

**Item 1 – Cover Page**

**Part 2A of Form ADV Brochure for:**

**PRESIDIO INVESTORS LLC**

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**March 2021**

**This brochure provides information about the qualifications and business practices of Presidio Investors LLC (CRD #160841). If you have any questions about the contents of this brochure, please contact us at (512) 772-1725. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Presidio Investors LLC is a registered investment adviser with the SEC. Registration of an Investment Adviser does not imply any certain level of skill or training.**

**Additional information about Presidio Investors LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

This brochure updates Presidio Investors, LLC’s brochure dated August 27, 2020 and does not include any material changes. We did revise the amount of regulatory assets under management listed in Item 4.

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## **Item 4 – Advisory Business**

Presidio Investors LLC (the “Manager” or “Presidio Investors”) is a Delaware limited liability company registered with the SEC. Karl Schade and Christian Puscasiu are the owners and Managing Partners of Presidio Investors.

Presidio Investors provides investment advice and management to privately placed investment funds, including limited partnerships for which Presidio Investors is the investment manager (“Partnerships” or “Funds”). Partnerships are often referred to herein as “Clients.” Investment advisory services are provided to each Client pursuant to separate Limited Partnership Agreements. Presidio Investors also provides General Partnership services to each Client through related legal entities, each a “General Partner.” Presidio Investors and its General Partners are under common control and share office space and personnel.

Presidio Investors’ investment objective is to generate superior returns for its investors through selective investments in privately-held companies. The Manager will also pursue control buyouts and co-investments in collaboration with other private equity firms, where appropriate. Presidio Investors’ strategies and the risks involved are described in response to Item 8, below.

The Partnerships conduct a private offering of their interests to certain “qualified purchasers” as described in response to Item 7, below (such investors and perspective investors are referred herein as “Investors”).

Advisory services are tailored to achieve the Clients’ investment objectives. Generally, Presidio Investors has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Clients or their Investors.

Presidio Investors does not participate or offer wrap fee programs

As of December 31, 2020, Presidio Investors had regulatory assets under management on a discretionary basis of \$389 million.

## **Item 5 – Fees and Compensation**

Each Partnership will pay a Management Fee to the General Partner or its designee, semi-annually in advance, equal to 2.0% per annum of the aggregate commitments of all the Investors, commencing as of the initial draw down date (as determined in each Partnership’s offering documents). Commencing on the first semi-annual Management Fee payment date after the fifth anniversary of the initial draw down date, the Management Fee payment shall step down to 2.0% per annum of invested capital and shall be adjusted as appropriate on a quarterly basis.

The General Partner has elected to waive all or any portion of the Management Fee payable to it by or in respect of any Investor for certain funds in accordance with each Fund’s governing documents, in its sole and absolute discretion.

Presidio Investors will pay out of the Management Fee the ordinary operating expenses of each Partnership (including compensation of its employees, rent, utilities, office expenses, etc.). Each Partnership will bear all other expenses, including all expenses incurred in the investigation, holding, purchase, sale or exchange of investments, legal, accounting, investment banking, research, brokerage, finders’, custody, transfer, registration, interest, insurance, taxes and extraordinary expenses, and other similar fees and expenses. Expenses incurred in connection with investments not consummated by each Partnership shall be borne by each Partnership.

Each Partnership will bear the organizational and startup expenses of the Partnership and the General Partner, including legal, accounting, consulting, filing, marketing, out-of-pocket expenses of any third party placement agents in connection with fundraising for the Fund, and other related expenses, in an amount not to exceed \$1 million.

The management fees and performance allocation (see Item 6, below) and expenses are deducted from Client assets.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

In addition to the Management Fees described in response to Item 5, Presidio Investors also receives performance-based fees in the form of carried interest distributions from each Partnership.

Such distributions will be made, in cash or in kind, at the sole discretion of each Partnership's General Partner; provided, that cash proceeds shall be distributed as soon as reasonably practicable subject to reasonable reserves established by the General Partner.

Distributions representing a return of capital from investment will be made to all Partners pro rata in accordance with a fraction, the numerator of which is equal to the amount of such Partner's capital contributions and the denominator of which is equal to the aggregate capital contributions of all of the Investors ("Partnership Percentages"). Distributions will be made in the following priority<sup>1</sup>:

- (i) 100% to all Investors pro rata in accordance with their Partnership Percentages until such time as the Investors have received distributions equal to 100% of the amount of capital actually contributed to the Partnership in respect of its capital contributed to the Partnership; then
- (ii) 100% to all Investors pro rata in accordance with their Partnership Percentages until the Investors have received a preferred return of 8% per annum compounded annually on the amount of capital actually contributed to the Partnership in respect of its capital commitment, as calculated from the date the applicable capital contribution was made (the "Preferred Return"); then
- (iii) 100% to the General Partner until such time as the General Partner has received cumulative distributions pursuant to this clause (iii) equal to 20% of the sum of the cumulative distributions made to all Investors pursuant to clauses (i) and (ii) in excess of the total capital contributions made to the Partnership and invested by the Partnership in securities; and
- (iv) thereafter, 80% to all Investors pro rata in accordance with Partnership Percentages and 20% to the General Partner.

The 20% distribution to the General Partner described in clause (iii) and (iv) is the "Carried Interest". The General Partner has waived all or any part of the Carried Interest payable to it in respect of Partners in certain Funds in accordance with each Fund's applicable governing documents in its sole and absolute discretion.

A distribution relating to a partial disposition of an investment will be subject to the above formula, with the Preferred Return and the Carried Interest based pro rata on the original cost of, and the cumulative distributions made with respect to, the disposed portion of such investment.

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<sup>1</sup> Investors in Presidio Investors Fund I LP do not receive a preferred return. Certain Partnerships may not be subject to carried interest distributions, in the General Partner's sole discretion.

The Partnership may make distributions to the General Partner in an amount sufficient to permit the payment of the tax obligations of the General Partner and its owners in respect of allocations of income to the General Partner to the extent not previously taken into account for such purpose or distributed to the General Partner. Any such distributions shall be taken into account in making subsequent distributions to the Investors.

**The foregoing responses to Items 5 and 6 represent Presidio Investors' basic compensation arrangements. The management fees and performance-based allocations described above are structured to comply with Rule 205-3 under the Investment Advisers Act of 1940. Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Investor have in the past and may in the future vary. Although Presidio Investors believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.**

## **Item 7 – Types of Clients**

Presidio Investors provides investment advice and management to the Partnerships as described above.

Presidio Investors will likely in the future provide the same or similar services to other privately placed investment funds.

Prospective Investors in the Funds must meet eligibility criteria and are subject to certain withdrawal requirements and limitations as set forth in the Fund' offering documents. Prospective Investors are encouraged to thoroughly review the Funds' offering documents and any other materials provided by Presidio Investors, which set forth all of the terms in detail. Though the Clients generally pursue similar strategies, offering terms may differ. Presidio Investors may waive, reduce, increase, or alter requirements in particular cases and may change them as to new investors in the future.

Interests are offered to “qualified purchasers” (as defined in the Investment Company Act of 1940, as amended (the “1940 Act”)). The minimum initial investment is \$25,000.

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

Presidio Investors' investment objective is to generate returns for its investors through selective investments in privately-held companies. The Manager will also pursue control buyouts and co-investments in collaboration with other private equity firms, where appropriate.

Presidio Investors focuses on value creation and value capture in the lower middle market, with an intimate focus on operations. The Manager aims to leverage its operating experience and resources to develop portfolio companies into niche market leaders. Presidio Investors targets investments in the lower middle market, which it defines as companies with revenues of between approximately \$10 and \$200 million, and EBITDA of less than \$20 million. These companies are generally less well served by capital providers and have significant potential to rapidly create shareholder value through growth. Furthermore, sales processes for companies in this market segment are generally less efficient than for larger companies, resulting in more favorable valuations at lower purchase price multiples.

The Manager Presidio will continue to primarily focus on three sectors: technology, media services

and financial services. Deals typically include businesses that show one or more of the following characteristics:

- Firms with a defensible niche market leadership and the ability to effect change with technology
- Businesses poised for technology change (e.g. transition from brick and mortar stores to an online/mobile driven sales model)
- Companies with an opportunity to transition to a scalable business model (e.g. shift from a services-oriented, individually customized solution to a product oriented, software or licensing model)
- Potential for multiple expansion through M&A (e.g. acquisition of companies with valuation discounts based on size in order to grow the business and achieve a higher exit multiple due to size)

Target companies generally exhibit high growth potential, attractive entry valuations and offer strong downside protection with \$10-200 million in revenue and up to \$20 million in EBITDA.

While the investment focus is primarily in North America, Presidio Investors will pursue international investments if certain heightened investment standards are met.

With respect to management, the Partnerships will invest with strong, entrepreneurial management teams with a demonstrated ability to execute on growth initiatives. In addition, given the backgrounds of the investment team, the Partnerships will target investments with significant operational upside and serve as complementary support to these management teams, as needed.

Presidio Investors will focus on structured control buyouts, including buyouts of private companies, spin-outs of divisions or subsidiaries of larger private or public companies, growth investments and going private transactions.

## **Risks**

*An investment in the Partnerships involves a substantial degree of risk and should be regarded as speculative. As a result, the acquisition of an interest in the Partnerships should be considered only by persons who can reasonably afford a loss of their entire investment. Prospective Investors should carefully consider the following non-exhaustive list of risk factors relating to this investment:*

**General.** All securities investments risk the loss of capital. No guarantee or representation is made that the Partnerships will achieve their investment objectives or avoid substantial losses. An investment with Presidio Investors is speculative and involves certain considerations and risk factors which prospective investors should consider before investing. A prospective investor should consult its own legal, tax and/or financial advisors prior to investing.

**Business Risks.** The Partnerships' investment portfolios will consist primarily of securities issued by privately-held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. Privately-held securities are subject to the risks associated with each portfolio company's business, including market conditions, changes in regulatory requirements, reliance on management of each portfolio company, interest rate and currency fluctuations, general economic conditions, domestic or foreign political developments, capital market conditions and other factors. There can be no assurance that the future performance of the portfolio companies will be positive or that investments

will result in rates of return that are consistent with prior performance. The Partnerships will not generally be able to participate in the management and control of the portfolio companies.

**Competitive Market.** The market for private equity investing is competitive and involves a high degree of uncertainty. Substantial amounts of capital and a large number of funds have been dedicated to making investments in the private sector and additional funds with similar investment objectives and/or sourcing methodologies may be formed in the future by other unrelated parties. As a result, there can be no assurances that Presidio Investors will succeed in consistently locating and securing an adequate number of attractive investment opportunities.

**No Assurance of Returns.** There can be no assurance that Investors will receive distributions from the Partnerships in an amount equal to their investment in the Partnerships. In considering the prior performance of other investment funds managed by Presidio Investors, prospective investors should bear in mind that past performance is not indicative of future results.

**Future and Past Performance.** The performance of the prior investments is not necessarily indicative of the future results. While Presidio Investors intends for the Partnerships to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible. In addition, the rates of return reflect unrealized gains as of the applicable measurement date that may never be realized, which would result in a lower internal rate of return, or IRR, and the returns have previously benefited from investment opportunities and general market conditions that may not repeat themselves, and there can be no assurance that the Partnerships will be able to avail itself of profitable investment opportunities.

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

**Non-Controlling Investments.** The Partnerships may hold a non-controlling interest in each portfolio company and, therefore, may have a limited ability to protect its position in such portfolio company, although in some cases, it is expected that appropriate shareholder rights may be sought to protect the Partnerships' interests.

**Concentration of Investments.** The Partnerships will participate in a limited number of investments and often seeks to make several investments in one industry or one industry segment. As a result, the Partnerships' investment portfolios could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Partnerships may invest in fewer portfolio companies and thus be less diversified.

**Lack of Sufficient Investment Opportunities.** It is possible that the Partnerships will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, Investors will be required to pay annual management fees based on the entire amount of their capital commitments.

**Illiquidity; Lack of Current Distributions.** An investment in the Partnerships should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments maybe realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an

investment. While an investment may be sold at any time, it is not generally expected that this will 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 Partnerships (including the annual management fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Partnerships' capital.

**Leveraged Investments.** The Partnerships make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both the Partnerships' opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to the Fund that may not be covered by distributions made to the Partnerships or appreciation of investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and at a certain level of leverage will impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Partnerships' investments to any deterioration in a company'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 Partnerships' investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Partnerships may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Partnerships. Furthermore, should the credit markets be tight at the time the Partnerships determine that it is desirable to sell all or a part of a portfolio company, the Partnerships will likely not achieve an exit multiple or enterprise valuation consistent with its forecasts.

**Limited Transferability of Fund Interests.** There will be no public market for the Partnerships' interests, and none is expected to develop. There are substantial restrictions upon the transferability of Partnership interests under each Partnership Agreement and applicable securities laws. In general, withdrawals of Partnership interests are not permitted. In addition, Partnership interests are not redeemable.

**Restricted Nature of Investment Positions.** Generally, there will be no readily available market for a substantial number of the Fund's investments, and hence, most of the Fund's investments will be difficult to value. Sales are also limited by financial market conditions, which may be unfavorable for sales of securities of particular issues or issues in particular markets. The lack of liquidity of each portfolio company's securities will preclude or delay any disposition of such investments, or reduce the proceeds to the Fund that might otherwise be realized from any such disposition. Certain investments may be distributed in kind to the Partners.

**Contingent Liabilities on Disposition of Investments.** Many of the Partnerships' investments will be in private securities. In connection with the disposition of an investment in private securities, the Partnerships have in the past and may in the future be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. The Partnerships have in the past and may in the future be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may incur contingent liabilities for which the General Partner has in the past and may in the future establish reserves and escrows. In that regard, distributions would likely be delayed or withheld until such reserve is no longer needed or the escrow period expires. In addition, these arrangements may ultimately yield funding obligations that must be satisfied by the Investors subject to certain limitations.



**Reliance on the General Partner and Portfolio Company Management.** The Partnerships have no operating history and will be entirely dependent on the General Partner. Control over the operation of the Partnerships will be vested entirely with the General Partner, and the Partnerships' future profitability will depend largely upon the business and investment acumen of the investment team. The loss of service of one or more of the investment team members or Karl Schade's obligations as Chief Executive Officer of the Manager could have an adverse effect on the Partnerships' ability to realize its investment objectives. Investors generally have no right or power to take part in the management of the Partnerships, and as a result, the investment performance of the Partnerships will depend entirely on the actions of the General Partner. Although the General Partner will monitor the performance of each Partnership investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Partnerships generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management of such companies will continue to operate a company successfully. The Investors will not have the right to participate in the management, control or operation of the Partnerships.

**Unspecified Use of Proceeds.** Investors will not have an opportunity to evaluate for itself the relevant economic, financial and other information regarding the investments to be made by the Partnerships and, accordingly, will be dependent upon the judgment and ability of the General Partner in investing and managing the capital of the Partnerships. No assurance can be given that the Partnerships will be successful in obtaining suitable investments or that, if such investments are made, the objectives of the Partnerships will be achieved.

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

**Third Party Litigation.** Litigation can and does occur in the ordinary course of the management of an investment portfolio of securities. The Partnerships may be engaged in litigation both as a plaintiff and as a defendant. The Partnerships' investment activities subject it to relatively increased third-party litigation risk in those instances in which the Partnerships exercise control or significant influence over a portfolio investment. Such litigation can arise as a result of portfolio company defaults, portfolio company bankruptcies and/or other reasons. In certain cases, such portfolio companies or their constituents may bring claims and/or counterclaims against the Partnerships, the General Partner, and/or their respective principals and affiliates alleging violations of securities laws and corporate, contractual, and other typical claims and counterclaims seeking significant damages. To the extent that (i) the Partnerships have not been able to protect themselves through insurance, indemnification or other rights against the portfolio companies, (ii) the Partnerships are not entitled to such protections, or (iii) the portfolio company is not solvent, the expense of defending against claims made against the Partnerships by third parties and paying any amounts pursuant to settlements or judgments would be borne by the Partnerships and reduce net assets. In connection with such actions, the Partnerships would be obligated to bear defense, settlement and other costs, the General Partner and others would generally be entitled to indemnification by the Partnerships, subject to certain conditions. Such costs and indemnification could adversely affect the Partnerships' rate of return.

**Projections.** Projected operating results of a company in which the Partnerships invest normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the

company 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 are often significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

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

**Need for Follow-On Investments.** Following its initial investment in a given portfolio company, the Partnerships have in the past and may decide in the future to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company. There is no assurance that the Partnerships will make follow-on investments or that the Partnerships will have sufficient funds to make all or any of such investments. Any decision by the Partnerships not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Partnerships to increase its participation in a successful operation.

**Non-U.S. Investments.** The Partnerships have in the past and may in the future invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments are often subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Partnerships), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Partnerships and/or the Investors with respect to the Partnerships' income, and possible non-U.S. tax return filing requirements for the Partnerships and/or the Investors. Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies are subject to different accounting, auditing and financial reporting standards, practices, and requirements comparable to those that apply to U.S. companies.

**Foreign Exchange Risks.** Contributions to the Partnerships and distributions from the Partnerships will be denominated in U.S. dollars. Investments may be denominated in U.S. dollars, Euros, Pounds Sterling or, if deemed advisable by the General Partner, in other currencies. As a result, the profits or losses of the Partnerships on any investment, as measured in U.S. dollars, will be affected by fluctuations in currency exchange rates and exchange control regulations as well as by the success of the investment itself. In addition, the Partnerships will likely incur costs in connection with conversions between various currencies. The Partnerships do not presently intend to seek to reduce currency risks through "hedging" or other methods.

**Difficulty in Valuing Portfolio Investments.** Generally, there will be no readily available market for a substantial number of the Partnerships' investments and hence, most of the Partnerships' investments will be difficult to value. Despite the General Partner's efforts to acquire sufficient information to monitor certain of the Partnerships' investments and make well-informed valuation and pricing determinations, the General Partner will only be able to obtain limited information at certain times. It is possible that General Partner may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of the Partnerships' investments, and

therefore may have to make valuation determinations without the benefit of an adequate amount of relevant information. Potential investors should be aware that as a result of these difficulties, as well as other uncertainties, any valuation made by the General Partner may not represent the fair market value of the securities acquired by the Partnerships.

**Unpredictability of Distributions.** Return of capital and realization of gains, if any, on investments will generally occur only upon the disposition of portfolio company securities, which has in the past and may in the future not occur for several years after the Partnerships' acquisition of an interest in a portfolio company. Neither the General Partner nor the Partnerships have or are likely to have in the future any influence over the timing of the distribution or disposition of portfolio company securities. Such distributions are likely to be unpredictable and has in the past occurred earlier than or later than anticipated by the General Partner. Investors should not expect significant returns for a period of years after their investment is made.

**General Partner's Carried Interest.** The fact that the General Partner's carried interest is based on a percentage of profits will create an incentive for the General Partner to cause the Partnerships to make riskier or more speculative investments than otherwise would be the case.

**Indemnification and Contingent Liabilities upon Disposition of Investments.** In connection with the disposition of an investment in a portfolio company, the Partnerships have in the past and may in the future be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business and indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the General Partner may establish reserves and escrows. In that regard, distributions may be delayed or withheld until such reserve is no longer needed or the escrow period expires. In addition, the Partnerships may be obligated to fund such indemnity obligations to the extent escrow arrangements are insufficient to cover the indemnity obligations.

**Reserves.** As is customary in the industry, the General Partner has in the past and may in the future establish reserves for follow-on investments by the Partnerships in portfolio companies, operating expenses (including the Management Fee), Partnership liabilities, and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could impair the investment returns to the Investors. If reserves are inadequate, the Partnerships will be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with "pay-to-play" or similar provisions. If reserves are excessive, the Partnerships may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

**Expedited Transactions.** Investment analyses and decisions by the General Partner have in the past and may in the future be undertaken on an expedited basis in order for the Partnerships to take advantage of investment opportunities. In such cases, the information available to the General Partner at the time of an investment decision will be limited as compared to non-expedited transactions, and the General Partner may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, the General Partner often relies upon independent consultants in connection with its evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments.

**Changing Economic Conditions.** The success of the Partnerships' investment strategy could be significantly impacted by changing external economic conditions in the United States and global

economies. General economic conditions, interest rates, and the availability of alternate sources of financing affect the Partnerships' results, including the value of its portfolio company investments and its ability to realize them for a profit. The securities of the type targeted by the Partnerships have in the past and may in the future be adversely affected by changes in governmental policies, taxation, other laws and regulations, consumer and business spending trends, new social trends and/or communication methods, general economic downturns, pandemics, domestic and foreign political situations, currency fluctuations and other factors.

**Uncertain Economic and Political Environment.** The current global economic and political climate is one of uncertainty. Prior acts of terrorism globally, the threat of additional terrorist strikes and recent market turmoil throughout the world, including the rapid collapse of several financial institutions' stock in the United States and other countries and the continued pressure on many other financial institutions' stock, have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, is currently restricted. This may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the portfolio companies in which the Partnerships make investments. The current political environment could also create additional regulatory burdens applicable to the Partnerships and their portfolio companies, which could have an adverse effect on the Partnerships.

**Possibility of Fraud or Other Misconduct of Employees and Service Providers.** Misconduct by employees of the General Partner, service providers to the Partnerships and/or their respective affiliates could cause significant losses to the Partnerships. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, the improper use or disclosure of confidential information, which could result in litigation or serious financial harm, including limiting the Partnerships' 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 and/or financial losses to the Partnerships. No assurances can be given that the General Partner will be able to identify or prevent such misconduct.

**Side Letters.** The General Partner has in the past and may in the future enter into a side letter or other similar agreement with a particular Investor in connection with its admission to the Partnerships without the approval of any other Investor, which would have the effect of establishing rights under or supplementing the terms of the Partnerships' governing documents with respect to such Investor in a manner more favorable to such Investor than those applicable to other Investors.

**Investments Longer than Term.** The Partnerships may make investments which may not be advantageously disposed of prior to the date the Partnerships are dissolved, either by expiration of the Partnerships' term or otherwise. Although the General Partner expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the General Partner has a limited ability to extend the term of the Partnerships, the Partnerships may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, there can be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to the Investors will occur.

**Enhanced Scrutiny and Regulations of the Private Equity Industry.** As private equity firms and

other alternative asset managers have become more influential participants in the U.S. and global financial markets and economy generally, and as the private funds industry and the reach of transactions consummated by its participants has continued to grow, the private funds industry has become subject to enhanced political, governmental and regulatory scrutiny around the globe. This increased scrutiny was particularly acute during the recent global financial crisis, over the course of which the business practices and economic incentives of private industry participants were viewed by certain political, governmental and regulatory commentators as contributing to the market and economic volatility that ultimately resulted in the crisis. This enhanced scrutiny has prompted governmental and public action with respect to the private funds industry and its practices. This enhanced oversight and regulation, and the need for significant additional rule-making by various governmental bodies, has created uncertainty in the financial markets and, in particular, the private funds industry. Many of the regulators to which the Partnerships, the General Partner or their respective affiliates are expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against the Partnerships, the General Partner or their respective affiliates were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm the Partnerships, the General Partner or their respective affiliates' reputations which may adversely affect the Partnerships' investment performance by hindering its ability to obtain favorable financing or consummate a potentially profitable investment. There is also a material risk that regulatory agencies in the United States and beyond will continue to adopt burdensome new laws or regulations (including tax laws or regulations), or change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations, as the U.S. and the global economy continues to struggle to improve. Any such events or changes could occur during the Partnerships' term and may adversely affect the Partnerships and its ability to operate and/or pursue its investment strategies. Such risks are often difficult or impossible to predict, avoid or mitigate in advance. Regulation generally as well as regulation more specifically addressed to the private funds industry, including tax laws and regulation, could increase the cost of acquiring, holding or divesting of investments in portfolio companies, the profitability of enterprises and the cost of operating the Partnerships. There can be no assurance that any such enhanced scrutiny will not have an adverse impact on the Partnerships or not otherwise impede the Partnerships' activities.

**Disclosure of Information.** The Partnerships, the General Partner or their respective affiliates and investors may be subject to public records or similar laws that may compel public disclosure of confidential information regarding the Fund, its investments or one or more Investors. There can be no assurance that such information will not be disclosed either publicly or to regulators or law enforcement or otherwise, including to comply with regulations or policies to which these entities may be or become subject.

**Anti-Pay-to-Play Laws, Regulations and Policies.** In light of recent scandals involving money managers, a number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. If the General Partner, its employees or affiliates or any service providers acting on its behalf, including, without limitation, a placement agent, fails to comply with such pay to play laws, regulations or policies such non-compliance could have an adverse effect on the Partnerships by, for example, providing the basis for the withdrawal of

the affected public pension fund investor.

**Investment Company Act.** The Partnerships will not be registered as investment companies under the Investment Company Act of 1940 (the “Investment Company Act”). As a result, certain protections of the Investment Company Act (which, among other matters, requires a portion of an investment company’s directors to be disinterested, requires securities to be held in custody at a bank or trust company, regulates the relationship between the investment company and its advisor and requires investor approval before fundamental investment policies can be changed) will not be afforded to the Partnerships or the Investors.

**Failure to Make Capital Contributions.** If an Investor fails to pay when due installments of its commitment to the Partnerships, and the contributions made by non-defaulting Investors and borrowings by the Partnerships are inadequate to cover the defaulted capital contribution, the Partnerships may be unable to pay its obligations when due and may not be able to structure or consummate investments. As a result, the Partnerships may be subjected to significant penalties that could materially and adversely affect the returns to the Investors (including non-defaulting Investors). If an Investor defaults, it may be subject to various remedies as provided in each Partnership’s governing documents.

**Conflict of Interest.** Each Partnership’s General Partner is an affiliate of Presidio Investors, and Presidio Investors has an ownership interest in the General Partner that entitles it to a portion of the carried interest distributions received by the General Partner. As an investment adviser, Presidio Investors’ advisory activities with one Partnership could result in conflicts of interest between the Partnership, on one hand, and certain other Partnerships, on the other hand. Presidio Investors will pursue all appropriate investment opportunities exclusively through each Partnership, subject to certain limited exceptions. The significant investment of Presidio Investors in each Partnership, as well as the Presidio Investors’ interest in the carried interest, operate to align, to some extent, the interest of Presidio Investors with the interest of the Investors, although Presidio Investors has economic interests in such other Partnerships and investments as well and receive management fees and carried interests relating to these interests.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Presidio Investors or the integrity of Presidio Investors’ management. Presidio Investors has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Presidio Investors provides investment advice and management to Partnerships as described above.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Presidio Investors has adopted a Code of Ethics (“Code”) that describes the standards of business conduct that it requires of employees and accounts owned predominantly by persons associated with Presidio Investors, and establishes procedures intended to prevent Presidio Investors, and its personnel and certain of their relatives, from inappropriately benefiting from Presidio Investors’ relationships with its clients. The Code provides:

- Presidio Investors’ Clients’ interests come before Presidio Investors’ or employees’ interests;
- Presidio Investors must disclose to Clients all material facts about conflicts of which it is aware between Presidio Investors’ and its employees’ interests on the one hand and Clients’ interests on the other;

- employees must operate on Presidio Investors' and their own behalf consistently with Presidio Investors' disclosures to and arrangements with clients regarding conflicts and its efforts to manage the impacts of those conflicts;
- Presidio Investors and its employees must not take inappropriate advantage of Presidio Investors' Clients or their positions of trust with or responsibility to clients; and
- Presidio Investors and its employees must comply with all applicable securities laws. The Code requires employees to report personal securities holdings on a periodic basis.

In addition, Presidio Investors monitors all employees' securities transactions. The Code includes procedures for and restrictions on employee trading intended to prevent employees from benefiting from, or appearing to benefit from, any price movement caused by Client transactions. The Code also contains restrictions on and procedures to prevent inappropriate trading while Presidio Investors is in possession of material nonpublic information.

Presidio Investors will provide a copy of its Code of Ethics to any Client or prospective Client upon request. A request may be made by submitting a written request to Presidio Investors at the address on the cover page to this brochure.

#### **Participation or Interest in Client Transactions.**

Neither Presidio Investors nor its officers, partners, directors, or employees may recommend to Clients, or buy or sell for Client accounts, securities in which they have a material financial interest (this includes, among other things, buying securities from or selling securities to clients; soliciting client investments in a partnership in which they act as general partner; or acting as an investment adviser to an investment company or other pooled investment vehicle that they recommend to clients). This involves a conflict of interest. As such, Presidio Investors prohibits its employees and related persons from engaging in these types of transactions.

#### **Personal Securities Transactions.**

Presidio Investors, its officers, partners, directors, and employees are required to preapprove personal securities transactions in personal brokerage accounts (including household accounts). Personal securities transactions involve a conflict of interest because they will have an incentive to prefer their own interests to those of the Clients'. Presidio Investors addresses these conflicts by establishing policies and procedures to monitor and resolve conflicts of interest and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

### **Item 12 – Brokerage Practices**

Presidio Investors does not utilize broker-dealers to acquire interests in its portfolio companies.

### **Item 13 – Review of Accounts**

Presidio Investors performs various monthly, quarterly and periodic reviews of the Clients' portfolios. Such reviews are conducted by Presidio Investors' investment team.

Presidio Investors sends Investors unaudited quarterly reports of the Partnerships' performance and annual audited financial reports prepared by the Partnerships' auditors.

## **Item 14 – Client Referrals and Other Compensation**

Registered investment advisers are required to disclose all material facts regarding any compensation or other benefits it receives, directly or indirectly, for client referrals. Presidio Investors does not pay or redirect a portion of its management fee or reallocate a portion of its performance allocation attributable to an Investor's Interest to persons who have introduced such Investor to Presidio Investors, unless previously disclosed to relevant Investors.

## **Item 15 – Custody**

Presidio Investors is deemed to have custody of its Clients' funds because its affiliates act as the general partners (or similar managing role) to its Clients. Client assets are (i) held in the name of a Client, or in an account for the benefit of such Client, by an independent qualified custodian or (ii) private, uncertificated securities recorded on the books and records of the issuer in the name of a Client.

The custodian of each Client is a "qualified custodian" as defined in Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

At the end of each fiscal year, each of Presidio Investors' Clients has its financial statements examined and certified by an independent certified public accountant. Copies of the audited financial statements are furnished to each Investor within 120 days after the end of each fiscal year. Unaudited quarterly performance reports also will be provided to each Investor. Reports are currently delivered in electronic form.

## **Item 16 – Investment Discretion**

Presidio Investors has broad discretion, without limitation, to determine the:

- securities to be bought or sold for Clients' accounts;
- amount of securities to be bought or sold for Clients' accounts;
- broker or dealer to be used for a purchase or sale of securities for Clients' accounts; and
- commission rates to be paid to a broker or dealer for Clients' securities transactions.

Pursuant to each Client's governing documents, Investors designate Presidio Investors as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Client's business and affairs. An Investor's execution of a subscription agreement constitutes its execution of a Client's governing documents.

## **Item 17 – Voting Client Securities**

Presidio Investors invests in the securities of privately held companies and does not have occasion, but retains the right, to vote proxy ballots for any Client securities. In the event Presidio Investors invests the assets of its Clients in publicly traded equities, it will adopt proxy voting policies and procedures designed to vote proxies received in a manner consistent with the best interests of the Clients.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide investors with certain financial



information or disclosures about Presidio Investors' financial condition. Presidio Investors has no financial commitment that is reasonably likely to impair its ability to meet contractual commitments to Clients.