

**INVESTMENT ADVISER BROCHURE**

**PERCHERON INVESTMENT MANAGEMENT LP**

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**March 30, 2023**

**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) 738-4340. 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).

## **MATERIAL CHANGES**

The Adviser filed its most recent Brochure on May 10, 2022. This amendment updates the description of the business practices and advisory services of the Adviser, including with respect to the addition of certain Funds (as defined herein), as well as updates to various investment-related risk factors, conflicts of interest and other similar disclosures.

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## ADVISORY BUSINESS

The Adviser, a Delaware limited partnership and a registered investment adviser, and its affiliated investment advisers 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.

The Adviser's clients include Percheron Capital Fund I LP, Percheron Capital Fund I-A LP, Percheron Capital Fund II LP and Percheron Capital Fund II-A LP, each a Delaware limited partnership (together, the "**Main Funds**"); Percheron Capital Fund I Executive LP, a Delaware limited partnership (the "**Executive Fund**"); and certain co-investment funds (collectively, the "**Co-Invest Funds**"): Percheron Capital Fund I-CI1 LP, Percheron Capital Fund I-CI1-A LP, Percheron Capital Fund I-CI2 LP, Percheron Capital Fund I-C2-A LP, Percheron Capital Fund I-CI3 LP and Percheron Capital Fund I-CI4 LP, each a Delaware limited partnership. The Main Funds, the Executive Fund and the Co-Invest Funds (including any parallel or alternative vehicles thereto), and any future private investment funds to which the Adviser or its affiliates provide investment advisory services, are each a "**Fund**," and collectively, the "**Funds**." The Executive Fund is offered to employees, affiliates and other investors with a relationship to the Adviser or its personnel, and invests on a side-by-side basis with the Main Funds.

Percheron Capital Fund I GP LP and Percheron Capital Fund II GP LP (collectively with any future general partners that may be formed from time to time, each a "**General Partner**" and collectively 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 companies**") 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 Co-Invest Funds generally were formed to invest in a single portfolio investment or a limited number of portfolio investments.

The advisory services to the Funds are detailed in the applicable Fund's private placement memoranda or other offering documents (as applicable) (each, a "**Memorandum**"), limited partnership or other operating agreements (each, a "**Partnership Agreement**" and, collectively 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 (generally referred to herein as "**investors**" or "**Limited Partners**") 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, as indicated above from time to time and as permitted by the Governing Documents, Percheron expects to provide (or agree to provide), and has provided (and agreed to provide), investment or co-investment opportunities (including the opportunity to participate in co-invest vehicles and the terms of participation in those vehicles) to certain current or prospective 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), Operating Advisors (as defined below), members of the Portfolio Support Group (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, including those made through the Co-Invest Funds, 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, but in certain instances could be well after the Fund’s initial purchase. 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. See also “Methods of Analysis, Investment Strategies and Risk of Loss—Risks of Investment—Conflicts of Interest.”

As of December 31, 2022, the Adviser managed \$2,049,833,441 in client assets on a discretionary basis. 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 Main Funds and does not receive a Management Fee or carried interest from the Co-Invest Funds (though 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). Percheron and/or its affiliates receive additional compensation in connection

with management and other services performed for portfolio investments of the Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Percheron to the extent permitted by the Governing Documents (as applicable). 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 Funds' 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 Main Funds pay a Management Fee initially 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 a Main Fund's investment period or earlier upon the occurrence of certain events as set forth in the applicable Partnership Agreement, the Management Fee will generally equal 2% per annum of (i) investment contributions made (or payable to the Main Fund pursuant to capital call notices then issued or to be issued to repay indebtedness incurred by the Main Fund and used to fund an investment) with respect to investments (other than Bridge Financings (defined below)) that have not been disposed of (as determined pursuant to the Partnership Agreement), less (ii) for those investments that have not been disposed of, the aggregate net write-downs (which also gives effect to aggregate write ups) in respect of such investments, in each case with respect to investors not designated as "affiliated partners" by the General Partner; provided that, commencing with the first Management Fee payment date after the tenth anniversary of the Fund's final closing, the rate used to determine the Management Fee will be reduced to 1% per annum. 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.

As is generally the case in private equity funds, the Governing Documents provide that a Fund's Management Fees will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. As further specified in the Governing Documents, from the effective date of the relevant Fund until a date specified in the Governing Documents (generally representing the earlier of the end of the Fund's defined investment period and the date the relevant General Partner (or an affiliate thereof) first begins receiving or accruing management fees from another Fund meeting certain criteria) (the "**Stepdown Date**"), Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate Commitments. Further, after the Stepdown Date, Management Fees generally will be charged and calculated based on a formula tied to the amount of investment contributions made by the relevant Fund that have not been realized or are reduced in a net basis by attributable write downs (as further described in the Governing Documents).

Under the Governing Documents, where the fair market value of an investment exceeds the total amount of investment contributions relating to such investment, post-Stepdown Date Management Fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such investment contributions. However, where there has been a partial distribution, partial attributable net write down or partial sale of an

investment and the fair market value of such investment following such event exceeds the total amount of investment contributions relating to such investment, the Governing Documents do not require Management Fees after the Stepdown Date to be reduced.

As a result, the amount of Management Fees generally will not correspond with fluctuations in the Fund's net asset value, including following the investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), except in the case of attributable net write downs (as further described in the Governing Documents). Except where the Governing Documents expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial distributions or partial sales of investments.

In many circumstances, the fair value component of such post-Stepdown Date Management Fees will include capitalized transaction-specific expenses of unrealized investments. Further, Management Fees generally will not be reimbursed or refunded under the Governing Documents in the event of realizations, dispositions or attributable net write-downs (as further described in the Governing Documents) that occur partway through the relevant calculation period.

The Governing Documents set forth the full list of terms under which Management Fees will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified Management Fee rate in the Governing Documents until they are reduced in the circumstances and on the date(s) specified therein.

The Main Funds' Management Fees are 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 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 Main Fund investment; (ii) transaction fees paid to the General Partner with respect to any Main Fund investment; and (iii) break-up fees and litigation proceeds with respect to Main 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, subject to "Conflicts of Interest" below, any amount received by the General Partner, an Operating Partner, a Senior Advisor, an Operating Advisor, a member of the Portfolio Support Group 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, including fees, incentive equity or other stock awards, for services provided by an Operating Advisor, an Operating Partner or a Portfolio Support Group member to such investment or prospective investment, (C) as compensation for services provided by such person as an employee of or in a similar capacity for such investment or prospective investment, (D) other fees, compensation or consideration described in the Partnership Agreement actually received by an Operating Partner or a Portfolio Support Group member to the extent not covered by the foregoing clauses or (E) any other amounts that the applicable Main 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 a 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 relevant Main Fund (and offset against the Management Fee as described above) only to the extent of the Main Fund's relative ownership (or anticipated ownership) of such investment or potential investment on a fully-diluted basis, or in such other manner as the General Partner determines to be appropriate under the circumstances. Accordingly, a Main 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 Main 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 Main Fund, 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, each Main Fund's General Partner generally will receive a carried interest with respect to the corresponding Main Fund equal to 20% of realized net profits in excess of an 8% annually 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 or giveback at certain specified times, including at the end of the Main Fund's life, if and to the extent such General Partner has received excess cumulative distributions. The General Partner is generally permitted to waive (subject to potential recoupment) or defer any carried interest distribution, and may impose conditions on its recoupment of such waived or deferred amounts.

It is expected that any future Funds similar to the Main Funds will have a similar compensation 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), Operating Advisors (as defined below), members of the Portfolio Support Group (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. The General Partner and Limited Partners who are affiliates, employees or other designees, including persons designated as “affiliated partners,” Operating Partners, Operating Advisors or members of the Portfolio Support Group 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 the Executive Fund. In general, the Management Fee offsets described above apply only with respect to the 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 General Partner retains flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor’s capital account(s).

The Funds generally invest on a long-term basis. Accordingly, Management Fee 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’ and intermediate entities’ activities, business, current or potential portfolio companies or actual or potential investments, including with respect to any entity (including alternative investment vehicles) formed to effect the acquisition or holding of an investment (to the extent not borne or reimbursed by an investment or potential investment), including all costs 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), including investments in the same entity as one or more other investment vehicles managed or controlled by the General

Partner or any of its affiliates, 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 Adviser, its General Partner or any "affiliated partner" on behalf of the Fund (including any credit facility, letter of credit or similar credit support, or any indebtedness entered into pending participation by a co-investor in an investment), including the repayment of principal and interest with respect thereto, or seeking to put in place or amend 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, Portfolio Support Group members, Operating Partners, or consultants, including consultants performing investment initiatives, 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), 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, promotion,

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, the SFDR and Taxonomy Regulation (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 any 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 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; provided that, in the case of the General Partner, the General Partner’s general partner,

the Adviser or any of their affiliates, any such restructuring will only comprise a Fund expense if necessary as part of, or incidental to, any restructuring of the Fund, or any of its affiliated entities or any of their respective alternative investment vehicles; (xxiii) the termination, liquidation, winding up, structuring, restructuring, 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 except for amendments that relate solely to the tax character of the General Partner's carried interest or the deferral of any carried interest distribution as provided in the Partnership Agreement and that solely benefit the General Partner, as determined in good faith by the General Partner; (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 (including compliance with any Foreign Account Reporting Requirements) 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; (xxxi) distributions to the Fund partners and other costs associated with the acquisition, holding and disposition of investments, including extraordinary expenses; (xxxii) unreimbursed expenses and unpaid fees of Operating Advisors, Operating Partners, or members of the Portfolio Support Group; (xxxiii) 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); (xxxiv) 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; (xxxv) hosting or attending training programs, meetings or other events for

investments or their personnel, not to exceed a cap specified in the Partnership Agreement; (xxxvi) 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; (xxxvii) 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 where commercial airfare is unavailable or inconvenient (subject to certain disclosure requirements), other air travel, car or ride sharing services or other modes of transportation), lodging, meals or reasonable and customary entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxviii) all costs and expenses associated with the allocable share of the costs and expenses associated with the compensation paid to Portfolio Support Group members, including retainer fees, salaries, bonuses, guaranteed payments, incentive equity, stock awards, securities in portfolio investments, health insurance, paid time off, office space, administrative support services and/or other cash and non-cash compensation, and reimbursement of certain costs and out-of-pocket expenses (including travel, lodging, meals and reasonable and customary entertainment); (xxxix) 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; (xl) any organizational expenses; (xli) any placement fees; and (xlii) any other costs approved by the Fund's advisory board.

As a general matter, broken deal expenses and other expenses relating to the diligence or evaluation of a prospective investment are allocated among investors within a Fund regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. The Funds also bear expenses indirectly to the extent a portfolio investment (or intermediate entity) pays expenses, including expenses of the Adviser and/or its affiliates; the relative percentage of these expenses that are borne by various stakeholders (including the relevant Fund, any co-investors, portfolio investment management and other persons) is expected to depend upon the level at which such expenses are charged or incurred. 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. In certain cases, these or similar expenses (and/or Transaction Fees) are expected to be charged to portfolio investments, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio investment. 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 or obligation common to multiple Funds and/or co-investors (including, without limitation, legal expenses for a transaction

in which multiple such Funds and/or co-investors participate, or other fees or expenses in connection with services the benefit of which are received by other Funds and/or co-investors over time), and be reimbursed by the other Funds for their share of such expenses or obligations, 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 applicable 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. In addition, to the extent a Fund makes use of a credit facility to invest in a portfolio investment or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility. 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 otherwise bear its share of such fees and expenses where permitted by such vehicle's Governing Documents.

The Adviser and/or its affiliates generally have discretion over whether to charge Transaction Fees, monitoring or other fees 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 Advisors and Operating Partners**

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 (including persons formerly known as "operating executives") (the "**Operating Partners**") (including entities formed for the benefit of such persons and/or to facilitate the provision of their services) 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 operating advisors (including persons formerly known as "senior advisors") (the "**Operating Advisors**") who 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, portfolio investment securities and/or other cash or non-cash compensation and, and any reimbursement of certain costs and expenses (including travel lodging, meals and reasonable and customary entertainment) that are 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, insurance, paid-time-off and overhead) of Percheron and its affiliates.

As compensation for their services to the Adviser, Operating 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, Operating Advisors are expected to serve on the boards or equivalent bodies of portfolio investments. As compensation for those services to such portfolio investments, Operating Advisors are expected to receive fees, salaries, bonuses, incentive equity, portfolio investment securities and/or other cash or non-cash compensation and reimbursement of certain costs and out-of-pocket expenses (including travel, lodging, meals and reasonable and customary entertainment) that are incurred in connection with providing their services. As provided above, any of the foregoing compensation, expenses and other amounts paid to or received by Operating 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.

## **Portfolio Support Group**

Percheron has created a cross-functional, multi-disciplinary and select group of portfolio support (formerly known as “portfolio operations”) professionals employed, retained or engaged by Percheron who will focus on providing operational services to businesses that support value creation initiatives (the “**Portfolio Support Group**”). The Portfolio Support Group will primarily provide services to or in respect of the Funds and their alternative investment vehicles, executive funds, co-investment vehicles and existing or prospective portfolio investments (or existing or prospective portfolio investments of alternative investment vehicles), including portfolio investments in which such persons do not hold a controlling interest, and their respective subsidiaries (collectively, the “**Covered Entities**” and each, a “**Covered Entity**”). Such services include, without limitation, those related to talent management, operations and marketing (including mergers and acquisitions and integration), finance and technology, real estate development (including greenfield expansion), legal, research, recruiting for the Portfolio Support

Group, scheduling and any other services the General Partner, Percheron or an affiliate thereof or successor thereto deems appropriate in its discretion.

The Portfolio Support Group is presently organized into functional teams focused on, without limitation, talent management, operations and marketing (including mergers and acquisitions and integration), finance and technology, real estate development (including greenfield expansion), legal, research, recruiting for the Portfolio Support Group and scheduling. Percheron expects the Portfolio Support Group to grow over time. Portfolio Support Group members are expected to be based in San Francisco and other locations throughout the United States.

As compensation for their services, Portfolio Support Group members will receive, directly or indirectly, from the Covered Entities, retainer fees, salaries, bonuses, guaranteed payments, incentive equity, stock awards, securities in portfolio investments, health insurance, paid time off, office space, administrative support services and/or other cash and non-cash compensation (collectively, “**PSG Compensation**”), together with reimbursement of certain costs and out-of-pocket expenses, including travel, lodging, meals and reasonable and customary entertainment (collectively, “**PSG Reimbursements**,” and together with PSG Compensation, “**PSG Costs**”). Portfolio Support Group members will also, depending on their position and function, receive business cards, e-mail addresses and other non-cash benefits, and be offered the opportunity to invest in the Funds (without paying Management Fees and/or carried interest) and be granted a portion of the relevant General Partner’s carried interest.

### **Other Compensation**

Compensation in the form of profits or equity interests in a portfolio investment or intermediate holding company has a dilutive impact on the Funds’ investment, and has the potential to result in economic effects greater than the original amount of compensation. The use of Operating Partners, Operating Advisors and the Portfolio Support Group 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 net profits in the Main Funds. Percheron also manages the Co-Invest Funds and the Executive Fund, which are not expected, in whole or in part, to bear a carried interest (or a Management Fee). This could present a conflict of interest because Percheron has an incentive to favor accounts for which it receives the highest performance-based compensation. Additionally, to the extent 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, particularly in instances where the Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of the relevant Fund's life or at certain interim intervals.

## **TYPES OF CLIENTS**

Percheron provides investment advice to its 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 include, and in the future 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, Operating Advisors, Operating Partners, members of the Portfolio Support Group 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. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and in the Governing Documents of the related Fund.

The Fund generally has a minimum investment amount of \$10 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**"), "qualified clients," as that term is defined under the Advisers 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, 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 services, food & beverage services, education services 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 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 is exclusively focused on investments in essential services businesses Percheron believes to be of high-quality in large, growing end markets. These essential services businesses generally have very similar characteristics, including (a) non-discretionary, nondeferrable, "need-based" recurring demand, (b) relatively stable and consistent growth, (c) limited disruption risk, (d) scalable business models with attractive unit economics, (e) strong EBITDA margin profiles and (f) low capital intensity and high free cash flow generation. Percheron's team has deep knowledge and understanding of essential services business models and the key value drivers of these businesses are applicable across end markets, creating a virtuous cycle of powerful institutional knowledge and thereby enhancing Percheron's specialized strategy. Percheron believes its singular focus on one business model is a key competitive advantage versus other firms, enabling the team to remain focused and specialized, with competitive advantages throughout the investment lifecycle. From a sourcing standpoint, Percheron targets a large addressable universe of acquisition targets with the potential for breakout outcomes, while also maintaining focus and discipline when assessing businesses and eliminating off-strategy or undesirable investments. Given the target universe, Percheron filters opportunities with a framework-driven approach and pursues those Percheron believes to have the greatest return potential. Importantly, given Percheron only focuses on one business model, the team is able to systematically develop and apply centralized Centers of Excellence across talent management, operations & marketing, finance & information technology, greenfield expansion and M&A to build the foundation for growth at portfolio investments.

### **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 an 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 or intermediate entity 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 will constrain 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. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio investment's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. 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. Except where otherwise required by the relevant Governing Documents, a Fund will not be obligated to borrow on behalf of a portfolio investment, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio investment.

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, several, joint and several or cross-collateralized 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, including through Fund subsidiaries and other intermediate entities, 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. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements. 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 services, automotive services, healthcare & wellness services, 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, and consistent with the Governing Documents. 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 services, education services, food & beverage services, 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.

Additionally, the SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of Percheron and the Funds. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact Percheron and its affiliates, the Funds and/or their investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Funds.

*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 additional 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 and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the 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, or results in short-term gains 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 may be deemed to benefit the marketing efforts of the General Partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Management Fee calculation under the Governing Documents. 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 and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of the Fund and the Limited Partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the General Partner's ability to consent to the transfer of a Limited Partner's interest in the Fund or impose concentration or other limits on the Fund's investments, and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. 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. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio investment or other Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by



the Fund, resulting in a potential net benefit to the Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio investment or Fund subsidiary.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows a 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.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by Limited Partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to Limited Partners and increase the potential carried interest for the relevant General Partner, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the Governing Documents, this scenario potentially incentivizes the relevant General Partner to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

*NAV Facilities.* The General Partners reserve the right to cause the Funds and/or one or more subsidiaries or special purpose vehicles to enter into "NAV" facilities (each such facility, a "NAV Facility"), which generally will be secured in whole or in part by the net asset value of the relevant Fund's Portfolio Investments. In connection with such transactions, each General Partner has authority to pledge all or certain of the relevant Fund's Portfolio Investments, including on a cross-collateralized basis, without taking into account the potential for non-*pro rata* investments by Limited Partners as a result of any particular Limited Partner's opt-out rights. A Limited Partner may also be required to fund amounts to repay NAV Facility borrowings incurred in connection with an investment or managing such Fund's investment portfolio even if such Limited Partner did not participate in the relevant investment(s) in connection with which such borrowings were incurred. NAV Facility lenders may foreclose on the Fund's assets if the Fund fails to repay the

amounts borrowed under a NAV Facility or experiences another event of default, which could have a material adverse effect on the value of Limited Partners' investments in such Fund. For the avoidance of doubt, NAV Facilities will not be considered indebtedness that is subject to Fund-level borrowing restrictions under the Partnership Agreements.

**LIBOR and Other Benchmark Interest Rates.** To the extent that a Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on the London Interbank Offered Rate ("**LIBOR**") or other benchmark or reference rates (each, a "**Benchmark Rate**"), the Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants are working to facilitate the transition of existing instruments and contracts away from LIBOR to new Benchmark Rates, and any such transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Funds and their portfolio investments; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

**Warehouse Deals.** Promptly following the initial closings, the Funds shall be permitted to purchase investments from certain investor groups. If such cases, the purchase price for each investor group investment will be as is specified in the applicable Partnership Agreement. No assurance can be given that such investments will be consummated or will be profitable for the Funds. It is possible that such investments, if any, may decline or increase in value prior to the transfer of such investments to the Funds from the investor group, and accordingly, that the price at which such investments are transferred does not reflect the fair value of the investments at such time.

**PIPE Investments.** The Funds expect 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 Funds may bear the price risk from the time of pricing until the time of closing. The Funds 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 Funds' 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 Funds' 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 Funds 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 Funds 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 Funds, and none is expected to develop. Interests in the Funds 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 Funds 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 Funds may make investments that may not be advantageously disposed of prior to the dates the Funds are dissolved, either by expiration of the Fund's term or otherwise, or the Funds' 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 terms of the Funds, and the Funds 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 Funds, the Funds intend 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 Funds' 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.

*Reliance on the General Partner and Portfolio Company Management.* The Funds are entirely dependent on the General Partners. Control over the operation of the Funds, including decisions with respect to structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of the Funds, will be vested with the General Partner. Consequently, the Funds' future profitability and investment performance will depend largely

upon the business and investment acumen of the Founders. The loss or reduction of service of the Founders would have an adverse effect on the Funds' ability to realize their 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. The performance of the Founders' prior investments is not necessarily indicative of the Funds' future results, nor is their structure necessarily indicative of what will be the structure of the Funds' investments. An investor should only invest in the Funds as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment in the Funds. While the General Partner intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. With respect to any of the Funds' 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 Funds 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 Funds, and as a result, the investment performance of the Funds 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 Funds or one or more of their investments, including potential acceleration of debt facilities.

The success of many of the Funds' 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 Funds invest 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 Funds 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 team, or any successor, will be able or willing to successfully operate a company in accordance with the Funds' 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 Funds. 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 Funds may be adversely affected thereby.

*Projections.* Projected operating results of a company in which the Funds invest 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 Funds' investment strategy will depend, in part, on the ability of the Funds 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 Funds 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 Funds themselves, which could adversely affect the Funds' ability to implement their investment strategies.

*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 Funds 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.

*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 Funds 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 Funds 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 Funds may be required to withhold such taxes from certain non-U.S. Limited Partners unless an exception applies.

*Tax Liability Considerations.* The Funds 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 Funds 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 Funds’ tax returns will be borne by the appropriate 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 applicable 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 Funds, 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 relevant 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 each Fund that may adversely affect such 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 Funds expect 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 Funds or their affiliates to obtain regulatory and other approvals in a timely manner.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* The Funds' ability to achieve their investment objectives, as well as the ability of the Funds to conduct their 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 Funds' ability to achieve their investment objectives, as well as the ability of the Funds to conduct their 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 any 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 such 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 Funds to successfully bid for and complete investments.

Additionally, the Funds may be required to incur additional costs and expenses in implementing structural changes in the conduct of the Funds' business, including to establish greater presence in certain jurisdictions in which the Funds invest or propose to invest, and the Funds 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 Funds or their 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 Funds or their portfolio investments are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

Certain jurisdictions, including U.S. states, have proposed, adopted or are considering similar Privacy Laws, which if enacted could impose 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 Funds or their 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 Funds are actively marketed to investors domiciled or having their registered office in the EEA or the UK: (a) such Fund, its 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 Funds to raise their target amounts of Commitments.

United Kingdom Exit from the European Union. On January 31, 2020, the UK formally withdrew from the European Union (“**Brexit**”). After this, the UK entered into a transition period during which the majority of the existing EU rules continued to apply in the UK. Following the end of the transition period on December 31, 2020, EU rules ceased to apply in the UK.

Although the terms of the UK’s future relationship with the EU were agreed in a trade and cooperation agreement signed on December 30, 2020, this did not include an agreement on financial services. In the absence of a formal agreement on this issue, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have



more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to substantially many of the same rules and regulations as prior to Brexit. However, the UK Government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third country access to EU markets. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on the Fund and its investments, including the ability of the Fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions).

The legal, political and economic uncertainty and disruption generally resulting from Brexit may adversely affect both EU- and UK-based businesses. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption may result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

*Russia-Ukraine Conflict.* The ongoing military conflict between Russia and Ukraine has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to the Funds. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives.

*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 Funds' operations necessary to maintain

the respective General Partner's ability to rely upon the exemptions from registration could adversely affect the Funds' ability to implement their investment programs, conduct their operations or achieve their objectives and subject the Funds 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 respective 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 Partners, the Funds, their 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 Funds' direct or indirect investment activities in certain countries. The economic sanctions and related laws of different jurisdictions in which the Funds make investments also may conflict with one another, such that compliance with all applicable laws may be difficult. Failure by the General Partner, the Funds or any of the Funds' 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 Partners, the Funds and the Funds' portfolio investments. The Funds 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 Funds 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 Funds, their portfolio investments or any of their respective officers, directors or employees have violated the FCPA, the UKBA or other applicable anti-corruption laws, anti-bribery laws, or U.S. anti-boycott regulations, could subject them 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 Funds' business prospects or financial positions, as well as the ability to achieve their investment objective or conduct their operations. The Funds will require that each Limited Partner represent and warrant its compliance with applicable anti-corruption and anti-bribery laws and regulations. The Funds and the General Partners 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, a 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 such 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 such 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 Funds 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 relevant 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.

*Inflation.* High rates of inflation and rapid increases in the rate of inflation are expected to have a significant impact (often a negative or adverse impact) on financial markets and the broader economy. In an attempt to stabilize inflation, governments may impose wage and price controls or otherwise intervene in a country's economy. Governmental efforts to curb inflation, including by increasing interest rates or reducing fiscal or monetary stimuli, often have corresponding impacts (often negative) on the level of economic activity and also potentially result in market or financial sector uncertainty as a result of unintended consequences. Certain countries, including the U.S., have recently seen increased levels of inflation, and persistently high levels of inflation could have a material and adverse impact on the Fund's investments and the Fund's aggregated returns. For example, if a company were unable to increase its revenue while the cost of relevant inputs were

increasing, the company's profitability would likely suffer. Likewise, to the extent a company has revenue streams that are slow or unable to adjust to changes in inflation, including by contractual arrangements or otherwise, the company could increase revenue by less than its expenses increase. Conversely, as inflation declines, a company may see its competitors' costs stabilize sooner or more rapidly than its own.

*Non-U.S. Operations.* Certain of the Funds' 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 Funds or the Funds' partners.

*Hedging Arrangements; Related Regulations.* The General Partner may (but is not obligated to) endeavor to manage the Funds' or any investment's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The relevant 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 Funds 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 Funds 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 relevant 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 a 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 a Fund at subsequent closings generally will participate in then-existing investments of such 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 a Fund, and the contributions made by non-defaulting Limited Partners and borrowings by such 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 Partners, their partners, the Founders or their respective affiliates commit to make a direct or indirect investment in or alongside a 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 Funds' investment portfolios are authorized to contain securities and debt issued by publicly held companies. Such investments may subject the Funds 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 a 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 each Fund's investment period, the relevant General Partner generally has the right to recall certain capital returned or distributed to the Fund's partners.

Accordingly, during the term of such 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 Funds will pay and bear all expenses related to their 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 Funds make any profits. While it is difficult to predict the future expenses of the Funds, such expenses are expected to be substantial and may surpass the Funds' operating income. The amount of these Fund expenses will reduce the actual returns realized by Limited Partners on their investment in such 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 Fund expenses ultimately called or called at any one time may exceed expectations.

The General Partners reserve the right to agree with Operating Partners, Operating Advisors, Consultants, Portfolio Support Group members, joint venture or similar partners, service providers, portfolio investment management teams or other persons that all or a portion of certain compensation, expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits interest or incentive equity (including management incentive units) granted in the relevant investments or related intermediate entities. While such an arrangement could be more favorable to the Funds if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits interest generally would have a dilutive impact on the Fund's investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation.

*Control Person Liability.* The Funds have, and are expected to have in the future, controlling interests in a number of their 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, each of the Funds 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 Funds might suffer significant losses. While the General Partners intend to manage the Funds in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Funds or their affiliates cannot be precluded.

*Active Management.* The Funds expect to take majority positions in portfolio investments, which may be alongside other investors, such as institutions, other pooled investment vehicles and management. Depending upon the amount of equity owned by any Fund, any relevant contractual arrangements between a portfolio investment and such Fund, and other relevant factual circumstances, such majority position could result in an extension of the ninety-day bankruptcy preference period to one year or longer with respect to payments made to the Fund. In addition, because of its equity ownership, representation on the board of directors, and/or contractual rights,

the Fund may often be thought to control, participate in the management of, or influence the conduct of such portfolio investments. This could expose the assets of the Fund to claims by such portfolio investment, its employees, its other security holders, its creditors, its customers or governmental agencies.

*Non-controlling Investments.* The Funds are 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, holding, or exiting investments, the Funds 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 Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

To the extent the Funds invest 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 relevant Fund or its 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 Funds generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that the Funds 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 a 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 Partners expect that the Funds 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 they invest (each, a "**Board Representative**"). In those instances where a 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 Funds, 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 Funds' 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 Funds.

*Liability of Limited Partners.* Generally, a Limited Partner should not be personally liable for the debts of the Funds 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 a 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 any Fund may be appointed (in which case, Percheron will cease to be involved in the management and control of the business of such Fund), the ability of such 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 Agreements will limit the circumstances under which the General Partners and their affiliates will be held liable to the Funds. As a result, Limited Partners have a more limited right of action in certain cases than they would have in the absence of such provisions. In addition, the Partnership Agreements will provide that the Funds will indemnify the General Partners and their affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the relevant Fund. Such indemnification obligations could materially impact the returns to Limited Partners.

*Litigation.* The transactional nature of the business of the Funds exposes the Funds, the General Partners and their respective affiliates generally to the risk of third-party litigation. In the ordinary course of business, the General Partners, the Funds, their 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 Partners' control. Under the Partnership Agreements, the Funds will generally be responsible for indemnifying the General Partners and certain of their 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 Funds and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partners' 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 Partners have appointed one or more representatives of unaffiliated Limited Partners to a limited partner advisory board for each 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 relevant 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 Funds 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.

*Concentration of Voting by Limited Partners and Advisory Board.* The Limited Partners and the limited partners of any parallel funds generally vote on all matters on a combined basis and based on aggregate Commitments as set forth in the Partnership Agreement. Accordingly, action by limited partners in a parallel fund or actions by relatively large investors could affect the outcome of votes submitted to the Funds. In particular, any anchor investors individually, or together with each other or one or more of a small group of Limited Partners, may hold at least a majority-in-interest of the Commitments of the relevant Fund or control the vote of the Advisory Board. As a result, any matters with respect to the Funds that require, or which may be submitted to, such a vote or consent of the Limited Partners or the Advisory Board may be directed or controlled by such investor or a relatively small group of investors. Voting rights may continue to be controlled or influenced by one or a relatively small group of investors throughout the life of the Fund. Such investors may have business and other relationships with Percheron and its personnel that could influence their voting on any matter and present conflicts of interest.

*Real Estate Risks.* The Funds will 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 a 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 Partners. 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 Funds. 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 Partners are authorized to electively defer (subject to potential recoupment) certain carried interest otherwise distributable to the General Partner as provided in the relevant 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 Funds. 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 Partners to cause the Funds 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 relevant 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 any of the Funds 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 Partners and the Funds 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 Funds 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.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a "**Financial Institution**") of some or all of the Fund's (or any portfolio investment's) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a "**Distress Event**"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, Percheron, any General Partner, the Funds and/or any of the portfolio investments may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there

can be no assurance that any intervention will occur, be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Percheron to manage the Funds and their investments, and on the ability of Percheron, any Fund or any portfolio investment to maintain operations, which in each case could result in operational burdens, significant losses and unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event a Fund is unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of the Fund to access capital contributions or otherwise); the inability of the Fund to acquire or dispose of investments, including at prices that the relevant General Partner believes reflect the fair value of such investments; and/or the inability of Percheron or portfolio investments to make payroll, fulfill obligations and/or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that Percheron will experience operational burdens and expenses, and a Fund or a portfolio investment will incur additional expenses and/or delays in putting in place alternative arrangements and/or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital or otherwise). There can be no assurance that Percheron will be able to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, or that such remedies will be successful or avoid losses, delays or other negative impacts. The Funds and their portfolio investments are subject to additional risks in the event a Financial Institution utilized by investors of a Fund or suppliers, vendors, service providers or other counterparties of a portfolio investment become subject to Distress Events, which could have a material adverse effect on a Fund, its investors or such portfolio investments, including the risk of investor defaults.

Many Financial Institutions require, as a condition to using their services (including lending services), that Percheron and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although Percheron seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Percheron is under no obligation to use a minimum number of Financial Institutions with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

*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 Funds 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. Additionally, Congress has proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such existing rules, as well as any such legislation that may be enacted in the future, could reduce the after-tax returns of individuals associated with the Funds, the Adviser or the General Partners 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 Partners and their affiliates to incentivize, attract and retain individuals to perform services for the Adviser and the Funds,

including Operating Partners. These same issues could also apply to Operating Partners, Operating Advisors, members of the Portfolio Support Group and to other officers, directors and employees of the Funds' 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 Partners to cause the Funds 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 investment in the Funds 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 Funds, and the tax treatment of the Funds' portfolio investments. While some of these changes could be beneficial, others could negatively affect the after-tax returns of the Funds and the Limited Partners. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in a Fund, or of investments made by the Funds, 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 Partners intends that the Funds be treated as partnerships for U.S. federal income tax purposes. Fund partners will be required to report their share of the relevant 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 Funds generally will be allocated among the respective 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 Funds may make cash distributions to their respective General Partners 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 Funds have income or gains for U.S. federal tax purposes, the Funds will not be obliged to make distributions (or may lack sufficient cash available for distributions) to enable the Funds' 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 Funds will have sufficient cash flow to enable them to make distributions in the amount necessary for payment of all tax liability resulting from any investor's ownership of an interest in a 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 Funds absent an election to the contrary. In addition, a "partnership representative" (and its designated individual) will have the power to act on behalf of each 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 Funds 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 a 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 Funds and their 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 Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn would likely have an adverse effect upon the Funds' investments.

*General Economic and Market Conditions.* The private equity industry generally and the success of the Funds' 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 Partners. 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 Funds and may affect the Funds' 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 Funds' investments and could have a negative impact on the performance or valuation of the Funds' investments. The Funds' 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 Funds' 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 their investments. Such adverse effects may include the requirement of the Funds to pay break-up,

termination or other fees and expenses in the event the respective 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 Funds' ability to raise funding to support their investment objectives.

*Use of Alternative Investment Vehicles.* The General Partners have the authority to structure the making of, or restructure, a portfolio investment or any portion thereof (or the holding thereof if after the initial consummation of such portfolio investment) outside of the Funds by requiring any or all of the Limited Partners to make such investment directly or indirectly through one or more alternative investment vehicles. The Limited Partners will bear the expenses of any such alternative investment vehicles. The structural attributes of certain alternative investment vehicles may result in divergent return characteristics for certain Limited Partners. For example, a General Partner may elect to structure an alternative investment vehicle that may result in favorable tax treatment for one set of Limited Partners but less favorable tax attributes for another.

*Capital Calls.* Capital calls will be issued by the General Partners from time to time at the discretion of the General Partners. To satisfy such capital calls, Limited Partners may need to maintain cash or other assets that can be readily converted to cash equal to all or a substantial portion of their capital commitments. A Limited Partner's obligation to satisfy capital calls will not in any manner be contingent upon the performance or prospects of the Funds or upon any assessment thereof provided by the General Partners. Capital calls may not provide all of the information a Limited Partner desires in a particular circumstance, and such information may not be made available and will not be a condition precedent for a Limited Partner to meet its funding obligation.

*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 Funds to obtain favorable financing for investments, the Funds' 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 Funds to realize their investments at favorable times or for favorable prices.

*Adequacy and Availability of Insurance.* While the Funds 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 Funds' profitability.

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

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 Funds. Consequently, the Funds 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 Funds may not be able to make an investment that they would otherwise might have made or sell an investment that they 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 Funds or the General Partners and cause significant losses to the Funds. 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 Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting the Funds' 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 Funds. 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 Funds reserve 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 relevant 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) a 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 a 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 a 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 Funds reserve the right to co-invest with non-affiliated co-investors or partners whose ability to influence the affairs of the investments in which the Funds invest may be significant, and even greater than that of the relevant Fund and as such, the Funds 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 Funds to sell their interests in any joint venture, partnership or entity with other owners than to sell their interests in other types of investments (and any such investment may be subject to a buy-sell right). The Funds in certain circumstances are 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 relevant 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 a 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 Funds 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 Funds 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 Funds from maintaining or pursuing investment opportunities that the Funds otherwise would have maintained or pursued, or syndicating interests to foreign persons, which could adversely affect the performance of the Funds' investments in such investments and thus the performance of the Funds. Legislation to reform CFIUS (the Foreign Investment Risk Review Modernization Act (“**FIRRMA**”)) was signed into law by the U.S. President on August 13, 2018. Among other things, FIRRMA 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 Funds are or are expected to be non-U.S. investors, and in the aggregate, could comprise a substantial portion of the Funds' 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 Funds' 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 Funds to identify suitable buyers for investments upon exit and may constrain the universe of exit opportunities for an investment in a portfolio investment.

*Antitrust Laws.* Antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on or reject certain transactions. In certain circumstances, antitrust restrictions could adversely affect the Funds because of Percheron's inability or unwillingness to participate in transactions, or by remedies imposed by any regulators or governmental bodies. Any such restrictions could also make it difficult or may prevent the Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio investments on a timeline or in a manner deemed undesirable by Percheron or may limit the ability of one or more portfolio investments from conducting their intended business, in whole or in part. In certain cases, such restrictions could preclude the Funds from participating in portfolio investments that would otherwise fall within the Funds' investment objectives.

*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 Funds may, from time to time, invest in portfolio investments that have unfunded pension fund liabilities, including structuring the investment in a manner where the Funds may own an 80% or greater interest in such a portfolio investment. If the Funds (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 Funds and the companies in which the Funds invest. This discussion is based on current court decisions, statutes 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 Funds. When estimating fair value, the respective 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 Partners, subject to any limitations thereon provided in the Partnership Agreements, 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, each Fund or its 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. Such Fund or 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 Partners', the Funds' and their 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. Such a failure could harm the Adviser's, the General Partners', the Funds' 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 Funds’ investors or portfolio investments. Companies have also been subject to “ransomware” attacks.

To the extent that any of the Adviser, the General Partner, the Funds, a portfolio investment or their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted: (a) data or payment information; (b) financial information; (c) software, contact lists or other databases; (d) 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. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser, the Funds and/or portfolio investments may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser’s, the Funds’, portfolio investments’ and/or service providers’ operations, including the ability to make distributions to Limited Partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, the Adviser’s, the General Partner’s, the Funds’ 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 Funds or any affected portfolio investment. Any of such circumstances could subject the Adviser, the General Partner, the Funds or their portfolio investments to substantial losses. The foregoing risks are equally applicable to service providers of the Adviser, the General Partner, the Funds and their portfolio investments.

*Agreements with Certain Investors.* A Fund or General Partner, without any further act, approval or vote of any Limited 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 potentially will be significant. Further, the General Partner is likely to have its own economic and/or other business incentives to provide certain terms to certain investors (*e.g.*, based on commitment amount to the Fund or the timing thereof, the ability of the investor to provide sourcing or other services to the General Partner, the Fund or other funds managed by the General Partner or its affiliates 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 funds managed by the General Partner or its affiliates). 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 and/or reduced carried interest and/or receipt of a portion of the General Partner’s or its affiliates’ management fees, other fees and/or carried interest, (b) the ability to opt-out of certain types of investments (including with respect to

investments in certain geographies and/or industries), (c) the right to receive certain additional information, certifications, reporting and/or notifications from the Fund or the General Partner or any of their affiliates and/or the manner in which information and/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, and/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 and/or observer of the Fund's Advisory Board, (n) rights with respect to legal, regulatory or policy requirements applicable to any such Limited Partner or its affiliates, (o) co-investment rights or (p) 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 funds managed by the General Partner or its affiliates, including the Fund.

Side letters subject the General Partner to potential conflicts of interest, including in circumstances where an investor's right to serve on the Fund's Advisory Board results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. As a consequence of one or more Limited Partners being excused or excluded from, or from regulatory, tax or other factors altering or limiting their participation in, certain investments, the aggregate returns realized by participating or non-participating Limited Partners could be adversely affected in a material manner by the unfavorable performance of particular investments. The General Partner is likely to have its own economic and/or other business incentives to provide certain terms to certain Limited Partners (*e.g.*, based on commitment amount to the Fund or the timing thereof, the ability of a Limited Partner to provide sourcing or other services to the General Partner, its affiliates and personnel or the Fund), or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the General Partner, its affiliates and personnel, or the Fund. Further, although the General Partner believes it to be unlikely, excuse rights requested or received by one or more Limited Partners (or such regulatory, tax or other factors applicable to such Limited Partners) representing a substantial percentage of the Fund have the potential to create significant variations in Limited Partners investment returns, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the Fund as a whole.

A Limited Partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Governing Documents; conversely, a limitation on one or more Limited Partners' voting rights generally will increase the voting rights percentage of other Limited Partners in the Fund. Further, Limited Partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, *e.g.*, based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below the Fund. The other Limited Partners will generally have no recourse against the Fund, the General

Partner and/or any of their affiliates in the event that certain Limited Partners receive additional and/or different rights and/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 and/or terms or provisions thereof, and to offer such additional rights and/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 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 Funds, their investments and their 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 Funds 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 Funds' 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 a Fund, its 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 Fund information could have an adverse effect on the relevant Fund and its investors, for example, by affecting such Fund's competitive advantage in finding attractive investment opportunities.

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

*Legislative and Political Changes.* The current administration has indicated that it intends to seek to enact changes to numerous areas of law and regulations currently in effect. Any such changes could significantly impact the Funds or their investments. Specific legislative and regulatory proposals might materially impact the Funds including, changes to trade agreements, immigration policy, import and export regulations, tariffs and customs duties, income tax regulations and the federal tax code (including added scrutiny of Management Fees, taxation of carried interest and use of management fee and carried interest waivers), public company reporting requirements and antitrust enforcement. Changes in federal policy, including tax policies, and at regulatory agencies occur over time through policy and personnel changes following elections, which lead to changes involving the level of oversight and focus on the financial services industry or the tax rates paid by corporate entities. The nature, timing and economic effects of potential

changes to the current legal and regulatory framework affecting financial institutions under the current administration remain highly uncertain. Future changes may adversely affect the Funds' operating environment and therefore the Funds' business, operating costs, financial condition and results of operations, together with the incentives faced by the General Partners.

*Environmental, Social and Governance ("ESG") Matters.* The Management Company maintains an ESG policy and intends to apply that policy to the Funds' investment activities. Depending on the investment, certain ESG factors, such as health and safety, environmental, human rights, labor issues and corporate governance, could have a material effect on the return and risk of the investment. The General Partners endeavor to consider material ESG factors in connection with their investment activities. However, the act of selecting and evaluating material ESG factors is subjective by nature, and there is no guarantee that the criteria utilized or judgment exercised by the General Partners or a third-party ESG specialist or any judgment exercised by the General Partners will reflect the beliefs or values of any particular Limited Partner or align with the practices of other asset managers or with market trends. Considering ESG factors when evaluating an investment may cause the Funds not to make an investment that they would have made in the absence of such consideration. Additionally, ESG factors are only some of the many factors the General Partners may consider in making an investment, and there is no guarantee that the General Partners will make investments in companies that create positive ESG impact or that consideration of ESG factors will enhance long-term Limited Partner value and financial returns. The Management Company cannot guarantee that its ESG program will positively impact the financial or ESG performance of any individual investment or such Fund as a whole.

Further, ESG integration and responsible investing practices as a whole are evolving rapidly and there are different frameworks, methodologies and tracking tools being implemented by other asset managers. To the extent the General Partners or a third-party ESG specialist engages with portfolio investments on ESG-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the financial or ESG performance of the investment or align with the approach used by other asset managers or preferred by prospective investors or with market trends. Successful engagement efforts on the part of the General Partners or a third-party ESG specialist will depend on certain the General Partners' skill in properly identifying and analyzing material ESG and other factors and their value, and there can be no assurance that the strategy or techniques employed will be successful. In addition, the General Partners' ESG programs and policies may change over time. It is possible that market dynamics or other factors will make it impractical, inadvisable or impossible for the Management Company to adhere to all elements of the General Partners' investment strategies, including ESG considerations, whether with respect to one or more individual investments or to each Funds' portfolio generally. Similarly, in evaluating a company, the General Partners often depend upon information and data provided by the company or obtained via third-party reporting or advisors, which may be incomplete or inaccurate and could cause the General Partners to incorrectly assess the company's ESG practices and/or related risks and opportunities. Although the General Partners will endeavor on occasion to present material ESG reports to investors, the issuance of such reports will be based on the General Partners' sole and subjective determination of whether a material ESG issue has occurred in an investment. Further, the General Partners are not obligated to produce such reports.

Finally, there is also growing regulatory interest, particularly in the U.S., UK and EU, in improving transparency around how asset managers define and measure ESG performance, in order to allow investors to validate and better understand sustainability claims. The Management Company's ESG program could become subject to additional regulation in the future, and the Management Company cannot guarantee that its current approach will meet future regulatory requirements. The Management Company could become subject to additional regulation in the future, which could result in significant costs, potential liabilities and operational and legal obligations.

*Secondaries and other General Partner-Led Transactions.* There continues to be a significant market in the private fund sector for secondary sales, General Partner-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments, and Percheron reserves the right to dispose of (or seek additional capital for) Fund investments through such means. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by Percheron following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing Limited Partners and maintaining exposure to an asset where Percheron believes there is the potential for additional value generation. Where undertaken, existing Limited Partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by Percheron and its affiliates), often on different terms than the original investment. However, certain of such transactions are expected to require: a Limited Partner to invest additional capital in the existing Fund and/or other investment vehicles; a greater exposure to one or more particular portfolio company; and/or a delay in the full liquidation of its investment. In other circumstances, even Limited Partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (*i.e.*, a portion of such interest will be allocated to the relevant General Partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or Limited Partner and those of Percheron or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where Percheron or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance-based compensation earned by the relevant General Partner on the sale of an asset from an existing Fund in such transaction), their incentives are expected to diverge from those of Limited Partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, Percheron, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. To the extent Percheron requires existing Limited Partners and/or new buyers to commit capital to a continuation fund or another Fund managed by Percheron in addition to the purchase amount paid in a transaction, such requirement is expected to have a dilutive effect on the purchase price for the selling Fund and its Limited Partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the Fund investment(s) being sold. Further, the relevant General Partner is expected to be incentivized to make investments in portfolio companies with the view of holding

such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as Limited Partners in the relevant Fund, and in such circumstances, Percheron reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain Limited Partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to Limited Partners and/or the relevant Advisory Board prior to the closing of the transaction, there can be no assurance that Percheron will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any individual Limited Partner or group of Limited Partners. However, Percheron reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents. Percheron is permitted to seek the consent of the relevant Fund Advisory Board to approve conflicts associated with such transactions and accordingly not all Limited Partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of Fund investments, to the extent such transactions are not consummated, the Fund is expected to bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.

*Policies Subject to Change.* 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 Funds.

## **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 other Funds and investments and receive fees, carried interest or other compensation relating to these interests. New Funds and investments that the Founders control, manage or acquire will compete with the existing Funds or companies controlled, managed or 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 active Fund principally for the benefit of such 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 current Fund will be investing and expect to direct certain relevant investment opportunities or resources to those investment funds and investments. The Adviser personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. The Founders and the Adviser's investment staff will continue to manage and monitor such investments until their realization. To the extent an investment opportunity is received that is unsuitable for a Fund, in the Adviser's sole discretion, the Adviser and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the Governing Documents, Adviser personnel are permitted to serve on boards or act in other roles unaffiliated with the Adviser, the Funds or their portfolio investments, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles, none of which will offset or otherwise reduce Management Fees.

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. A Fund is authorized 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 a co-investment, 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. In other circumstances, during the period that a portfolio investment is owned by a Fund, it could become a suitable investment for one or more other Funds due to size, revenue or other characteristics. 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 is authorized to offer co-investment opportunities 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 Operating Advisors, Operating Partners, members of the Portfolio Support Group 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, will not always 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, when such Commitment was made; (d) the likelihood that a potential co-investor will invest in the Fund including any conditions on such investment; (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 has granted, and reserves the right to grant in the future, 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 rights in certain co-investment opportunities, including based on the size or timing of such persons' commitment to one or more Funds or the participation in such opportunities by other persons, which could significantly reduce available co-investment capacity. 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. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons in a manner not subject to the "most-favored nation" provisions of a Fund's Governing Documents and (iii) co-investors' proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of a Fund's Governing Documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant 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, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner's interest in limiting the Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. 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 may not always, and often will not, be 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 will 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 generally does not reduce or offset the Management Fee and are not otherwise shared with the Fund, although certain co-investors negotiated.

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, Operating Advisors and members of the Portfolio Support Group) 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 work-out 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 circumstances in which one Fund bears liability for all or part of the obligations of another Fund or any Percheron affiliate, in certain circumstances lenders and other market participants 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 cases, 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 other circumstances, lenders and other market participants are expected to seek "cross default" rights under which a Fund will be treated as in default under the relevant facility in the event of a default by another Fund or an Percheron affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, a Fund's Limited Partners could suffer adverse effects resulting from any default by any Fund or an Percheron affiliate, whether or not related to the Fund in which such Limited Partners have invested. 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(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 input from 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 or "arm's-length" nature of a purchase or sale price, whether or not part of a formal fairness opinion, "request for proposal" process, or proposal or quotation provided exclusively for the benefit of Percheron) 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 (including its value) 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.

It is possible that the Founders will spend a portion of their business time and attention pursuing investment opportunities that do not fall within the investment objectives of the Funds and other than on behalf of the Funds. In such a case, the Founders will continue to manage and monitor such investments, including by serving as members of any company's board of directors or analogous body, although the Founders expect that the time required to do so will be less than will be spent on Fund matters. The General Partner 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 Limited Partners with the interest of the Founders, although the Founders may have economic interests in such other investment funds and investments, as well, and receive management fees and carried interests relating to these interests. Such other investments that the Founders may from time to time control or manage generally have the potential to compete with the Funds or investments acquired by the Funds. Such other investments have the potential to include separate accounts and other investment vehicles and investments. The Founders reserve the right to, and likely will, focus investment activities on other opportunities and areas unrelated to the Funds' investments. Certain investments are permitted to be allocated between the Funds and any other vehicles in a manner as set forth in the Partnership Agreements.

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 generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment. Further, Percheron reserves the right to consider each relevant Fund's strategy as a component of its allocation of investment expenses, and as a general matter will not allocate expenses associated with one Fund's equity investment to a different Fund's credit investment, or *vice versa*, even if the two investments are in the same portfolio company.

As a general matter, broken deal expenses are allocated among Limited Partners regardless of whether any individual Limited Partner negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. The Funds also bear fees and expenses indirectly to the extent a portfolio investment (or intermediate entity) pays fees and expenses, and the General Partners reserve the right to charge fees and expenses to portfolio investments, capitalize fees and expenses into the cost basis of a transaction or to the extent necessary or desirable for operational, administrative, tax or other reasons, charge fees and expenses at the level of an intermediate holding company between any Fund and its portfolio investment. The amount of Fund expenses ultimately called or called at any one time may exceed expectations.



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, Operating Advisors, members of the Portfolio Support Group 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 and related persons to such portfolio company (including current or former Adviser personnel, Operating Partners, Operating Advisors, members of the Portfolio Support Group or persons serving at their request), 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. Decisions made by a director will potentially subject the General Partners, the Adviser, the Funds or their respective affiliates to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. From time to time, employees or other personnel and/or related persons of Percheron or their respective affiliates (including Operating Partners, Operating Advisors and members of the Portfolio Support Group) 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, Operating Advisors, members of the Portfolio Support Group 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 generally is 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, Operating Advisors or members of the Portfolio Support Group) 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 and financing, 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 quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, from time to time, Percheron expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, one or more Funds, and due to the nature of the service provider relationships these persons have the potential to have information advantages relative to other investors or co-investors. 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, Operating Advisors and members of the Portfolio Support Group 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, Operating Advisors and members of the Portfolio Support Group) will likely serve in significant governance and 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. For example, the General Partners will potentially cause the Funds to make payments to investment banks, all or a portion of which is for the purpose of generating future deal flow; however, such payments may not result in any future deal flow, or could create goodwill that ultimately results in future deal flow for one or more other funds managed by the Adviser that did not pay such expenses. 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 deemed unsuitable by a Fund, but will not in such circumstances be required to share in or reimburse the relevant Fund for due diligence or other expenses (including broken deal expenses) incurred by the Fund in connection with the Fund's consideration of the relevant investment opportunities. 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.

A Fund's General Partner generally is permitted to receive a distribution in kind from the Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the General Partner as carried interest (which generally will be made using the value of the relevant securities on the date of contribution). In such circumstances, there is a potential conflict of interest between the General Partner (and its beneficial owners) and the relevant Fund's Limited Partners. For example, the General Partner and its beneficial owners may intend to hold the investment for a different time period than Percheron deems suitable for the Fund. Although the General Partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Fund's

disposition thereof, neither the relevant Fund nor its Limited Partners will benefit from the increase, and over time the economic benefit to the General Partner and its beneficial owners could exceed the value of the General Partner's *pro rata* interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of the General Partner contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Fund or its Limited Partners.

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 of 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 General Partners (and their beneficial owners) may be subject to tax treatment in respect of their respective shares of income arising from the carried interest and their respective commitments to the Funds, including tax treatment that differs materially from the taxation of similar items to certain Limited Partners, which could create the potential for conflicts of interest. For example, various tax rules (including the three-year holding period requirement for capital gains treatment in respect of carried interest) could create an incentive for a General Partner to cause the relevant Fund to borrow more frequently, in greater amounts or for longer periods; hold investments for longer than it would absent adverse tax consequences to the General Partner from a shorter holding period; or waive or defer the distribution or allocation of carried interest to the General Partner, potentially changing the character or amount of income allocated to Limited Partners. The General Partners will generally have the authority to control these decisions and any positions taken by the Funds in respect of tax elections or income allocations.

From time to time the General Partners, their affiliates and personnel and persons selected by them will be eligible to receive the benefit of "friends and family" and similar discounts from portfolio investments owned by the Funds under which such portfolio investments make their goods or services available at reduced rates. The General Partners, their affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course.

The Adviser has and expects to continue to engage or retain Operating Partners and other consultants ("**Consultants**") and/or employ Operating Partners. Operating Partners are expected to advise on industry-specific strategy and market approach, provide investment acquisition support, participate in the Adviser's investment committee, assist with the build out of investments and provide other value creation or other similar services to the Funds, any alternative investment vehicles or any investments or prospective investments of the Funds or any alternative investment vehicles, 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 Funds do not hold a controlling interest). Consultants are expected to regularly provide services to, or in connection with, the Funds in relation to their activities, or to one or more investments or prospective investments in relation to

the identification, acquisition, holding, improvement and disposition of such investments or prospective investments, 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 (or the equivalent), Limited Partner outreach, value creation and other services.

While the Adviser expects to pay Operating Partners a recurring retainer, pursuant to the Partnership Agreements, compensation, fees and expenses associated with the foregoing services (collectively, “**Consulting Fees and Expenses**”) provided by Operating Partners and other Consultants generally will be paid or reimbursed by applicable investments or the Funds, and Consulting Fees and Expenses do not offset the Management Fee. Consulting Fees and Expenses are expected to include fees, salaries, bonuses, incentive equity, portfolio investment securities and/or other cash or non-cash compensation, as well as other compensation and benefits described below. Such compensation 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 Operating Partner or 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. Consulting Fees and Expenses are also expected to include reimbursement of certain costs and out-of-pocket expenses (including travel, lodging, meals and reasonable and customary entertainment). Additionally, portfolio investments may provide opportunities for Operating Partners and Consultants to invest in such investment and reimburse costs and expenses incurred by Operating Partners and Consultants. Operating Partners and Consultants also may receive remuneration from the Adviser or the Funds or affiliates or be entitled to other forms of compensation, including equity grants in investments. Such investment opportunities, and Consulting Fees and Expenses paid to Consultants and Operating Partners are not included as “Transaction Fees” and will not offset the Management Fee. Operating Partners and Consultants may have a capital or profit interest in the Funds, 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 Funds may pay Operating Partners and 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. The Adviser also reserves the right to offer Operating Partners and Consultants co-investment opportunities in portfolio investments or other investments ahead of Limited Partners. Any equity grants or investments in the Funds’ portfolio investments or other investments will dilute the Funds’ interest in such investments. Although the Adviser intends to retain Operating Partners and Consultants with a view to reducing costs to investments (and, ultimately, the Funds) 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 Operating Partners and 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 Operating Partners and Consultants will be effective and result in returns to the Funds.

Percheron also expects to deploy Operating Partners to portfolio investments to serve as board members, 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, as applicable), which are not included as “Transaction Fees” and will not offset the Fund’s Management Fee, while 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 an Operating Partner that is an Adviser employee would be borne by the portfolio investments when the Operating Partner becomes an employee of such portfolio investment. Therefore, Percheron 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 executive roles for multiple portfolio investments and perform services that directly or indirectly benefit the Adviser while serving in roles as portfolio investment company personnel.

Operating Partners are expected to be permitted to invest in the Funds or co-invest in certain investments, with management fees or carried interest reduced or waived, and receive grants in the General Partners’ carried interest. In addition, 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). The Adviser intends to hold Operating Partners out to the public (including on the Adviser’s website and in marketing materials relating to Percheron or the Funds) as an Operating Partner of the General Partners.

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 Funds, 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 Funds, 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 Funds do not hold a controlling interest, for administrative or other reasons the Funds or an alternative investment vehicle thereof may bear Consulting Fees and Expenses directly, causing the Funds to bear a disproportionate share of those costs *vis-à-vis* other equity holders of those portfolio investments.

The Adviser, the General Partners or their respective affiliates have engaged and expect to continue to engage, employ or retain Operating Advisors (including persons formerly known as “senior advisors”) who provide strategic advice to the Adviser in respect of its business strategy and the Funds’ current and prospective investments. Operating Advisors may be exclusive to the Adviser, although exclusivity is not expected. Certain Operating Advisors are accordingly 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 Funds or their portfolio investments, and there is the potential for conflicts of interest to arise with respect to such Operating Advisors. As compensation for their services to the Adviser, Operating Advisors are typically expected to receive recurring retainers from the Adviser, be permitted to invest in the Funds or co-invest in investments, with management fees or carried interest reduced or waived, or receive grants in the General Partners’ carried interest. In addition, Operating Advisors are expected to serve on the boards or equivalent bodies of portfolio investments. As compensation for those services, Operating Advisors are expected to receive compensation, including fees, salaries, bonuses, incentive equity, portfolio investment securities and/or other cash or non-cash compensation. Those entities will bear any expenses, including travel, lodging, meals and reasonable and customary entertainment or other out-of-pocket expenses incurred by Operating Advisors in connection with the provision of their services thereto. Any of the foregoing compensation expenses and other amounts paid to or received by Operating 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.

Portfolio investments or prospective portfolio investments of the Funds may pay Operating Advisors 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 Operating Advisors investment opportunities in portfolio investments ahead of Limited Partners. Any equity grants or investments in the Funds’ portfolio investments will dilute the Funds’ interest in such investments. Although the General Partners anticipate that Operating Advisors will be engaged, employed or retained by the General Partners or their affiliates with a view to reducing costs to portfolio investments (and, ultimately, the Funds) 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 Operating Advisors will be effective and result in returns to the Funds. Moreover, the General Partners or their affiliates only anticipate employing, engaging or retaining Operating 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 may hold Operating Advisors out to the public (including on Percheron’s website and in marketing materials relating to Percheron or the Funds) as an Operating Advisor or other similar identifying title (including as a member of the Adviser’s advisory committee) to Percheron.

The General Partners face potential conflicts of interest in determining the allocation of compensation paid to Operating Advisors. For example, the General Partners generally will not

bear fees and expenses related to services performed by Operating Advisors for the Funds, alternative investment vehicles or investments or prospective investments. However, these services may also provide a direct or indirect benefit to the General Partners or their affiliates. Therefore, the General Partners have an incentive to classify a particular service as being for the Funds, alternative investment vehicles or investments or prospective investments, even though it may directly or indirectly benefit the General Partners or their affiliates, in whole or in part. The allocation of Operating Advisor compensation may not be proportional, and any such determinations involve inherent matters of discretion by the General Partners.

Additionally, while the General Partners generally expect the compensation for the services of the Operating 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 Funds do not hold a controlling interest, for administrative or other reasons the Funds or alternative investment vehicles thereof may bear Operating Advisor compensation directly, causing the Funds to bear a disproportionate share of those costs *vis-à-vis* other equity holders of those portfolio investments.

As indicated above, the Adviser has created the Portfolio Support Group—a cross-functional, multi-disciplinary select group of portfolio support (formerly known as “portfolio operations”) professionals employed, retained or engaged by Percheron who will focus on providing operational services to businesses that support value creation initiatives. The Portfolio Support Group will primarily provide services to or in respect of the Covered Entities. The Portfolio Support Group is presently organized into functional teams focused on, without limitation, talent management, operations and marketing (including mergers and acquisitions and integration), finance and technology, real estate development (including greenfield expansion), legal, research, recruiting for the Portfolio Support Group and scheduling. Percheron expects the Portfolio Support Group to grow over time. Portfolio Support Group members are expected to be based in San Francisco and other locations throughout the United States.

As compensation for their services, Portfolio Support Group members will receive, directly or indirectly, from the Covered Entities, PSG Compensation, together with PSG Reimbursements. Portfolio Support Group members will also, depending on their position and function, receive business cards, e-mail addresses and other non-cash benefits, and be offered the opportunity to invest in the Fund (without paying Management Fees and/or carried interest) and be granted a portion of the General Partner’s carried interest.

Percheron reserves the right to designate Portfolio Support Group members in its sole discretion. In doing so, Percheron faces a conflict in determining the extent to which the Covered Entities bear the related PSG Costs with respect to certain personnel of Percheron (or particular services provided by Percheron personnel), since PSG Costs borne by the Covered Entities would reduce the PSG Costs that Percheron would be required to bear as overhead. Such determinations involve inherent matters of discretion by Percheron and, as described below, Percheron potentially will derive benefits from the services provided by the Portfolio Support Group or such personnel in their capacity as Portfolio Support Group members.

Portfolio Support Group members are permitted to separately provide services to General Partners’ affiliates separate from the Covered Entities, and are expected from time to time to



support the Adviser and its investment professionals in connection with their investment activities, including participating in the investment committee, investor outreach and/or fundraising activities. In some cases, professionals will be designated as Portfolio Support Group members on a temporary basis or with respect to services they perform that are of the type described above for the Portfolio Support Group, while also providing services as an Operating Advisor or Operating Partner.

The Funds, directly or through other Covered Entities, will bear PSG Costs payable in respect of services provided by the Portfolio Support Group or its members to or in respect of the Covered Entities through means including invoicing, capitalizing into closed transactions or Transaction Fee adjustments. Percheron has discretion over which of these means is utilized, and some of them are more favorable to the Funds than others, such as is described below with respect to challenges in recovering PSG Costs of minority investments. Notwithstanding the foregoing, if the Portfolio Support Group or its members provide services to or in respect of the Funds, the Adviser or their respective affiliates, including the General Partners or their respective general partners, each of those recipient entities, as applicable, will bear the related PSG Costs in a manner that Percheron believes is fair and equitable. PSG Costs that are borne by a Covered Entity will not be included as “Transaction Fees,” will not be shared with the Fund or the Limited Partners, and will not otherwise reduce or offset Management Fees.

PSG Costs are permitted to be determined based on one or more methods, including the value of the time of the Portfolio Support Group or its members (which, in turn, is determined using a variety of methodologies and could include an allocation for overhead and other fixed costs), a percentage of the value of the relevant portfolio investment, the invested capital in such portfolio investment, amounts charged by other service providers for comparable services (which could be on an hourly, per diem or project basis) and/or a percentage of cash flows from such portfolio investment, any of which, for any particular period, could be more or less than the actual costs incurred by Percheron with respect to the Portfolio Support Group or its members. Regardless of what method is used, given the nature of the services of the Portfolio Support Group and the custom compensation and incentive arrangements that Percheron is able to provide the members thereof, Percheron undertakes no minimum amount of benchmarking of the PSG Costs of such personnel relative to the cost that would otherwise be borne by the related Covered Entity for such services were they to be provided on an “arm’s-length” basis in the ordinary course by any other person, and there is no periodic cap or other limitation applicable to the quantum of the aggregate PSG Costs borne by the Covered Entities. Accordingly, there is no assurance that PSG Costs for any period match prevailing market costs for comparable services and/or will not exceed a Fund’s income.

Percheron faces potential conflicts of interest in determining the related PSG Costs that should be borne by each recipient entity. For example, Percheron generally will not bear PSG Costs that relate to services performed by Portfolio Support Group members for the benefit of the Covered Entities. However, as discussed below, these services could also provide a direct or indirect benefit to Percheron. In these circumstances, Percheron would have an incentive to treat a particular service as being provided to a Covered Entity, even though it could directly or indirectly benefit Percheron, in whole or in part, and such amounts will reduce returns to the applicable Fund. It is possible that PSG Costs are not borne by the Covered Entities proportionally, and any such determinations involve inherent matters of discretion by Percheron.

In addition, under certain circumstances, Percheron is authorized to change the designation of a Portfolio Support Group member (in whole or in part, *e.g.*, with respect to certain services) to an investment team member, an independent consultant or an Operating Partner or Operating Advisor (and vice versa). Portfolio Support Group members could also become employed (on a permanent, interim, part-time or full-time basis) by portfolio investments, and therefore their costs (including compensation and employee benefits) would be borne by the applicable portfolio investment without being considered PSG Costs. If any third-party Consultant, employee, Operating Partner or Operating Advisor of a portfolio investment is designated as a Portfolio Support Group member, any costs incurred by that person under his or her prior designation generally will not be considered PSG Costs. Likewise, if a Portfolio Support Group member is redesignated as a third-party Consultant, Operating Partner or Operating Advisor, or becomes employed by a portfolio investment, any costs incurred by that person after the date of his or her redesignation generally will not be considered PSG Costs. Percheron's ability to redesignate or cause portfolio investments to employ Percheron personnel (in Percheron's sole discretion) creates an incentive to do so in order to shift costs in a manner so they are directly or indirectly borne by the Covered Entities, in whole or in part, including costs that would otherwise be borne by Percheron as overhead. Accordingly, any such personnel designation, redesignation or change in the terms of engagement could materially increase the costs and expenses directly or indirectly borne by the Covered Entities.

Although Percheron anticipates that Portfolio Support Group members will be employed, retained or engaged with a view towards reducing costs to portfolio investments (and, ultimately, the Funds) and/or supporting value creation at portfolio investments, a number of factors could result in limited or no cost savings, including the conflicts of interest discussed herein. As a general matter, there is no assurance that the services of the Portfolio Support Group will be effective and result in returns of the Funds. Moreover, Percheron only anticipates employing, engaging or retaining Portfolio Support Group members that they believe provide high-quality services that will contribute to value creation, while providing them with competitive compensation and other benefits commensurate with their experience and competencies. However, there is no assurance that no other personnel, service providers or market alternatives are more qualified to provide comparable services and/or able to provide them at lower cost and commensurate quality.

With respect to the Funds' control investments, Percheron will generally have the right to direct actual and prospective portfolio investments to engage or retain the Portfolio Support Group and to determine the terms and conditions of such engagement. Percheron's presence on a portfolio investment's board (or other control) generally is expected to diminish or eliminate portfolio investment management's ability and/or incentive to negotiate fees or expenses of the Portfolio Support Group on an "arm's-length" basis as it would with other service providers in the ordinary course. Additionally, Percheron generally expects the charges for the services provided by the Portfolio Support Group to be paid by portfolio investments directly (except for certain upfront retainers, which are permitted to be paid by the Fund and recouped over time as services are provided and invoiced), causing them to be shared ratably by the other equity holders of such investments (if any); however, in the case of portfolio investments in which the applicable Fund does not hold a controlling interest, for administrative or other reasons (*e.g.*, portfolio company management and/or other equity holders do not agree to engage the Portfolio Support Group), the Fund potentially will bear all such costs directly, causing those entities to bear a disproportionate share of those costs *vis-à-vis* other equity holders of those portfolio investments, notwithstanding

that such equity holders will receive a share of any returns that result from Portfolio Support Group services.

In addition, the services provided by the Portfolio Support Group have the potential to result in direct or indirect benefits to the Adviser, the General Partners, their respective general partners and/or the portfolio investments of the applicable Funds. Consequently, such entities could receive services without being charged or at rates that are lower than the rates borne by the Covered Entities. Conversely, the Covered Entities could benefit from services that are paid for by Percheron and/or portfolio investments of other Percheron funds. Likewise, it is possible that certain other Percheron funds pay the Portfolio Support Group for services that, directly or indirectly, benefit the Covered Entities. There can be no assurance that the Covered Entities will receive benefits paid for by other General Partners' funds or their portfolio investments that are commensurate to the benefits received by such other General Partners' funds and their portfolio investments that are paid for by the Covered Entities.

Percheron could be unable to attract and retain competent personnel to fill roles within the Portfolio Support Group as a result of any number of external factors outside of its control, including the availability of talent, the ability to recruit in a competitive market, general economic conditions and shifting areas of focus. Similarly, Covered Entities could ultimately require services different, greater or less than those provided or capable of being provided by Portfolio Support Group members. As a result, Percheron reserves the right to eliminate certain functions within the Portfolio Support Group or to add new functionality. As a result, it is possible that potential benefits that were thought to have accrued or were expected to accrue to a Covered Entity do not occur, thereby reducing the performance of such entity and, ultimately, the returns to investors.

The foregoing arrangements related to the Portfolio Support Group in no way limit or preclude Percheron from, in its sole discretion, engaging, or causing any Covered Entity to engage, third-party Consultants, Operating Partners or Operating Advisors, and such persons could, depending on the circumstances, perform services that are identical to, or that overlap with the services performed by, the Portfolio Support Group, and receive similar compensation as the Portfolio Support Group with respect to such services (but could also receive different types of compensation for similar services or similar types of compensation for different services), which would be borne by the Covered Entities.

The foregoing arrangements related to the Portfolio Support Group in no way limit or preclude Percheron from, in its sole discretion, engaging, or causing any Covered Entity to engage, third-party Consultants, Operating Partners or Operating Advisors, and such persons could, depending on the circumstances, perform services that are identical to, or that overlap with the services performed by, the Portfolio Support Group, and receive similar compensation as the Portfolio Support Group with respect to such services (but could also receive different types of compensation for similar services or similar types of compensation for different services), which would be borne by the Covered Entities.

Additionally, the Adviser, its personnel, Operating Partners, Operating Advisors, Portfolio Support Group Members, 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, 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 connection with its services to the Funds and their investments, the Adviser, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of the Adviser's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, the Adviser and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, the "**Percheron Information**"). In many cases, Percheron Information will include tools, procedures and resources developed by the Adviser to organize or systematize the Percheron Information for ongoing or future use. Although the Adviser expects its Funds and their portfolio companies generally to benefit from the Adviser's possession of Percheron Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by the Adviser and its personnel) and not by the Fund or portfolio company from which the Percheron Information was originally received or derived. Percheron Information will be the sole intellectual property of the Adviser and solely for the use of the Adviser. The Adviser reserves the right to use, share, license, sell or monetize Percheron Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

In certain cases, the Adviser will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, 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 have entered and/or reserve the right 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 or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of the Adviser's compensation), information rights, specialized reporting, priority co-investment rights and other preferential co-investment terms, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies and investment pacing restrictions, as well as economic, procedural and other terms, many of which will not be subject to the "most-favored nation" provisions of a Fund's Governing Documents. 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 Amy Abbott, the Percheron Chief Compliance Officer, at (415) 738-4340. 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-investment Funds. Co-investment Funds 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. Similarly, Percheron or an affiliate from time to time is expected to sign nondisclosure agreements or other deal documentation in view of future participation by one or more Fund(s), although this typically is done as a courtesy and without compensation from a Fund. 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.

The relevant liability standards under insurance coverage procured by the Adviser are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the Governing Documents. Investors generally will be responsible for insurance premiums, as set forth in the Governing Documents, regardless of whether the liability and/or indemnity standards in the Adviser's insurance coverage are higher or lower than that set forth in 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 28I of the Securities Exchange Act of 1934, as amended.

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 either is in operation for the full fiscal year or 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, (iv) annual reporting of the amount of compensation (cash and non-cash) and reimbursement of costs and out-of-pocket expenses paid to Portfolio Support Group members and borne directly or indirectly by the Fund, any alternative investment vehicle and any portfolio investment during the prior year, in the aggregate, commencing with the first year in which the Fund is in operation for the full fiscal year, and (v) descriptive investment information for each portfolio investment annually, in addition to other information required by law.

#### **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 Operating Advisors, Operating Partners and/or members of the Portfolio

Support Group for services provided to a portfolio investment, 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. These arrangements (relating to U.S. investors and U.S.-domiciled Funds) generally are disclosed in the relevant Fund’s Form D. 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 for the Funds in exchange for a cash fee based on a percentage of the aggregate principal amount of Fund commitments made by certain third-party investors (depending on the amount of commitments), subject to certain exclusions and exceptions, in addition to the reimbursement of certain expenses.

### **CUSTODY**

The Adviser has and expects that it will continue to have “custody” (within the meaning of Advisers Act Rule 206(4)-2 (the “Custody Rule”)) of funds or securities held in the name of one or more Funds, subject to certain exceptions set forth in the Custody Rule and related guidance, and intends to maintain such assets with the following qualified custodians: First Republic Bank, San Francisco, California; and Silicon Valley Bank, a division of First Citizens Bank, Santa Clara, California.

### **INVESTMENT DISCRETION**

The Adviser has 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 have entered into, and may in the future 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, and in some other cases, the right to co-invest in certain co-investment opportunities of such Fund. 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 certain situations. 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 Amy Abbott, the Percheron Chief Compliance Officer, at (415) 738-4340, 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.