to dispose of investments may be limited for several reasons. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In view of these limitations on liquidity, the Fund generally will not be able to return capital or realize gains, if any, on an investment in a privately-held entity until the partial or complete disposition of such entity. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including the Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Commitments.

Subscription Lines. The Fund is authorized and expects to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments and the payment of expenses). Fund-level borrowing subjects Limited Partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the General Partner's right to call capital from the Limited Partners,

Limited Partners would likely be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any Limited Partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental Fund expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the Limited Partners and the terms of the Partnership Agreement, it could be higher than the interest rate a Limited Partner could obtain individually. To the extent a particular Limited Partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a Limited Partner's overall individual financial returns even though it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of credit typically delays the need for Limited Partners to make certain contributions to the Fund, which generally would enhance the Fund's performance figures (particularly because internal rate of return calculations depend on the amount and timing of capital contributions), and thereby benefit the General Partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors, as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses or liabilities.

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

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to acquire investments and pay Fund expenses without calling capital, potentially for extended periods of time. To the extent provided in the Partnership Agreement, any such borrowing may remain outstanding for such time as the General Partner deems appropriate, potentially including through disposition of such investment, and the interest expense and other costs of any such borrowings will be Fund expenses that may decrease net returns of the Fund. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for Limited Partners that would not arise had the General Partner called smaller amounts of capital incrementally over time as needed by the Fund. This risk would be heightened for a Limited Partner with commitments to other funds that employ similar borrowing strategies or with respect

to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the Limited Partner to meet the accumulated, larger capital calls at the same time. The Fund also anticipates that it will utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, Limited Partners would end up with increased exposure to the underlying investment, which could result in greater losses.

*LIBOR and Other Benchmark Interest Rates.* To the extent the Fund's investments (whether made, acquired or otherwise) or indebtedness is subject to a variable interest rate based on (or calculated with reference to) the London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate, the Canadian Dollar Offered Rate or any other offered rate, benchmark or index (collectively, "**Benchmark Rates**"), the Fund will be subject to certain material risks, some of which are described below.

Certain Benchmark Rates have historically been, may presently be, or may in the future become, the subject of manipulation, regulatory scrutiny or reform, phase-out, permanent discontinuation, replacement, tremendous volatility, and other change(s) which may have resulted or may result in: (a) any such Benchmark Rate being artificially lower (or higher) than it otherwise would have been; (b) changes to the applicable calculation methodology; or (c) market uncertainty as to the current or future status of any such Benchmark Rate. To the extent any investment bears interest based on (or calculated with reference to) a Benchmark Rate, any such investment may not appropriately embed a return that is commensurate with its risk exposure. Where debt instruments rely on a Benchmark Rate set to phase-out during the life of such debt instrument, it is possible that substitution of such phased-out rate (upon its phase-out) with another rate or Benchmark Rate could result in realization of income for U.S. federal income tax purposes with respect to the issuer of such debt instrument.

The UK Financial Conduct Authority (the "**FCA**") currently intends to phase out LIBOR by the end of 2021. There is currently no consensus on which Benchmark Rate(s) will replace LIBOR after it is phased-out and there can be no assurance that any such replacement Benchmark Rate(s) will attain market acceptance. Any transition away from LIBOR to one or more alternative Benchmark Rates is complex and could have a material adverse effect on the Fund's business, financial condition and results of operations. In addition, on March 25, 2020, the FCA stated that although the central assumption that firms cannot rely on LIBOR being published after the end of 2021 has not changed, the outbreak of COVID-19 has impacted the timing of many firms' transition planning, and the FCA will continue to assess the impact of the COVID-19 outbreak on transition timelines and update the marketplace as soon as possible. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or other reforms to LIBOR that may be enacted in the United States, United Kingdom or elsewhere or, whether the COVID-19 outbreak will have further effect on LIBOR transition plans.

*Warehouse Deals.* Promptly following the initial closing, the Fund shall be permitted to purchase one or more investments disclosed to the Fund's partners in a supplement to the Fund's Memorandum delivered to prospective investors prior to the initial closing (the "**Investor Group Investments**") from the General Partner, one or more of its affiliates or certain other persons (the "**Investor Group**"). If such purchase of Investor Group Investments is consummated, the purchase

price for each Investor Group Investment will be equal to the sum of (a) the original cost of such investment, plus (b) legal and out-of-pocket expenses related to such investment, plus (c) an amount disclosed to the Limited Partners prior to the initial closing date of the Fund; provided that the General Partner may make equitable adjustments to such purchase price as it believes would be fair or equitable to reflect a material change or significant event relating to the value of an investment, accrued but unpaid interest or dividends or prior distributions made with respect thereto. No assurance can be given that such investments will be consummated or will be profitable for the Fund. It is possible that such investments, if any, may decline in value prior to the transfer of such investments to the Fund from the Investor Group.

*PIPE Investments.* The Fund expects to selectively and opportunistically pursue private investments in public equities (“PIPE”) investments or private financing of public companies. PIPE investments may be purchased directly from a publicly traded company in a private placement transaction, typically at a discount to the market price of the company’s common stock. In a PIPE transaction, the Fund may bear the price risk from the time of pricing until the time of closing. The Fund will generally not be able to sell or distribute PIPE investments unless the securities are registered under applicable securities laws or an exemption from such registration is available. In addition, even after the securities are saleable, it may take a significant period of time for the Fund to sell or distribute PIPE securities in an orderly manner during which time profit could have otherwise been realized or loss avoided, and in some cases the Fund may be prohibited by contract or law from selling such public company securities for a period of time. In addition, the Fund’s sales of thinly traded securities could depress the market value of such securities. These circumstances or events could reduce the Fund’s profitability. Disposition of the Fund’s public company investments may result in distributions in-kind to Limited Partners.

*No Market for Interests; Restrictions on Transfer; No Right of Withdrawal.* Limited Partner interests in the Fund may not generally be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the General Partner, which may be withheld pursuant to the Partnership Agreement, and the volume of transfers permitted in any calendar year may be restricted in order to comply with certain safe harbors under the tax regulations promulgated under the U.S. Internal Revenue Code of 1986, as amended. Voluntary withdrawals from the Fund will not be permitted except in very limited circumstances generally involving situations where retaining an interest in the Fund would violate certain laws or regulations. In addition, interests in the Fund are not redeemable. There will be no public market for interests in the Fund, and none is expected to develop. Interests in the Fund have not been registered under the Securities Act, the securities laws of any U.S. state or the securities laws of any non-U.S. jurisdiction and therefore cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws, or unless an exemption from registration is available. It is not contemplated that registration of the interests in the Fund will ever be effected. Limited Partners may not be able to liquidate their investments prior to the end of the Fund’s term and must be prepared to bear the risks of an investment in the Fund for an indefinite period of time.

*Investments Longer than Term.* The Fund may make investments that may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of the Fund’s term or otherwise, or the Fund’s term may be extended to facilitate the wind-down of the Fund. Although the General Partner generally expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the General Partner has a limited

ability to extend the term of the Fund, and the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. To the extent that such investments are held in trust, the trust may incur operating and formation expenses. In addition, there can be no assurances with respect to the timeframe in which the winding-up and the final distribution of proceeds to the Limited Partners will occur.

*Distributions in-Kind.* Although, under normal circumstances, prior to the termination of the Fund, the Fund intends to make distributions in cash or marketable securities, it is possible that under certain circumstances (including the winding-up of the Fund), distributions of investments for which there is no readily available public market or which may be subject to substantial restrictions on sale or transfer may be made in-kind, and hence, most of the Fund's investments will be difficult to value. It may be difficult for Limited Partners to liquidate the investments received at a price or within a time period that is determined thereby to be ideal, and significant administrative burden may be involved. After a distribution of investments is made, the recipients may decide to liquidate such investments within a short period of time, which could have an adverse impact on the price of such investments. Limited Partners in receipt of a distributed investment will have no guidance from the Fund or the General Partner with respect to disposition of such investment (including timing of such disposition). The price at which such investments may be sold by such Limited Partners may be lower than the value of such investments determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest accruing to the General Partner with respect to such investment. In addition, the direct holding of certain investments may subject the holder to suit or taxes in jurisdictions in which such investments are located.

*No Operating History; Reliance on the General Partner and Portfolio Company Management.* The Fund has no operating history and will be entirely dependent on the General Partner. Control over the operation of the Fund, including decisions with respect to structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of the Fund, will be vested with the General Partner. Consequently, the Fund's future profitability and investment performance will depend largely upon the business and investment acumen of the Founders. While the Founders have previous experience making and managing investments similar to those contemplated by the Fund, they have no experience managing and investing a committed pool of funds. The loss or reduction of service of the Founders would have an adverse effect on the Fund's ability to realize its investment objectives. Information about prior investments and investment strategies of Percheron's professionals is provided solely to illustrate such persons' investment experience, and processes and strategies. It does not represent any track record of, or any vehicles managed by, Percheron, which was recently formed. Such information is not intended to be indicative of the Fund's future results. The Founders were senior members of their previous investment firm. The Founders did not have sole decision-making authority with respect to investments made, which were subject to investment committee approval processes not controlled by the Founders. Other investment professionals not employed by Percheron, including managing directors, as well as senior and junior operating partners and operating executives, principals, vice presidents, associates and analysts, as well as investment management, were involved in the identification, evaluation, negotiation, and execution of investments and operational initiatives and any sale or liquidity processes with respect to such investments. The performance of the Founders' prior investments is not necessarily indicative of the Fund's future results, nor is their structure necessarily indicative of what will be the structure of the Fund's

investments. An investor should only invest in the Fund as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment in the Fund. While the General Partner intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. With respect to any of the Fund's investments, loss of principal will be possible. In addition, the Founders likely will in the future manage or advise other investments or investment funds besides the Fund and, in such event, the Founders will likely need to devote substantial amounts of their time to the investment activities of such other investments or funds, which will pose conflicts of interest in the allocation of the time of the Founders. Limited Partners generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund will depend on the actions of the General Partner. Furthermore, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on the Fund or one or more of its investments, including potential acceleration of debt facilities.

The success of many of the Fund's portfolio investments is heavily dependent on the management of such companies. Each portfolio investment's day-to-day operations will be the responsibility of such company's management team. Additionally, the General Partner will generally establish the capital structure of companies in which the Fund invests on the basis of financial projections for such companies, which will contain significant judgment and input from the portfolio investment management team. Although the General Partner will be responsible for monitoring the performance of each portfolio investment and the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management team, or any successor, will be able or willing to successfully operate a company in accordance with the Fund's objectives. Portfolio investments may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. There can be no assurance that the management team of a portfolio investment on the date a portfolio investment is made will remain the same or continue to be affiliated with the company throughout the period the portfolio investment is held by the Fund. There can be no assurance that portfolio investments will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, the Fund may be adversely affected thereby.

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

*Risks in Effecting Operating Improvements.* In some cases, the success of the Fund's investment strategy will depend, in part, on the ability of the Fund to effect improvements in the operations of a portfolio investment. The activity of identifying and implementing operating improvements at portfolio investments entails a high degree of uncertainty. In addition, executing operational improvements will divert the attention of key personnel and disrupt normal business.



There can be no assurance that the Fund will be able to successfully identify and implement such improvements or that any such successfully implemented improvements will result in a return on invested capital with respect to such portfolio investment.

*Labor Relations.* Certain portfolio investments may have unionized work forces or employees who are covered by a collective bargaining agreement, which could subject any such portfolio investment's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a portfolio investment's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any of any such portfolio investment's collective bargaining agreements, it may be unable to negotiate new collective bargaining agreements on terms favorable to it, and its business operations at one or more of its facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more of any such portfolio investment's facilities could have a material adverse effect on its business, results of operations and financial condition. Any such problems additionally may bring scrutiny and attention to the Fund itself, which could adversely affect the Fund's ability to implement its investment strategy.

*Risks Relating to Due Diligence of and Conduct at Portfolio investments; Expedited Transactions.* Before making investments, the General Partner expects to typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental, regulatory and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the General Partner may rely on the advice received from such third parties. Investment analyses and decisions by the General Partner will often be undertaken on an expedited basis in order for the Fund to take advantage of investment opportunities or consummate investments. In such cases, the information available to the General Partner at the time of an investment decision may be limited, and the General Partner may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital. Further, the General Partner's or its service providers' ability to conduct due diligence likely will be limited during COVID-19 or similar events, which would increase the foregoing risks.

*Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities.* Numerous jurisdictions have enacted, or have committed to enact, legislation and administrative guidance requiring the collection and sharing of certain information in order to combat tax avoidance. The U.S., pursuant to the "Foreign Account Tax Compliance Act" or "FATCA" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion by United States tax residents using foreign accounts. FATCA includes certain provisions on withholding taxes and requires financial institutions outside the United States to collect and share information about their U.S. customers. In addition, the Organization for Economic Co-operation and Development

(“OECD”) has published a global Common Reporting Standard for the exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes are likely to apply to the Fund or alternative investment vehicles, and may require the General Partner to collect and share with applicable taxing authorities information concerning Limited Partners (including identifying information and amounts of certain income allocable or distributable to them). A Limited Partner’s failure to provide required information may result in withholding taxes, government-imposed penalties, expulsion from the Fund or alternative investment vehicles or other potential remedies. In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity’s share of most payments attributable to investments in the United States, including dividends and interest, and the Fund may be required to withhold such taxes from certain non-U.S. Limited Partners unless an exception applies; however, such withholding has been eliminated under proposed U.S. Treasury regulations, which can be relied on until final regulations become effective. The Fund may be required to withhold such taxes from certain non-U.S. Limited Partners, unless an exception applies.

*Tax Liability Considerations.* The Fund may take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. Should any such positions be successfully challenged by a taxing authority, a Limited Partner might be found to have a different tax liability for that year than that reported on its tax returns. In addition, a taxing authority’s review of the Fund may result in a review of the returns of some or all of the Limited Partners, which examination could result in adjustments to the tax consequences initially reported by the Fund and affect items not related to a Limited Partner’s investment in the Fund. If such adjustments result in an increase in tax liability for any year, the Fund or one or more of the Limited Partners may also be liable for interest and penalties with respect to the amount due. The legal and accounting costs incurred in connection with any taxing authority’s review of the Fund’s tax returns will be borne by the Fund. The cost of any review of a Limited Partner’s tax return will be borne solely by the Limited Partner. The taxation of partnerships and partners is complex. Prospective investors are strongly urged to review the disclosure in the Fund’s Memorandum and to consult their own tax advisors.

*Conflicting Investor Interests.* Certain Limited Partners will have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring and timing of investment acquisitions and dispositions. As a consequence, conflicts have the potential to arise in connection with decisions made by the General Partner regarding an investment that may be more beneficial to one Limited Partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partner generally will consider the investment, tax and other relevant objectives of the Fund and its partners as a whole, not the investment, tax, or other objectives of any Limited Partner individually.

*Legal, Tax and Regulatory Risks.* Legal, tax and regulatory changes could occur during the term of the Fund that may adversely affect the Fund, its investments or the Limited Partners. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. The Fund expects to invest in investments or portfolio investments that operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and

limitations and to supervision, examination and enforcement by regulatory authorities. New and existing regulations and burdens of regulatory compliance may directly impact the business and results of the operations of, or otherwise have a material adverse effect on, investments or portfolio investments that are subject to regulation. Failure to comply with any of these laws, rules and regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines, which may have material adverse effects. Furthermore, disruptions in government, such as shutdowns of the U.S. federal government, have resulted in, and may in the future result in, delays or the inability of the Adviser, the General Partner, the Fund or their affiliates to obtain regulatory and other approvals in a timely manner.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* The Fund's ability to achieve its investment objectives, as well as the ability of the Fund to conduct its operations, is based on laws and regulations which are subject to change through legislative, judicial, or administrative action. Future legislative, judicial, or administrative action could adversely affect the Fund's ability to achieve its investment objectives, as well as the ability of the Fund to conduct its operations.

The growth of the private equity industry and its role in the overall economic landscape, as well as the increasing size and reach of private equity transactions, has prompted additional governmental and public attention to the industry and its practices. The outcome of any future U.S. federal election and changes in the control of the U.S. federal legislative and executive branches during the Fund's term could result in potential changes in laws and regulations affecting the private equity industry, which could negatively impact the operation and performance of the Fund and its investments, and require the General Partner and the Adviser to spend additional time and resources on regulatory compliance. In addition, as private fund firms and other alternative asset managers become more influential participants in the U.S. and global financial markets and economy generally, the private fund industry has been subject to criticism by some politicians, regulators, and market commentators. The negative perception of the private fund industry in certain countries could make it harder for the Fund to successfully bid for and complete investments.

Additionally, the Fund may be required to incur additional costs and expenses in implementing structural changes in the conduct of the Fund's business, including to establish greater presence in certain jurisdictions in which the Fund invests or proposes to invest, and the Fund may also become directly or indirectly subject to additional tax liabilities (for example, through restrictions on or denial of the deductibility of interest expenses against taxable profits). The foregoing may make it less attractive or impractical to continue to invest in one or more jurisdictions. Additionally, such additional scrutiny may divert the General Partner's time, attention and resources from portfolio management activities.

*Privacy and Data Protection Law Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection or privacy laws and regulations (such laws and regulations, collectively, "**Privacy Laws**") in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Adviser, the General Partner, the Fund or its portfolio investments, and

increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Adviser, the General Partner, the Fund or its portfolio investments are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

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

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability on regulated entities, which could include the General Partner, the Adviser, the Fund or its portfolio investments.

European Union Alternative Investment Fund Managers Directive. The AIFMD regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (the “EEA”) and the United Kingdom (“UK”).

To the extent that the Fund is actively marketed to investors domiciled or having their registered office in the EEA or the UK: (a) the Fund, the General Partner or the Adviser will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in the Fund incurring additional costs and expenses; (b) the Fund, the General Partner or the Adviser may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions or the UK, which would result in the Fund incurring additional costs and expenses or may otherwise affect the management and operation of the Fund; (c) the Fund, the General Partner or the Adviser will be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (d) the AIFMD will restrict certain activities of the Fund in relation to EEA or UK portfolio investments, including, in some circumstances, the Fund’s ability to recapitalize, refinance or potentially restructure an EEA or UK portfolio investment within the first two years of ownership, which may in turn affect operations of the Fund generally. In addition, it is possible that some jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Fund to raise its target amount of Commitments.

United Kingdom Exit from the European Union. On March 29, 2017, the UK formally notified the European Council of its intention to leave the EU. The UK formally left the EU on January 31, 2020 at 11.00 pm after which it entered into the transition period, which ended on December 31, 2020. During the transition period, the majority of the existing EU rules applied in

the UK. On 24 December 2020, the UK government and the EU Commission provisionally agreed a trade and cooperation agreement governing their future relationship, which has been ratified by the UK Parliament. The trade agreement still needs to be ratified by the EU Parliament, and thereafter adopted by the EU Council. Until such ratification is complete, the terms of the new agreement apply on a provisional basis from the end of the transition period until 28 February 2021. Although the terms of the UK's future relationship with the EU have been provisionally agreed, there is still uncertainty as to the extent to which UK businesses will have access to the EU single market, and the extent to which EU business have access to the UK market. There is also a risk of significant disruption to trade between the UK and the EU, particularly in the initial period following the end of the transitional period and the implementation of the new trade arrangements. Finally, there is no guarantee that the trade agreement will achieve the ratification it requires in order to become permanent. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on the Fund and its investments, including the ability of the Fund to achieve its investment objectives. The legal, political and economic uncertainty generally resulting from the UK's exit from the EU may adversely affect both EU and UK-based businesses. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU member states.

Registration and Exemptions under the U.S. Commodity Exchange Act. Registration with the U.S. Commodity Futures Trading Commission ("CFTC") as a "commodity pool operator" or as a "commodity trading advisor" or any change in the Fund's operations necessary to maintain the General Partner's ability to rely upon the exemptions from registration could adversely affect the Fund's ability to implement its investment program, conduct its operations or achieve its objectives and subject the Fund to certain additional costs, expenses and administrative burdens. Furthermore, any determination by the General Partner to cease or to limit investing in interests which may be treated as "commodity interests" in order to comply with the regulations of the CFTC may have a material adverse effect on the Fund's ability to implement its investment objectives and to hedge risks associated with its operations. The General Partner does not intend to register with the CFTC as a commodity pool operator.

Sanctions Compliance Considerations. Economic sanction laws in the United States and other jurisdictions may prohibit or otherwise restrict the General Partner, the Fund, its portfolio investments and their respective officers, directors and employees from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and U.S. Department of State administer and enforce laws, executive orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. The lists of OFAC restricted countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at <http://www.treas.gov/ofac>. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions and similar laws and regulations in non-U.S. jurisdictions may significantly restrict the Fund's direct or indirect investment activities in certain countries. The economic sanctions and related laws of different jurisdictions

in which the Fund makes investments also may conflict with one another, such that compliance with all applicable laws may be difficult. Failure by the General Partner, the Fund or any of the Fund's portfolio investments to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties.

*Anti-Corruption & Anti-Boycott Considerations.* The U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act ("UKBA") and other anti-corruption and anti-bribery laws, as well as U.S. anti-boycott regulations may impact the General Partner, the Fund and the Fund's portfolio investments. The Fund may be adversely affected or miss out on opportunities because of the General Partner's unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for the Fund to act successfully on investment opportunities or to obtain or retain business. In recent years, U.S. regulators have been increasingly focused on private equity sponsors' compliance with the FCPA. Any policies and procedures that may be adopted by the General Partner to comply with the FCPA or similar laws may not be effective in all instances to prevent violations. In addition, despite any policies that the General Partner may seek to implement at portfolio investments, portfolio investments or their affiliates may engage in activities that could result in FCPA violations. Any determination that the General Partner, the Fund, its portfolio investments or any of their respective officers, directors or employees has violated the FCPA, the UKBA or other applicable anti-corruption laws, anti-bribery laws, or U.S. anti-boycott regulations, could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation or a general loss of investor confidence, any one of which could adversely affect the Fund's business prospects or financial position, as well as the ability to achieve its investment objective or conduct its operations. The Fund will require that each Limited Partner represent and warrant its compliance with applicable anti-corruption and anti-bribery laws and regulations. The Fund and the General Partner shall have no liability whatsoever for any liabilities, costs, expenses, damages or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by any Limited Partner as a result of actions taken as deemed necessary by the Fund or the General Partner for compliance with anti-corruption and anti-bribery laws and regulations or compliance with anti-boycott laws and regulations.

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

Over-Commitment. In order to facilitate the acquisition of a portfolio investment or investment, the Fund may make (or commit to make) an investment in such company or investment with a view to selling a portion of such investment to co-investors or other persons prior to or within a brief period after the closing of the acquisition. In such event, the Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, the Fund may bear the entire portion of any breakup fee or other fees, costs and expenses related to such investment, hold a larger than expected investment in such portfolio investment or investment or may realize lower than expected returns from such investment.

Non-U.S. Operations. Certain of the Fund's portfolio investments may have substantial sales or operations outside of the United States, its territories, and possessions. Investments in such portfolio investments may involve certain factors not typically associated with investing in portfolio investments with purely U.S. sales or operations, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies (including risks associated with potentially rapid inflation), and costs associated with conversion from one currency into another; (b) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less or more government supervision and regulation; (c) certain economic, social and political risks, including potential exchange control regulations and restrictions on repatriation of capital, the risks of political, economic, governmental or social instability, and the possibility of expropriation or confiscatory taxation; (d) the possible imposition of non-U.S. taxes on income, gains and gross sales or other proceeds recognized with respect to such operations; (e) the application of complex U.S. and non-U.S. tax rules to cross-border operations; and (f) possible non-U.S. tax return filing requirements for the Fund or the Fund's partners.

Hedging Arrangements; Related Regulations. The General Partner may (but is not obligated to) endeavor to manage the Fund's or any investment's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the General Partner or one of its affiliates an obligation to register with the CFTC or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the

ability of a Fund or a portfolio investment or investment to hedge its exposures becomes limited by such requirements.

*Significant Adverse Consequences for Default.* The Partnership Agreement provides for significant adverse consequences in the event a Limited Partner defaults on its Commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting Limited Partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest. Whether and how to exercise the General Partner's remedies against a defaulting Limited Partner will be in the sole discretion of the General Partner, and the General Partner is authorized to require the non-defaulting Limited Partners to contribute capital to make up for the shortfall created by such defaulting Limited Partner.

*Impacts of Excuse or Exclusion.* A Limited Partner's participation in the Fund's investments may be limited by virtue of the General Partner's right to exclude a Limited Partner from, or a Limited Partner's right to be excused from, participating in certain of the Fund's investments as set forth in the Partnership Agreement, thereby increasing the participation of other Limited Partners. As a consequence of one or more Limited Partners being excused or excluded or other factors limiting their participation in investments, the aggregate returns realized by the participating Limited Partners could be adversely affected in a material manner by the unfavorable performance of even one investment by the Fund.

*Dilution.* Limited Partners admitted or that increase their respective Commitments to the Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing Limited Partners in such investments. Although any such new Limited Partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

*Failure to Make Capital Contributions.* If a Limited Partner fails to pay when due installments of its Commitment to the Fund, and the contributions made by non-defaulting Limited Partners and borrowings by the Fund are inadequate to cover the defaulted amount, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners).

*Transfer by General Partner.* To the extent the General Partner, its partners, the Founders or their respective affiliates commit to make a direct or indirect investment in or along-side the Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.

*Public Company Holdings.* The Fund's investment portfolio is authorized to contain securities and debt issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation



and insider trading allegations against such companies' executives and board members, including the Founders, and increased costs associated with each of the aforementioned risks.

Recycling; Reinvestment. During the Fund's investment period, the General Partner generally has the right to recall certain capital returned or distributed to the Fund's partners. Accordingly, during the term of the Fund, a Fund partner may be required to make capital contributions in excess of its Commitment (with certain limitations), and to the extent such recalled or retained amounts are reinvested in investments, a Fund partner will remain subject to investment and other risks associated with such investments.

Fees and Expenses. The Fund will pay and bear all expenses related to its operations, including Management Fees and the costs of sourcing, holding, monitoring, maintaining and disposing of investments, including investment banking fees and consulting fees, whether or not the Fund makes any profits. While it is difficult to predict the future expenses of the Fund, such expenses are expected to be substantial and may surpass the Fund's operating income. The amount of these Fund expenses will reduce the actual returns realized by Limited Partners on their investment in the Fund (and may, in certain circumstances, reduce the amount of capital available to be deployed by the Fund for investments). Fund expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of the Fund expenses ultimately called or called at any one time may exceed expectations.

Control Person Liability. The Fund is expected to have controlling interests in a number of its investments. The exercise of control over an investment or company imposes additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws and regulations) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any of the investment or portfolio investment's facilities or operations, the Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. If any such liabilities were to arise, the Fund might suffer significant losses. While the General Partner intends to manage the Fund in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Fund or its affiliates cannot be precluded.

Non-controlling Investments. The Fund is authorized to hold meaningful minority stakes in privately held companies or other investments and in some cases may have limited minority protection rights. In addition, during the process of making or holding exiting investments, the Fund at times may hold minority equity stakes of any size such as might occur if portfolio investments are taken public. As is the case with minority holdings in general, such minority stakes that the Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant investments or portfolio investments may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Fund or the Limited Partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and the Fund

may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, the Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that the Fund will be able to control the timing or occurrence of an exit strategy for such portfolio investments or investments in a manner that maximizes or protects value. Where the Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company or investment. Even if the Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies or investments, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

***Director Liability.*** The General Partner expects that the Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests (each, a “**Board Representative**”). In those instances where the Fund is not the sole shareholder of the applicable portfolio investment, a Board Representative may have duties to persons other than the Fund. Serving on the board of directors (or similar governing body) of a portfolio investment exposes the Board Representative, and ultimately the Fund, to potential liability. Not all portfolio investments may obtain insurance with respect to such liability, and the insurance that portfolio investments do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Fund's investment activities. Co-investors or co-investment vehicles may indirectly benefit from the General Partner's appointment of such directors, although co-investors (including their respective co-investment vehicle, even if managed by Percheron) will not typically bear the cost of liability insurance related to such appointment to the extent additional liability insurance is purchased by the Fund.

***Liability of Limited Partners.*** Generally, a Limited Partner should not be personally liable for the debts of the Fund except that, in the event the Fund is otherwise unable to meet its obligations, the Limited Partners may, under applicable law, be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them, subject to certain limitations set forth in the Partnership Agreement. In addition, any Limited Partner's Commitment is susceptible to risk of loss as a result of any liability of the Fund irrespective of whether such liability is attributable to an investment to which such Fund partner did not contribute any capital.

***General Partner Removal; Cessation of New Investments; Early Dissolution of the Fund.*** Pursuant to and in accordance with the terms of the Partnership Agreement, the General Partner may be removed and a replacement general partner of the Fund may be appointed (in which case, Percheron will cease to be involved in the management and control of the business of the Fund), the ability of the Fund to make investments in new portfolio investments may be terminated earlier than anticipated and/or the Fund may be dissolved earlier than anticipated. In each case, the Fund's ability to consummate, manage and/or dispose of investments or otherwise achieve its investment objectives is likely to be negatively affected. In the case of early dissolution, the Fund may be required to dispose of investments at a disadvantageous time and/or make in-kind

distributions, resulting in Limited Partners not having their capital invested and/or deployed in the manner originally contemplated.

*Limitation of Recourse and Indemnification.* The Partnership Agreement will limit the circumstances under which the General Partner and its affiliates will be held liable to the Fund. As a result, Limited Partners have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Partnership Agreement will provide that the Fund will indemnify the General Partner and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Fund. Such indemnification obligations could materially impact the returns to Limited Partners.

*Litigation.* The transactional nature of the business of the Fund exposes the Fund, the General Partner and their respective affiliates generally to the risk of third-party litigation. In the ordinary course of its business, the General Partner, the Fund, its investments and their respective affiliates expect to be subject to litigation from time to time. Litigation and other proceedings may include, but are not limited to, actions relating to breach of fiduciary duty, appraisal, intellectual property, international trade, commercial arrangements, product liability, environmental, health and safety, joint venture agreements, anti-corruption, anti-money laundering, labor and employment or other harms resulting from the actions of individuals or entities outside of the General Partner's control. Under the Partnership Agreement, the Fund will generally be responsible for indemnifying the General Partner and certain of its employees, officers, and affiliates for costs they may incur with respect to such litigation not covered by insurance. Additional regulation could also increase the risks of third-party litigation. The outcome of such proceedings may materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partner's and the Founders' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Advisory Board.* The General Partner will appoint one or more unaffiliated Limited Partners and parallel investment entity investor representatives to a limited partner advisory board for the Fund (the "**Advisory Board**"), which has the ability to review and waive compliance with certain provisions of the Partnership Agreement and potential conflicts of interest, and whose approval is required or may be requested in certain circumstances under the Partnership Agreement, including certain approvals or consents required by U.S. federal securities laws. Pursuant to the terms of the Partnership Agreement, all Limited Partners are bound by the determinations of the Advisory Board, regardless of whether a Limited Partner is represented by a member of the Advisory Board. The Partnership Agreement provides that to the fullest extent permitted by applicable law, none of the Advisory Board members will owe any fiduciary duties to the Fund or any other partner. In addition, certain representatives of the Advisory Board are expected to have various business and other relationships with the Adviser and its partners, officers, directors, employees and affiliates. Any such relationships could influence their decisions as members of the Advisory Board.

*Real Estate Risks.* The Fund expects to invest in portfolio investments that may hold real estate and real estate-related assets. These investments will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. Deterioration of real estate fundamentals generally, and in the U.S. in particular, may negatively impact the

performance of the Fund if it holds real estate assets. These risks include, but are not limited to, those associated with the burdens of ownership of real property, general and local economic conditions, changes in environmental and zoning laws, casualty or condemnation losses, regulatory limitations on rents, decreases in property values, changes in the appeal of properties to tenants, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), the financial resources of tenants, changes in availability of debt financing which may render the sale or refinancing of properties difficult or impracticable, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property tax rates and operating expenses, changes in interest rates, and the availability of mortgage funds, which may render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, increases in borrowing rates, negative developments in the economy, environmental liabilities, contingent liabilities on disposition of assets, acts of God, terrorist attacks, pandemic, war and other factors that are beyond the control of the General Partner. There can be no assurance that there will be a ready market for the resale or refinancing of real estate or real estate-related assets because such investments will generally not be liquid. Illiquidity may result from the absence of an established market for such investments, as well as legal or contractual restrictions on their resale by the Fund. In addition, the deterioration or other issues surrounding the real estate (such as environmental liabilities) may negatively affect the value of an otherwise well-performing portfolio investment to which such real estate relates.

Carried Interest Deferral. The General Partner is authorized to electively defer (but not waive) certain carried interest otherwise distributable to the General Partner as provided in the Partnership Agreement. Any such deferral, while generally accelerating the return of capital to the Limited Partners, could nonetheless have an adverse impact on the long-term retention of Adviser personnel who participate in the carried interest and more generally the alignment of those persons' interests with those of the Fund. In addition, such deferral of carried interest could positively impact Fund performance figures in some methods of calculation therefore also benefiting the Adviser. Additionally, certain tax rules applicable to individuals participating in the carried interest may create an incentive for the General Partner to cause the Fund to hold investments for at least three years, or to defer or waive the allocation and distribution of certain carried interest in exchange for an interest in future carried interest (as permitted under the Partnership Agreement), either of which could create conflicts of interest between the General Partner's desired tax treatment and the timing of investment realizations or character of income allocated to Limited Partners.

General Tax Considerations. An investment in the Fund involves complex U.S. and non-U.S. tax considerations that will differ for each investor depending on the investor's particular circumstances. The investment decisions of the General Partner and the Fund will be based primarily upon economic, not tax, considerations and could result, from time to time, in adverse tax consequences to some or all partners. There can be no assurance that the structure of the Fund or of any investment will be tax efficient for any particular investor. Prospective investors are urged to consult their own tax advisors with reference to their specific tax situations.

U.S. Taxation of Carried Interest. U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Fund as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such

gain for more than three years. This could reduce the after-tax returns of individuals associated with the Fund, the Adviser or the General Partner who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for Percheron and the Fund, including Operating Partners. These same issues could also apply to Operating Partners, Senior Advisors and to other officers, directors and employees of the Fund's portfolio investments, to the extent such persons receive a profits interest in such companies. Moreover, the tax treatment of carried interest could create an incentive for the General Partner to cause the Fund to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

Changes in U.S. Federal Income Tax Laws. All statements contained herein concerning the U.S. federal income tax (or other tax) consequences of an investment in the Fund are based on existing law and interpretations thereof. Recent or future changes in U.S. federal income tax law could materially affect the tax consequences of a Limited Partner's investment in the Fund, and the tax treatment of the Fund's portfolio investments or investments. While some of these changes could be beneficial, others could negatively affect the after-tax returns of the Fund and the Limited Partners. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in the Fund, or of investments made by the Fund, will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment of the Limited Partners.

Tax and Distributions; Phantom Income. The General Partner intends that the Fund be treated as a partnership for U.S. federal income tax purposes. Fund partners will be required to report their share of the Fund's income, losses, deductions and credits (which may include the income and other tax items of any partnerships, limited liability companies or other flow-through entities in which the Fund invests) on their U.S. federal and state tax returns. For U.S. federal income tax purposes, any gain of the Fund generally will be allocated among the Fund's partners in accordance with their respective interests in the Fund, regardless of whether corresponding distributions are made to the Fund's partners. The Fund may make cash distributions to the General Partner in an amount sufficient to pay the General Partner's income taxes on income allocated to the General Partner with respect to its carried interest. Even if the Fund has income or gains for U.S. federal tax purposes, the Fund will not be obliged to make distributions (or may lack sufficient cash available for distributions) to enable the Fund's partners to pay their federal, state and local taxes as a result of such income or gain allocations. Due to possible difference between the allocation of gain or income for any tax purposes and distribution of cash relating to gain or income (including possible timing differences), there can be no assurance that investors who are subject to tax on the allocated gain or income will receive distributions sufficient to satisfy their tax liabilities fully. Further, there can be no assurance that the Fund will have sufficient cash flow to enable it to make distributions in the amount necessary for payment of all tax liability resulting from that investor's ownership of an interest in the Fund.

U.S. Federal Income Tax Liability Resulting from IRS Audits. U.S. federal income taxes arising from a U.S. Internal Revenue Service ("IRS") audit will be paid by the Fund absent an election to the contrary. In addition, a "partnership representative" (and its designated individual) will have the power to act on behalf of the Fund and its partners in all IRS audits and other proceedings involving the Fund's U.S. federal income, loss, deductions, and credits.

Delayed Tax Information. The Fund likely will not be able to provide final annual tax filing information to Limited Partners for any given fiscal year until after the initial tax filing deadlines for Limited Partners' tax returns. Accordingly, Limited Partners should plan to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity or military conflicts, localized or global financial crises, political elections or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. Furthermore, such confidence may be adversely affected by local, regional or global health crises including but not limited to the rapid and pandemic spread of novel viruses commonly known as SARS, MERS and COVID-19. Such health crises could exacerbate political, social and economic risks previously mentioned and result in significant breakdowns, delays and other disruptions on a local, regional and global scale, which are likely to have adverse effects on the operating performance of affected portfolio investments or investments. A climate of uncertainty, including the spread of infections viruses or diseases, has the potential to reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn is likely to have an adverse effect on the economy generally and on the ability of the Fund and its portfolio investments to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses or other investments. This would likely slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn would likely have an adverse effect upon the Fund's investments.

General Economic and Market Conditions. The private equity industry generally and the success of the Fund's investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by the General Partner. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Fund and may affect the Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Fund's investments and could have a negative impact on the performance or valuation of the Fund's investments. The Fund's performance can be affected by deterioration in the capital markets and by market events, including events similar to the credit crisis in the summer of 2007 or the downgrading of the credit rating of the U.S. in 2011 or the COVID-19 pandemic, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio investments and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments and the Fund's performance. Volatility and illiquidity in the financial sector

may have an adverse effect on the ability of the Fund to sell or partially dispose of its investments. Such adverse effects may include the requirement of the Fund to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) or the inability of the Fund to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Fund's ability to raise funding to support its investment objective.

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

Currently, there is an ongoing outbreak of COVID-19, which has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. Businesses are also implementing similar voluntary and precautionary measures. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on consumer spending, travel and public accessibility, such as retail and consumer goods, transportation, hospitality, tourism, sports and entertainment.

The ultimate impact of COVID-19, and the resulting precipitous decline in economic and commercial activity across nearly all of the world's largest economies, on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. As indicated above, the consumer industry is uniquely susceptible to economic contraction, economic uncertainty or the perception of weak or weakening economic conditions, public health emergencies, and the associated impact on discretionary consumer spending on consumer goods. A recession, economic slowdown or any other significant economic condition affecting consumers or corporations caused by COVID-19 or other public health emergencies is expected to cause a reduction in consumer spending, and have the potential to adversely impact the Fund's investments and the Fund's performance. There can be no guarantee that the Fund will be able to capitalize on the economic dislocation and distress

in the consumer industry or that conditions will not significantly and adversely deteriorate after the Fund has completed an investment. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities; the extent of any related travel advisories and restrictions implemented (including any government-imposed quarantine measures and any voluntary and precautionary restrictions on travel or meetings) and the impact of such public health emergency on overall supply and demand, goods and services, investor and portfolio investment liquidity, credit markets, consumer confidence, recession and fears of recession, availability of consumer credit, consumer debt levels, consumer perceptions of personal well-being and security and levels of economic activity, all of which are evolving rapidly and may have unpredictable results. Global consumer purchases are expected to decline as a result of the pandemic. Until consumer spending resumes its previous level, it is likely that the Fund's portfolio investments will suffer from decreased demand. Furthermore, COVID-19 is likely to impact a portfolio investment's supply chain and its ability to manufacture and ship its products may be limited. Even if and as the spread of the COVID-19 virus itself is substantially contained and economies are able to "re-open," it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior, particularly with respect to discretionary spending in industries such as consumer goods.

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



In addition, certain industry and economic data, statistics and similar information set forth in the Fund's Memorandum do not reflect the outbreak of COVID-19. Economic and industry conditions have since significantly deteriorated. As noted above, the full impact of COVID-19 is particularly uncertain and difficult to predict, and the General Partner believes such conditions have adversely affected such data, estimates and similar information.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Fund to obtain favorable financing for investments, the Fund's ability to generate attractive investment returns may be adversely affected. Moreover, to the extent that such deterioration is not temporary and continues, it may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such deterioration also may restrict the ability of the Fund to realize its investments at favorable times or for favorable prices.

*Adequacy and Availability of Insurance.* While the Fund may seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses or a replacement or rehabilitation. Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the Fund's profitability.

*Material Non-Public Information.* As a result of the operations of the Adviser and its affiliates, as well as in connection with officerships or directorships of Percheron personnel, the Adviser may come into possession of confidential or material, non-public information. Therefore, the Adviser and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by the Fund. Consequently, the Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Adviser's internal policies. Due to these restrictions, the Fund may not be able to make an investment that it would otherwise might have made or sell an investment that it otherwise might have sold.

*Possibility of Fraud or Other Misconduct of Employees and Service Providers.* Misconduct by (a) Percheron employees, (b) portfolio investment directors, officers or employees, and (c) service providers to the foregoing or their respective affiliates could undermine the due diligence efforts of the Fund or the General Partner and cause significant losses to the Fund. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Fund, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting the Fund's business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealing of any of the foregoing). Such activities may result in

reputational damage, litigation, business disruption, market or industry segment volatility or financial losses to the Fund. Percheron has controls and procedures through which it seeks to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

*Strategic Alliances; Third Party Co-Investment.* The Fund reserves the right to co-invest through partnerships, joint ventures or other entities with one or more third parties as a co-venturer or partner, including with the seller (or an affiliate thereof) of certain investments (including property related to such investments), a person involved in the selling or acquisition of the investment, an investor in the Fund (or other vehicle managed by Percheron) or other third parties, including strategic partners. Such investments involve risks not present in investments where a third party is not involved, including the possibility that: (a) the Fund and such co-venturer may reach an impasse on a major decision that requires the approval of both parties; (b) a co-venturer or partner of the Fund may at any time have economic or business interests or goals that are inconsistent with those of the Fund; (c) the co-venturer or partner may encounter liquidity or insolvency issues or may become bankrupt; (d) the co-venturer or partner may be in a position to take action contrary to the Fund's investment objective or narrow the array of potential exit strategies for the Fund; (e) the co-venturer or partner may take actions that subject the property to liabilities in excess of, or other than, those contemplated; or (f) in certain circumstances the Fund may be liable for actions of its co-venturers or partners. The co-venturer or partner may be a joint venture partner or interest holder in another joint venture or other vehicle in which Percheron or its affiliates has an interest or otherwise controls.

Moreover, the Adviser reserves the right to receive fees or carried interest associated with capital invested by a co-venturer or partner relating to investments in which the Fund participates and such amounts will not be shared with the Fund or offset or otherwise reduce the Management Fee. This may be in connection with a joint venture in which the Fund participates or other similar arrangements with respect to assets or other interests retained by a seller or other commercial counterparty with respect to which the Adviser or counterparty performs services.

In addition, the Fund reserves the right to co-invest with non-affiliated co-investors or partners whose ability to influence the affairs of the investments in which the Fund invests may be significant, and even greater than that of the Fund and as such, the Fund may be required to rely upon the abilities and management expertise of such co-venturer or partner. It may also be more difficult for the Fund to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments (and any such investment may be subject to a buy-sell right). The Fund in certain circumstances is expected to grant co-venturers or partners approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks or unanticipated exits from an investment. A deadlock could delay the execution of the business plan for the investment or require the Fund to engage in a buy-sell of the venture with the co-venturer or partner or conduct the forced sale of such investment or require alternative dispute resolution in order to resolve such deadlock. As a result of these risks, the Fund may be unable to fully realize its expected return on any such investment. Further, to the extent that the Fund offers any co-investment opportunity to any Limited Partners or third parties, some or all of the risks described above have the potential to apply to such co-investments.

National Security Investment Clearance. In some cases, investments by the Fund involving the acquisition of or investment in a U.S. business (including a U.S. subsidiary of a company domiciled outside of the U.S.) may be subject to review and approval by the Committee on Foreign Investment in the United States (“CFIUS”). In the event that CFIUS reviews one or more investments, there can be no assurances that the Fund will be able to maintain or proceed with such investments on acceptable terms. Additionally, CFIUS has authority to seek to impose limitations on one or more such investments that may prevent the Fund from maintaining or pursuing investment opportunities that the Fund otherwise would have maintained or pursued, or syndicating interests to foreign persons, which could adversely affect the performance of the Fund’s investment in such investments and thus the performance of the Fund. Legislation to reform CFIUS (the Foreign Investment Risk Review Modernization Act (“FIRREA”)) was signed into law by the U.S. President on August 13, 2018. Among other things, FIRREA expands the scope of CFIUS’ jurisdiction to cover more types of transactions and empowers CFIUS to scrutinize more closely investments in U.S. “sensitive personal data,” “critical infrastructure” and “critical technology” companies, including investments involving foreign limited partners or co-investors that may be deemed “non-passive.” As of November 2018, certain transactions involving foreign persons and U.S. “critical technology” companies are subject to mandatory pre-closing notification requirements, and monetary penalties may attach to a party’s failure to file such a notification. Certain of the limited partners of the Fund are expected to be non-U.S. investors, and in the aggregate, could comprise a substantial portion of the Fund’s aggregate commitments, which may increase the risks of such restrictions, limitations, and notification obligations being imposed. Moreover, other countries continue to strengthen their own national security investment clearance regimes (including with respect to technology, infrastructure, and data-related transactions), and the Fund’s investments outside of the U.S. may also face delays, limitations or restrictions as a result of notifications made under or compliance with these legal regimes. Heightened scrutiny of foreign direct investment worldwide may make it more difficult for the Fund to identify suitable buyers for investments upon exit and may constrain the universe of exit opportunities for an investment in a portfolio investment.

Unfunded Pension Liabilities of Portfolio investments. A court decision found that, in certain circumstances, an investment fund could be treated as a “trade or business” for purposes of determining pension liability under ERISA. Therefore, where an investment fund owns 80% or more (or possibly, under certain circumstances, less than 80%) of a portfolio investment, such fund (and any other 80%-owned portfolio investments of such fund) might be found liable for certain pension liabilities of such a portfolio investment to the extent the portfolio investment is unable to satisfy such liabilities. The Fund may, from time to time, invest in a portfolio investment that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund may own an 80% or greater interest in such a portfolio investment. If the Fund (or other 80%-owned portfolio investments of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under ERISA, as in effect as of the date of this Brochure, which could change in the future as the case law and guidance develops.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by the Fund. When estimating fair value, the General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable

nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately are sold. Valuations are only estimates of future results that are based upon assumptions made at the time that the valuations are developed. General economic, political, regulatory and market conditions and the actual operations of the investments, which are not predictable, can have a material impact on the reliability and accuracy of such valuations. Moreover, the exercise of discretion in valuation by the General Partner, subject to any limitations thereon provided in the Partnership Agreement, will give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of Management Fees.

Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, the Fund or the General Partner may be required to make (or be responsible for another person's or entity's breach of) representations and warranties (e.g., about the business and financial affairs of the applicable investment, the condition of its assets and the extent of its liabilities) in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. The Fund or the General Partner may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Fund and, ultimately, its investors. In such a situation, Limited Partners may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in the Partnership Agreement. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each Limited Partner that receives a distribution in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to the Fund.

Cybersecurity Risks and Identity Theft. The Adviser's, the General Partner's, the Fund's and its portfolio investments' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser, the General Partner, the Fund or a portfolio investment likely will have to make a significant investment to fix or replace them. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's, the General Partner's, the Fund's or a portfolio investment's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Fund investors (and the beneficial owners of investors). Such a failure could harm the Adviser's, the General Partner's, the Fund's or a portfolio investment's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to circumvent network security electronically or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. Such a failure or breach could also harm investors (e.g., in

the event identity theft or otherwise obtaining access to investor accounts). Cyber-attacks often also take the form of socially-engineered frauds, such as “phishing.” Third parties often also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser’s systems to disclose sensitive information in order to gain access to the Adviser’s data or that of the Fund’s investors or portfolio investments. Companies have also been subject to “ransomware” attacks.

To the extent that any of the Adviser, the General Partner, the Fund, a portfolio investment or their respective service providers is subject to cyber-attack or other unauthorized access is gained to such entity’s information technology system, the Adviser, the General Partner, the Fund or such portfolio investment may be subject to substantial losses in the form of stolen, lost or corrupted (a) customer data or payment information; (b) customer or portfolio investment financial information; (c) portfolio investment software, contact lists or other databases; (d) portfolio investment proprietary information or trade secrets; (e) cash; or (f) other items. Similarly, such a security breach could disrupt or halt such entities’ operations for an indefinite period of time. In certain events, the Adviser’s, the General Partner’s, the Fund’s or a portfolio investment’s failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Such cybersecurity and disaster recovery incidents could also result in reputational harm to the Adviser, the General Partner, the Fund or any affected portfolio investment. Any of such circumstances could subject the Adviser, the General Partner, the Fund or its portfolio investments to substantial losses. The foregoing risks are equally applicable to service providers of the Adviser, the General Partner, the Fund and its portfolio investments.

*Agreements with Certain Investors.* The Fund or the General Partner, without any further act, approval or vote of any partner, intends to enter into side letters or other similar agreements with certain Limited Partners that have the effect of establishing rights (including economic terms) under, or altering or supplementing the terms of, the Partnership Agreement with respect to certain Limited Partners. As a result of such side letters, certain Limited Partners will receive additional benefits that other Limited Partners do not receive, and such benefits may be significant. Further, the General Partner is likely to have its own economic or other business incentives to provide certain terms to certain investors (e.g., based on commitment amount to the Fund, the ability of the investor to provide sourcing or other services to the General Partner, the Fund or other Percheron funds or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the General Partner, the Fund or other Percheron funds). Such rights, terms or confirmations in any such side letter or other similar agreement may potentially include (a) different economic terms, including reduced Management Fees, modified waterfall mechanics or reduced carried interest; (b) the ability to opt-out of certain types of investments (including with respect to investments in certain geographies or industries); (c) the right to receive certain additional information, certifications, reporting or notifications from the Fund or the General Partner or any of their affiliates or the manner in which information or notice shall be provided; (d) the right to transfer Fund interests and to cause such transferee to be admitted to the Fund as a substitute Limited Partner; (e) the offering of, or participation in, co-investment opportunities; (f) the right to withdraw from the Fund in the event of adverse tax or regulatory events or violations of law or policies or in the event the investor’s commitment in the Fund would exceed a certain percentage of the Fund’s aggregate commitments; (g) additional confidentiality protections; (h) the right to disclose certain information to underlying investors, the public, regulators or certain other persons; (i) structuring rights with respect to certain types of

investments; (j) modification of default remedies; (k) investment pacing restrictions; (l) limits on indemnification; (m) rights relating to the appointment of a representative to serve as a member or observer of the Advisory Board, (n) rights with respect to legal, regulatory or policy requirements applicable to any such Limited Partner or its affiliates; or (f) certain other terms whether economic, procedural or otherwise. Side letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Percheron funds. As a consequence of one or more Limited Partners being excused or excluded from, or from regulatory or other factors limiting their participation in, certain investments, the aggregate returns realized by participating Limited Partners could be adversely affected in a material manner by the unfavorable performance of particular investments. The other Limited Partners will generally have no recourse against the Fund, the General Partner or any of their affiliates in the event that certain Limited Partners receive additional or different rights or terms as a result of such side letters. The General Partner will be required to notify the other Limited Partners of any such side letters or other similar agreements or any of the rights or terms or provisions thereof, and to offer such additional rights or terms to other Limited Partners, only to the extent provided in the Partnership Agreement.

*Disclosure of Confidential Fund and Investor Information.* The Limited Partners are expected to include entities that are subject to public disclosure requirements, including state public records or similar freedom of information laws which may compel public disclosure of confidential information regarding the Fund, its investments and its investors. There has been a recent increase in the number of requests under such laws for contracts (including partnership agreements, subscription agreements and side letters) that investors in private equity funds that are subject to such laws have in place with private equity funds. The Fund may incur expenses in connection with responding to any such disclosure requests, even if the Fund ultimately succeeds in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that the Limited Partners will have pursuant to the Partnership Agreement to maintain the confidentiality of the Fund information, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement or otherwise. The General Partner may also in certain circumstances, in an effort to protect any such potential disclosure, withhold all or any part of the information otherwise to be provided to such a Limited Partner, as more fully described in the Partnership Agreement. There can be no assurance that such information will not be disclosed by the Fund, the General Partner, Percheron, their affiliates and personnel, portfolio investments or services providers to any of them including to comply with laws, regulations or policies to which they are or may become subject. In addition, under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC has the authority to require private equity fund advisers, such as Percheron, to file additional reports with the SEC regarding their funds and investment activities. Any public disclosure of the Fund information could have an adverse effect on the Fund and its investors, for example, by affecting the Fund's competitive advantage in finding attractive investment opportunities.

*Loans in Lieu of Distributions.* Pursuant to the Partnership Agreement, certain distributions to the General Partner may be deferred to the extent the amount distributable exceeds the General Partner's tax basis in the Fund. In such case, the deferred distribution amount may be loaned by the Fund to the General Partner. Any interest accruing with respect to such a loan will be allocated and distributed solely to the General Partner.

*Policies Subject to Change.* In certain cases the foregoing summarizes, as of the date of this Brochure, certain of Percheron's policies; these are subject to change, and the information relating thereto may be qualified by subsequent disclosure to investors through the Form ADV of Percheron, other periodic disclosures, Limited Partner reporting and any disclosure as otherwise permitted or required by the governing agreements of the Fund.

## **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of the Funds, and providing transaction-related, legal, accounting, management and other services to Funds and portfolio investments. The Adviser will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Governing Documents, although the Funds and their respective investments and other investments will place varying levels of demand on these over time. In the ordinary course of the Adviser conducting its activities, the interests of a Fund likely will conflict with the interests of the Adviser, one or more other Funds, portfolio investments or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. The Adviser believes that the significant investment of the Founders in the Funds, as well as the Founders' interest in the carried interest, operate to align, to some extent, the interest of the Founders with the interest of the Limited Partners, although the Founders have or expect in the future to have economic interests in such other investment funds (including the Funds) and investments and receive fees, carried interest or other compensation relating to these interests. Such other investments that the Founders control or manage compete with the Funds or companies acquired by the Funds. At such time as the Adviser is permitted to raise a successor Fund to a current Fund, the Founders will continue to manage the current Fund's investments, but also may and likely will focus investment activities on other opportunities and areas unrelated to the current Fund's investments. Certain investments may be allocated between the Funds in a manner as set forth in the Partnership Agreement. As a general matter, the Adviser will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory boards of the participating Funds.

Until such time as the Adviser is permitted under the Partnership Agreement to raise a successor investment fund to the applicable Fund, the Founders generally will pursue substantially all appropriate investment opportunities that meet the investment criteria of the Fund principally for the benefit of the Fund, subject to certain exceptions set forth in the Fund's Governing Documents. However, the Founders likely will in the future manage other Funds and investments similar to those in which a Fund will be investing and expect to direct certain relevant investment opportunities or resources to those investment funds and investments. The Founders and the Adviser's investment staff will continue to manage and monitor such investments until their realization. Over time, certain investment opportunities suitable for a Fund are likely also to be suitable for Funds sponsored by the Adviser or its affiliates. In determining which Funds should participate in such investment opportunities, subject to the Partnership Agreements, the Adviser, the Founders and their affiliates are subject to potential conflicts of interest among the investors in the relevant Funds. Except as required by the relevant Governing Documents, the Adviser is not obligated to recommend any investment to any particular investment vehicle.

To determine which Funds will participate in the relevant investment opportunity, the Adviser generally assesses whether an investment opportunity is appropriate for the relevant Fund(s) based on the terms of such Fund's Governing Documents, as well as factors that the Adviser deems appropriate, including but not limited to: each Fund's investment and diversification restrictions and objectives (including those set forth in the relevant Fund's Governing Documents and Side Letters, where applicable), strategy, operating guidelines, capital structure, risk profile, time horizon, investment size, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory considerations, life cycle, structure and other relevant factors. The Fund is authorized to invest together with other Funds in the manner set forth in the relevant Governing Documents and the Adviser's allocation policy, as in effect and amended from time to time. Investments by more than one client of the Adviser in a portfolio investment may also raise the risk of using assets of a client of the Adviser to support positions taken by other clients of the Adviser. In the event that the available amount of an investment opportunity in which a Fund invests exceeds an amount appropriate for the Fund, the General Partner is authorized to offer such excess to one or more potential investors, as discussed below. Notwithstanding the foregoing, the Adviser also reserves the right to enter into strategic alliances with third parties with respect to real estate investments that will require the Adviser to allocate certain investment opportunities to joint ventures or special purpose vehicles owned by the Fund and a strategic partner.

The Adviser will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with the Adviser's obligations and may take into consideration factors such as those set forth above; however, the Adviser's allocation of investment opportunities among Funds may not always, and often will not, be proportional. Therefore, such allocations will likely be more advantageous to a Fund relative to one or all of the other Funds, or vice versa. While the Adviser will allocate investment opportunities in a way that it believes in good faith is fair and equitable, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject did not exist.

Following such determination of allocation among Funds, the Adviser will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and is authorized to offer any such excess to one or more potential co-investors, including certain investors, Limited Partners, other sponsors, market participants, finders, consultants, other service providers, Percheron personnel or certain other persons associated with the General Partner or its affiliates (including Senior Advisors, Operating Partners and strategic partners and co-venturers), in each case as determined by the Adviser in its sole discretion. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the Adviser in its sole discretion, likely will not be in the best interests of the Fund or any individual Limited Partner. In exercising its sole discretion in connection with such co-investment opportunities, including with respect to allocating a particular investment to and among potential co-investors and determining the terms thereof, the Adviser will take into consideration a variety of factors, which include factors which benefit the Adviser including but not limited to: (a) the ability of a potential co-investor to react promptly to a co-investment opportunity; (b) any strategic advantages that may result from a potential co-investor's participation in a co-investment opportunity; (c) a potential co-investor's



Commitment to the Fund(s), including the amount thereof; (d) the likelihood that a potential co-investor may invest in the Fund; (e) the potential co-investor's investable assets relative to the size of the co-investment opportunity; (f) tax, regulatory or securities law considerations (e.g., qualified purchaser or qualified institutional buyer status); (g) confidentiality concerns that may arise in connection with providing the potential co-investor with specific information relating to the co-investment opportunity; (h) the Adviser's perception of whether the potential co-investor's participation in an investment opportunity may subject the relevant Fund to legal, regulatory, reporting or other burdens or could impair the ability of Percheron to execute the relevant transaction in the desired time or on desired terms; (i) the size of the investment allocation available to the Adviser (and not being allocated to Fund(s)) and the practicality of splitting the allocation into smaller tranches; (j) the ability of the prospective co-investor to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments) and the maximum number of investors that can realistically participate in the transaction; (k) any requirements of any third-party lenders as to the identity of any investors participating as co-investors, or as to the creditworthiness of any co-investors, or as to the number of co-investors, or as to other matters with respect to the investors in the transaction; (l) whether the prospective co-investor is considered "strategic" to the investment because it is able to offer a Fund or the Adviser or its affiliates certain services or benefits, including the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, or whether the Adviser believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to any Fund, the Adviser or its affiliates; (m) whether the prospective co-investor has a history of consummating co-investment opportunities with the Adviser or its affiliates; (n) whether the prospective co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity (including the financial resources to fund its pro rata share of any future follow-on investments); (o) the likelihood that the prospective co-investor would require governance rights (including board or observer rights, access to the management team of the underlying investment, or material informational rights) that would complicate or jeopardize the transaction (or, alternatively, where the investor would be willing to defer to the Adviser and assume a more passive role in governing the investment); (p) whether the prospective co-investor has any interests in any competitor of the underlying investment; (q) the expected investment holding period; (r) the services provided by the prospective co-investor to the issuer of the investment (or otherwise provided by the prospective co-investor with respect to the investment); (s) the size of the prospective co-investor's interest to be held in the underlying investment as a result of a Fund's investment (which is likely to be based on the size of the prospective co-investor's capital commitment or investment in such relevant Fund); (t) the size or timing of the prospective co-investor's commitment to a Fund; (u) whether the prospective co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for early or recurring distributions; (v) the extent to which the prospective co-investor has previously been provided a greater amount of co-investment opportunities relative to other prospective co-investors; (w) the prospective co-investor's willingness to pay or otherwise bear fees (including management and transaction fees), costs and expenses (including broken deal expenses), or be subject to carried interest or similar performance-based compensation, in respect of the co-investment; (x) the expertise, knowledge and sophistication of the prospective co-

investor with respect to the issuer, segment, industry, geographic region or other characteristics that are relevant to the investment; (y) the prospective co-investor's perceived ability to approve the investment pursuant to any applicable internal approval processes (including the predictability of the prospective co-investor's investment process), and to otherwise execute the transaction, in a timely manner with respect to the timeframe in which the Adviser believes favorable transaction terms may be achieved; (z) whether the prospective co-investor has expressed an interest in evaluating co-investment opportunities, including the perceived degree of that interest; and (aa) other factors that the Adviser considers important in connection with the specific transaction or investment.

The Adviser reserves the right to grant certain third-party investors and Limited Partners (including any strategic alliance partners and co-venturers) the opportunity to evaluate specified amounts of prospective co-investments in Fund investments or otherwise to have priority in co-investment opportunities. Additionally, from time to time, certain service providers (*e.g.*, lenders) seek to negotiate co-investment rights as a component of their compensation or in exchange for granting better terms to Percheron, a fund or investment in connection with the services provided. Co-investment opportunities may, and typically will, be offered to some and not to other Limited Partners. The Adviser's allocation of co-investment opportunities generally will not result in allocations that are proportional to the amounts committed, if any, by the relevant potential co-investors to the Fund, any investment vehicles managed by Percheron or any other co-investment vehicle, and such allocations may be more or less advantageous to some persons or entities than to others.

In addition, from time to time, the Adviser in order to consummate a transaction or facilitate the acquisition of an investment and ensure a Fund is afforded an investment opportunity or otherwise, may cause the Fund to acquire (or commit to acquire) on behalf of certain co-investors with a view to selling down a portion of such investment to such co-investors or other persons at a later time or prior to or within a period after the closing of the acquisition. The Fund generally will receive compensation for such activities. If the Fund does not find co-investors or in the event that the co-investors breach their covenant to purchase the investment from the Fund, the Fund will have an allocation to an investment that is larger than originally anticipated. In addition, the Fund will bear the risk that any or all of the excess portion of such investment could only be sold on unattractive terms. If the excess portion of such investment has not been sold, the Fund will bear the entire portion of any other fees, costs and expenses related to such investment, hold a larger than expected investment in such investment and could realize lower than expected returns from such investment.

As discussed above, where a proposed transaction that was to have included one or more co-investors is not consummated, or a potential co-investor does not invest in a planned co-investment, the full amount of any fees, costs and expenses or other liabilities or obligations (including broken deal fees and expenses) generated in the course of evaluating any such proposed transaction will be borne by the Fund and not by any prospective co-investors that were to have participated in such transaction. Typically, the Fund will bear such fees and expenses regardless of whether any co-investor(s) had yet been identified or confirmed, or whether any co-investment vehicle had yet been formed in connection with the relevant transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to also bear its share of such fees and expenses.

Conversely, the Adviser and its affiliates generally do not permit prospective co-investors to benefit from break-up fees payable to the Fund (if any), and the Fund would generally expect to receive the entirety of the fee (other than amounts allocable to other co-lead investors or other private funds managed by the Adviser or its affiliates), to the extent not applied to reimburse the Adviser or its affiliates, prospective co-investors or others for certain expenses incurred in connection with such transaction. The Adviser reserves the right, in its sole discretion, to charge a management fee and obtain a carried interest in respect of any co-investment. Any fees, carried interest or other compensation received in connection with a co-investment does not reduce or offset the Management Fee and are not otherwise shared with the Fund.

Furthermore, the Adviser or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities typically will be offered to some and not to other Limited Partners. When and to the extent that employees and related persons of the Adviser (including Operating Partners and Senior Advisors) and other third-parties make capital investments (directly or indirectly through the Adviser) in or alongside the Fund, the Adviser is subject to conflicting interests in connection with these investments. The Adviser's allocation of co-investment opportunities among the persons and in the manner discussed herein generally will not result in proportional allocations among such persons, including with respect to the amounts committed to the Fund or any investment vehicles managed by Percheron, and such allocations are likely to be more or less advantageous to some such persons relative to others. There can be no assurance that the Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

Where multiple Funds invest at the same, different or overlapping levels of an investment's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring will raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same investment. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by Percheron in its sole discretion. Because of the different legal rights associated with debt and equity of the same investment, the Adviser and its affiliates are likely to face a conflict of interest in respect of the advice given to, and the actions taken on behalf of, one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable General Partner may enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, Percheron expects to be subject to potential conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. Although Percheron generally intends to structure Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of

another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In each such case, Percheron intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements. In certain circumstances Funds are expected to be prohibited from exercising (or the Adviser may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Fund or the other may be subject to creditor claims regarding subordination of interests.

Additionally, conflicts of interest can arise if a Fund makes an investment in a portfolio investment in conjunction with an investment made by another Fund or if it were to invest in the securities of a company in which another Fund has already made an investment. For instance, the Fund likely will not invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as such other Fund. This likely will result in differences in price, investment terms, leverage and associated costs between the Fund and any other Fund. If the Adviser wishes to reduce the investment of one of the investment vehicles it manages in a security or other asset and increase the investment of another investment vehicle it manages in such security or such assets, it may effect such transactions by directing the legal transfer of the securities or other assets between vehicles directly or by transferring the economic return of the securities or other assets between vehicles through swaps, participation agreements or other derivatives. Further, given that certain of the Adviser's investment vehicles are established sequentially (or otherwise have different holding periods), the General Partners (or equivalent) of such funds often will desire, or will be required, to sell investments at different times, including at times when General Partners (or equivalent) of investment vehicles that hold the same investment with more time remaining in their term do not wish to sell such investments. The Adviser and its affiliates may express inconsistent views of such investments or of market conditions more generally. To the extent a Fund sells its interest in an investment to a third-party, it may impact the value of the other vehicles interest in the same investment, and will give rise to the co-venturer risks discussed above. There can be no assurance that the Fund and the other Fund(s) will exit the investment at the same time or on the same terms, and there can be no assurance that the Fund's return on such an investment will be the same as the returns achieved by any other Fund participating in the transactions. In addition, the Adviser and/or its affiliates are authorized to enter into cross-transactions on behalf of a Fund and/or successor Funds, or co-investors or co-investment vehicles, in which a Fund buys securities from, or sells securities to, or co-invests with, such other persons. In some cases, an investment of a Fund may be merged with or into an investment owned by another Fund. Any such transactions raise potential conflicts, including where the assets of one Fund support positions taken by other Funds. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' Governing Documents or otherwise in the sole discretion of the applicable Funds' General Partners, such General Partner may seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker at the cost of the Fund to opine as to the fairness of a purchase or sale price) or by obtaining

the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's advisory board) to such transactions. In certain circumstances, the Adviser may not obtain such an opinion or consent and may determine that the willingness of a third-party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Funds under then-current market conditions. Further, Funds sponsored by the Adviser or its affiliates nearing the end of their term are expected from time to time to sell their interest in commonly held investments to other Funds sponsored by the Adviser or its affiliates with more time remaining in their term, which gives rise to the conflicts of interest discussed herein. Conflicts of interest are also heightened in the foregoing transactions to the extent the partners of the Adviser are assigned varying percentages of carried interest from Funds in the same investment, or if economic terms, performance or the potential for carried interest vary between Funds sponsored by the Adviser or its affiliates, particularly when one Fund sells its portion of such investment to another Fund, which could cause a portion of such carried interest to become "crystallized." Whether or not advisory board consent is obtained or there is a fairness opinion or a third-party investor, the Adviser intends to conduct such transactions in a manner that the Adviser believes to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each fund including the relative ownership percentages of the Funds in the applicable investment, the length of time remaining in a Fund's term and other factors similar to those discussed above regarding the allocation of investment opportunities. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to a Fund. From time to time such transactions arise in the context of automatic or other re-balancing of an investment among parallel investing entities, although Percheron believes such transactions generally do not give rise to the foregoing conflicts of interest.

The Adviser will be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to the Funds. The Adviser, in its sole discretion, will allocate fees and expenses in accordance with the relevant Partnership Agreement and in a manner that it believes is fair and equitable to the Fund under the circumstances over time, based on its then-current internal allocation policy and considering such factors as it deems relevant. The allocations of such expenses often will not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Funds or co-investors receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has a greater benefit to a Fund or the Adviser and/or its affiliates. The Funds may have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

The Funds primarily intend to make controlling investments in portfolio investments. As a result of these controlling interests, the Adviser typically has the right to appoint portfolio company board members (including current or former Adviser personnel, Operating Partners, Senior Advisors or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their compensation. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to the Adviser and/or its affiliates in connection with services provided by the Adviser and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the Partnership Agreement's offset provision, are in addition to the Management Fee or carried interest discussed herein. The Adviser's authority to appoint or influence the appointment of portfolio company

board members who typically will be involved in approving compensation payable to the Adviser subjects the Adviser, the Adviser and its affiliates and any such portfolio company board appointees to potential conflicts of interest. From time to time, employees or other personnel and/or related persons of Percheron or their respective affiliates (including Operating Partners and Senior Advisors) are likely to also be asked to serve as directors of, or observers with respect to, certain entities in which the Fund has fully exited its ownership interest. Any compensation received by such personnel in connection therewith will not be offset against the Management Fee or otherwise be shared with the Fund and/or Limited Partners.

Additionally, a portfolio investment typically will reimburse the Adviser, Operating Partners, Senior Advisors and other service providers retained at the Adviser's discretion for expenses (including, without limitation, travel expenses) incurred by such persons in connection with the performance of services for such portfolio investment. This subjects the Adviser to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Partnership Agreement and its internal reimbursement policies and practices, the Adviser determines the amount of these reimbursements for such services in its own discretion. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to the Adviser or such service providers may be subject to review by management teams of or lenders to portfolio investments. These factors may help to mitigate related potential conflicts of interest.

Over the life of a Fund, the Adviser generally expects to exercise its discretion to recommend to a Fund or to investment thereof that it contract for services or enter into other transactions with various service providers, potentially including, among others: (i) the Adviser (or an affiliate, including Operating Partners, Senior Advisors, other portfolio investments of the Fund or other investment funds sponsored by the Adviser or an affiliate) and at rates determined or substantively influenced by the Adviser; (ii) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which such person derive a financial or other benefit, including strategic alliances or a relationship with joint venturers or co-venturers; or (iii) a Limited Partner (or a Limited Partner of another Fund) or its affiliates. For example, the Adviser reserves the right to initiate transactions or service agreements between two or more portfolio investments of a Fund and/or other Funds and expects to engage certain Limited Partners or their affiliates that are engaged in lending or related businesses to provide financing and/or other services in connection with a Fund's investments. Potential conflicts of interest arise in initiating such transactions, as the Adviser has incentives to maintain goodwill between it and its former, existing and prospective portfolio investments. Similarly, the Adviser has incentives to engage Limited Partners to provide services to a Fund and/or its investments, including warehousing, financing and/or real estate services, to establish and maintain goodwill with such Limited Partners including with respect to investments made or that may be made in such Fund or another Fund. As a result, in each case, the products or services recommended may not necessarily be the best or lowest cost option.

The foregoing subjects the Adviser to potential conflicts of interest, because although it intends to initiate transactions and select or recommend service providers that it believes are aligned with its operational and value creation strategies and that will enhance investment

performance, the Adviser will have an incentive to recommend the related or other person or transaction because of its financial or business interest. Additionally, there is a possibility that the Adviser, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the Adviser or the Funds), would favor such transaction, retention or continuation even if a better price and/or quality of service provider could be obtained from another person. The Adviser will not necessarily seek out the lowest cost options when incurring (or causing the Fund or its investments to incur) such expenses. Although the Adviser generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Whether or not the Adviser has a relationship with or receives financial or other benefit from recommending a particular transaction or service provider, there can be no assurance that no other transaction would be more beneficial or that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Adviser is also authorized, from time to time, to employ or retain personnel, including Operating Partners and Senior Advisors with pre-existing ownership interests in or who were employed or retained by portfolio investments owned by the Funds or investment vehicles advised by the Adviser; conversely, former personnel or executives of the Adviser or its affiliates (including Operating Partners and Senior Advisors) will likely serve in significant management roles at portfolio investments or service providers recommended by the Adviser. Similarly, the Adviser and/or its personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, and their respective affiliates and personnel, including managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio investment finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio investment executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Adviser and/or the Fund or other investment vehicles the Adviser advises and/or portfolio investments. The Adviser will have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to a Fund or a portfolio investment owned by the Fund if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide the Adviser information about markets and industries in which the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser. The Adviser will have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between itself and the existing and prospective investments for a Fund, while the products or services recommended will not necessarily be the best available to the portfolio investments held by a Fund.

The Adviser, its affiliates, and equity holders, officers, principals and employees of the Adviser and its affiliates are permitted to buy or sell securities or other instruments that the Adviser has recommended to a Fund. In addition, officers, the Founders and employees are permitted to buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to any restrictions in the Fund's Partnership Agreement and any policies and procedures set forth in

the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of the Adviser have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio investments directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Fund and/or its portfolio investments or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio investments, the Adviser will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio investments to incur) such expenses.

The fact that the General Partner's carried interest is based on a percentage of net profits creates an incentive for the General Partner to cause the Funds to make riskier and more speculative investments or to hold an investment longer than otherwise would be the case. In addition, because the Funds have a fixed investment period after which capital from Limited Partners generally may only be drawn down in limited circumstances, and because the Management Fee is, at certain times during the life of the Funds, calculated based upon the invested capital the Funds, the Management Fee structure may create an incentive for the General Partner to deploy capital, and to keep such capital deployed, when it might not otherwise have done so.

The Adviser has engaged and expects to continue to engage, employ or retain Operating Partners and other consultants ("**Consultants**"), which may be employees of the Adviser, affiliates of the Adviser, employees of such affiliates, investments of other funds managed by the Adviser or its affiliates, third party consultants and external executives, "strategic partners," or "executive partners." Consultants are expected to regularly provide services to, or in connection with, the Fund in relation to its activities, or to one or more investments or prospective investments in relation to the identification, acquisition, holding, improvement and disposition of such investment or prospective investment, including operational aspects of such investments, including but not limited to, sales, marketing, technology, executive recruiting, business development, finance, technology, human resources, acquisition integration/rationalization and/or other operations services, acquisition or other due diligence, board of director, Limited Partner outreach, value creation and other services (collectively, "**Services**").

While the Adviser expects to pay Operating Partners a recurring retainer, pursuant to the Partnership Agreement, compensation, fees and expenses associated with the Services (collectively "**Consulting Fees and Expenses**"), generally will be paid or reimbursed by applicable investments or the Fund, and Consulting Fees and Expenses do not offset the Management Fee. Consulting Fees and Expenses are expected to include cash fees, salaries, bonuses, profits, stock awards or other equity interests in an investment, a share of proceeds upon sale of an investment or other incentive-based compensation to the Consultant, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Consultant, a percentage of the value of the investment, the invested capital exposed to such investment, amounts charged by other providers for comparable services or a percentage of cash flows from such investment, as well as other compensation and benefits described below. Consulting Fees and Expenses are also expected to include reimbursement of costs and expenses, including personnel costs (including employee



benefits, payroll taxes, insurance, paid-time-off and overhead), travel, airfare, lodging, meals, entertainment, gifts or other out-of-pocket expenses. Additionally, portfolio investments may provide opportunities for Consultants to invest in such investment and reimburse costs and expenses incurred by Consultants. Consultants also may receive remuneration from the Adviser or the Fund or affiliates or be entitled to other forms of compensation, including equity grants in investments. Such investment opportunities, reimbursements and other compensation paid to a Consultant will not offset the Management Fee. Consultants may have a limited partnership or profit interest in the Fund, the Adviser, one or more other investment funds sponsored by the Adviser or in an affiliate of the Adviser (including on a no-fee and no-carry basis). Portfolio investments or prospective portfolio investments of the Fund may pay Consultants to perform services that, directly or indirectly, benefit the Adviser, its affiliates or investments of other funds sponsored by the Adviser or its affiliates. Consequently, the Adviser, its affiliates or investments of other funds sponsored by the Adviser or its affiliates have the potential to receive benefits without being charged or at below-market rates. Percheron also reserves the right to offer Consultants investment opportunities in portfolio investments or other investments ahead of Limited Partners. Any equity grants or investments in Fund portfolio investments or other investments will dilute the Fund's interest in such investments. Although the Adviser intends to retain Consultants with a view to reducing costs to investments (and, ultimately, the Fund) or improving investment performance, a number of factors may result in limited or no cost savings from such retention. In addition, the Adviser intends to retain only such Consultants which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost or that Services rendered by Consultants will be effective and result in Fund returns.

The Adviser also expects to deploy Operating Partners to portfolio investments to serve as executives or in other similar roles. Under such arrangements, the relevant portfolio investment or the Fund generally will pay all of the compensation and employee benefits in respect of such Operating Partners (including salary, bonus, insurance benefits, payroll tax and paid time off) which will not offset the Fund's Management Fee and the Adviser is expected to cease to pay any recurring retainer. These arrangements create potential conflicts of interest, in that any compensation and/or retainer fees and overhead that would ordinarily be borne by the Adviser in respect of those Operating Partners would be borne by the portfolio investment when Operating Partners become employees of such portfolio investments. Therefore, the Adviser has an incentive to cause Operating Partners to become employees of portfolio investments to reduce its costs, which will instead be borne by portfolio investments. Such arrangements are expected to change over time, and in many cases will be ended by the Adviser when the portfolio investment is sold, at which point Operating Partners may or may not return to the Adviser. It is possible that certain Operating Partners serve in executives roles for multiple portfolio investments and perform services that directly or indirectly benefit the Adviser while serving in roles as portfolio investment personnel.

Operating Partners will typically receive access to office space, e-mail addresses, health insurance and other benefits, and are expected to make use of support services and other resources of the Adviser and its affiliates (including employee benefits, payroll taxes, paid-time-off and overhead). Percheron intends to hold Operating Partners out to the public (including on

Percheron's website and in marketing materials relating to Percheron or the Fund) as an Operating Partner of Percheron.

The Adviser faces potential conflicts of interest in determining the allocation of Consulting Fees and Expenses paid to Consultants. For example, the Adviser generally will not bear Consulting Fees and Expenses that relates to services performed by Consultants for the Fund, alternative investment vehicles or investments or prospective investments. However, these services may also provide a direct or indirect benefit to the Adviser or its affiliates including other funds managed by the Adviser or its affiliates. Therefore, the Adviser has an incentive to classify a particular service as being for the Fund, an alternative investment vehicle or an investment or prospective investment, even though it may directly or indirectly benefit the Adviser or its affiliates, in whole or in part. The allocation of Consulting Fees and Expenses may not be proportional, and any such determinations involve inherent matters of discretion by the Adviser.

Additionally, while the Adviser generally expects the charges for the services of the Consultants to be paid by actual and prospective investments directly, causing them to be shared ratably by the other equity holders of such investments, in the case of investments in which the Fund does not hold a controlling interest, for administrative or other reasons the Fund or an alternative investment vehicle thereof may bear Consulting Fees and Expenses directly, causing the Fund to bear a disproportionate share of those costs vis-à-vis other equity holders of those portfolio investments.

The Adviser has engaged and expects to continue to engage, employ or retain Senior Advisors who are members of the Adviser's advisory board, and provide strategic advice to the Adviser in respect of its business strategy and the Fund's current and prospective investments. Senior Advisors may be exclusive to the Adviser, although exclusivity is not expected. Certain Senior Advisors are expected to have the ability to perform services for other private fund sponsors, financial institutions, companies and other market participants, including those that compete with Percheron, the Fund or its portfolio investments or investments, and there is the potential for conflicts of interest to arise with respect to such Senior Advisors. As compensation for their services to the Adviser, Senior Advisors are typically expected to receive recurring retainers from the Adviser, be permitted to invest in the Fund or co-invest in investments, with management fees or carried interest reduced or waived, or receive grants in the General Partner's carried interest. In addition, Senior Advisors are expected to serve on the boards or equivalent bodies of portfolio investments or provide other services to the Fund or portfolio investments thereof. As compensation for those services, Senior Advisors are expected to receive compensation, including fees, salaries, bonuses, incentive equity, other stock awards, a share of proceeds upon sale of an investment or other incentive-based compensation from the Fund or portfolio investments thereof. Those entities will bear any costs and expenses, including personnel costs (including employee benefits, payroll taxes, insurance, paid-time-off and overhead), travel, airfare, lodging, meals, entertainment, gifts or other out-of-pocket expenses incurred by Senior Advisors in connection with the provision of their services thereto. Any of the foregoing compensation expenses and other amounts paid to or received by Senior Advisors in connection with their services, including with respect to particular transactions or investments, will not be included as "Transaction Fees" and consequently will not offset or reduce the Management Fee. Although the Adviser anticipates that Senior Advisors will be engaged, employed or retained by the Adviser or its affiliates with a view to reducing costs to portfolio investments or other

investments (and, ultimately, the Fund) or improving investment performance, a number of factors may result in limited or no cost savings. As a general matter, there can be no assurance that the services rendered by the Senior Advisors will be effective and result in Fund returns. Moreover, the Adviser or its affiliates only anticipate employing, engaging or retaining Senior Advisors that they believe provide services that will create value, while providing them with competitive compensation and other benefits commensurate with their experience and perceived ability to create value. However, there can be no assurance that there is no other personnel or service provider more qualified to provide the applicable services or able to provide them at lesser cost. Percheron intends to hold Senior Advisors out to the public (including on Percheron's website and in marketing materials relating to Percheron or the Fund) as a Senior Advisor or other similar identifying title (including as a member of the advisory committee of the Adviser) to Percheron.

The Adviser faces potential conflicts of interest in determining the allocation of compensation paid to Senior Advisors. For example, the Adviser generally will not bear fees and expenses related to services performed by Senior Advisors for the Fund, alternative investment vehicles or investments or prospective investments. However, these services may also provide a direct or indirect benefit to the Adviser or its affiliates including other funds managed by the Adviser or its affiliates. Therefore, the Adviser has an incentive to classify a particular service as being for the Fund, an alternative investment vehicle or an investment or prospective investment, even though it may directly or indirectly benefit the Adviser or its affiliates, in whole or in part. The allocation of Senior Advisor compensation may not be proportional, and any such determinations involve inherent matters of discretion by the Adviser.

Additionally, while the Adviser generally expects the compensation for the services of the Senior Advisors to be paid by actual and prospective investments directly, causing them to be shared ratably by the other equity holders of such investments, in the case of investments in which the Fund does not hold a controlling interest, for administrative or other reasons the Fund or an alternative investment vehicle thereof may bear Senior Advisor compensation directly, causing the Fund to bear a disproportionate share of those costs vis-à-vis other equity holders of those portfolio investments.

Additionally, the Adviser, its personnel, Operating Partners, Senior Advisors, affiliates or others designated by the Adviser expect from time to time to receive compensation in the form of portfolio investment securities. To the extent any such securities are received, after any applicable offset provisions in the relevant Governing Documents are applied (typically based on the then-present value of such securities as measured pursuant to the relevant governing agreements), the Adviser and/or such other recipients will be permitted to retain such securities as Transaction Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio investment and/or the Adviser or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund.) In addition, because portfolio investment securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund's relative ownership of the portfolio investment awarding such compensation.

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

As noted above, the Adviser and/or its affiliates are expected to enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Except where required by the relevant Governing Documents, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more Limited Partners being excused or excluded, or from regulatory or other factors limiting their participation in investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

From time to time the Adviser and/or its affiliates and personnel and persons selected by them expect to receive the benefit of “friends and family” and similar discounts from portfolio investments owned by the Fund under which such portfolio investments make their goods and/or services available at reduced rates. The Adviser and its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course.

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

#### **DISCIPLINARY INFORMATION**

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

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

The Adviser is affiliated with the General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. These entities operate as a single advisory business together with the Adviser and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

The Adviser has adopted the Percheron Code of Ethics and Securities Trading Policy (the "Code"), which sets forth standards of conduct that are expected of Percheron's principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Percheron personnel to report their personal securities transactions, prohibits or requires pre-clearance for Percheron personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Percheron personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Percheron Chief Compliance Officer. In addition, the Code of Ethics requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code of Ethics will be provided to any investor or prospective investor upon request to Christopher Collins, the Percheron Chief Compliance Officer, at (415) 830-7744. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

Percheron and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Percheron and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Percheron.

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

Principals and employees of Percheron and its affiliates generally are expected to directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles are authorized to invest in one or more of the same portfolio investments as a Fund. Co-invest opportunities generally are also expected to be

presented to certain affiliates of Percheron, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio investment. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

In addition to the foregoing and subject to any limitations in the Governing Documents, the Adviser and its affiliates, principals and employees reserve the right to carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may make investments and/or give advice and recommend securities to vehicles which could differ from advice given to, or securities recommended or bought for, the Fund, even though their investment objectives are the same or similar. Such investments may be (directly or indirectly through investment vehicles sponsored by potential competitors) in the same industry as the Funds invest, and have the potential to compete with the Funds for investment opportunities, and/or compete with portfolio investments of the Funds.

The Adviser is authorized, from time to time, to advance funds on behalf of a Fund and contribute such borrowed amounts to the relevant Fund as a special interim capital contribution for investment, to be redeemed at a later date. A yield amount in connection with such borrowing is typically borne by the relevant Fund as a Fund expense, consistent with the Governing Documents. In borrowing on behalf of a Fund, the Adviser is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund’s preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the Limited Partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs. The Adviser will effect such borrowings in a manner it believes to be fair and equitable to the relevant Fund, and consistent with the Adviser’s obligations to the Fund under the Governing Documents.

### **BROKERAGE PRACTICES**

The Adviser focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer will potentially be retained. However, the Adviser is also authorized to distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Adviser does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser will consider a variety of factors, including: (i) a broker's execution capabilities with respect to the relevant type of order; (ii) the commissions charged by a broker, which may be based on the size of the order, the price of the security and whether the receipt of products or services is involved; (iii) the broker's reputation and responsiveness to requests for trade data and other financial information; and (iv) other factors suggested by the SEC for determining best execution.

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

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them, although the Adviser generally does not make use of such services at the current time and has not made use of such services since its inception. To the extent the Adviser uses "soft dollars" on behalf of the Funds in the future, it will seek to do so within the safe harbor provided by Section 28(e) of the Exchange Act.

The Adviser does not anticipate engaging in significant public securities transactions; however, to the extent that the Adviser engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, the Adviser is also authorized to purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, the Adviser is permitted, but is not obligated, to purchase or sell securities for several client accounts at approximately the same time. Such orders are permitted to be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of the Adviser is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they likely will have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

The Funds generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Funds over time.

In the Adviser's private company securities transactions on behalf of the Funds, the Adviser is authorized to retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio investments. In determining to retain such parties, the Adviser will consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered and responsiveness to requests for information; and (iv) other factors. As a result, although the Adviser generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds will not always pay the lowest commission or fee for such services.

### **REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Adviser monitors companies in which the Funds invest, and the Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to its limited partners (i) audited financial statements annually commencing with the first year in which it makes an investment, (ii) unaudited financial statements for the first three quarters of each fiscal year commencing with the first quarter the Fund delivers a capital call notice, (iii) annual tax information necessary for each Fund partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio investment periodically.

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

The Adviser and/or its affiliates are authorized to provide certain business or consulting services to companies in a Fund's portfolio and will receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation will, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, payments to Senior Advisors and/or Operating Partners, or reimbursements for out of pocket expenses directly related to a portfolio investment), these amounts are expected to be in addition to Management Fees. *See* "Fees and Compensation" above.

The Adviser is authorized, from time to time, to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents or third-party solicitors will be borne by the Adviser indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).



The Adviser has retained Connaught (U.S.) LLC, a placement agent, to solicit commitments from investors in exchange for a cash fee based on a percentage of the aggregate principal amount of Fund interests sold to certain third-party investors (depending on the amount sold), subject to certain exclusions and exceptions, in addition to the reimbursement of certain expenses.

### **CUSTODY**

The Adviser maintains custody of assets held in the name of one or more Funds with the following qualified custodians: First Republic Bank; San Francisco; California.

### **INVESTMENT DISCRETION**

The Adviser will have discretionary authority to manage investments on behalf of each Fund. As a general policy, the Adviser does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, the Adviser and/or its affiliates expect to enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund will be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Adviser assumes this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners of such Fund.

### **VOTING CLIENT SECURITIES**

The Adviser has adopted the Percheron Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for the Funds' portfolio investments. The Proxy Policy seeks to ensure that the Adviser votes proxies (or similar instruments) in the best interest of the Funds, including where there is an actual or potential material conflict of interest in voting proxies. The Adviser generally believes its interests are aligned with those of each Fund's investors, for example, through the principals' beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is an actual or potential conflict of interest in voting proxies, the Proxy Policy provides that the Adviser is authorized to address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board is authorized to approve the Adviser's vote in a particular solicitation. The Adviser does not consider service on portfolio company boards by personnel of the Adviser or the Adviser's receipt of management or other fees from portfolio investments to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Adviser when voting proxies on behalf of a Fund. If Fund investors would like a copy of the Adviser's complete Proxy Policy or information regarding how the Adviser voted proxies for particular portfolio investments, please contact Christopher Collins, the Percheron Chief Compliance Officer, at (415) 830-7744 and it will be provided to you at no charge.

### **FINANCIAL INFORMATION**

The Adviser does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.