

ITEM 1 – COVER PAGE

PALLADIUM HERITAGE MANAGEMENT, LLC

1270 AVENUE OF THE AMERICAS
NEW YORK, NY 10020
(212) 218-5150
<http://www.palladiumequity.com>

March 31, 2023

This brochure (this “Brochure”) provides information about the qualifications and business practices of Palladium Heritage Management, LLC (the “Registrant”). If you have any questions about the contents of this Brochure, please contact us at (212) 218-5150 or InvestorRelations@palladiumequity.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

The Registrant is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

ITEM 2 – MATERIAL CHANGES

Palladium Heritage Management, LLC (the “Registrant”) is required to identify and discuss any material changes made to its Brochure since its last comprehensive update, dated April 29, 2022. As of September 23, 2022, Palladium Investment Partners, LLC (previously the sole member of the Registrant) transferred its interest in the Registrant to Palladium Heritage, LLC, which is owned 51% by Katherine Lehman, the Registrant’s CEO, and 49% by Palladium Investment Partners, LLC. As part of Palladium’s ongoing assessment to ensure consistency with what we consider to be best practice levels, we regularly review our compliance program and disclosures and make updates as deemed necessary or advisable. As a result, we have updated this Brochure at Item 4 (Advisory Business), Item 5 (Fees and Compensation), Item 6 (Performance-Based Fees and Side-By-Side Management), Item 7 (Types of Clients), Item 8 (Methods of Analysis, Investment Strategies, and Risk of Loss), Item 11 (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading), Item 13 (Review of Accounts), Item 15 (Custody), Item 16 (Investment Decision), Item 17 (Voting Client Securities), Item 18 (Financial Information) and Item 19 (State-Registered Advisors).

Investors and prospective investors should review this entire Brochure carefully. In this regard, investors and prospective investors may request a marked copy of this Brochure that identifies changes from the prior version on file with the SEC. If the Registrant makes any material changes to this Brochure, this section will be revised to include a summary of such change.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure can be requested by contacting Dominick Barbieri at (212) 218-5121 or by emailing InvestorRelations@palladiumequity.com.

ITEM 3 – TABLE OF CONTENTS

ITEM 1 – COVER PAGE.....	1
ITEM 2 – MATERIAL CHANGES	2
ITEM 3 – TABLE OF CONTENTS	3
ITEM 4 – ADVISORY BUSINESS	5
A. General Description of Advisory Firm	5
B. Description of Advisory Services	6
a. Advisory Services	6
b. Private Funds	6
c. Co-Investment Vehicles.....	7
d. Employee Investment Vehicles	7
e. Assets Under Management.....	8
ITEM 5– FEES AND COMPENSATION	9
A. Management Fees.....	9
B. Carried Interest	9
C. Other Fees	10
D. Fund Expenses	11
E. Co-Investment Vehicle Expenses	15
F. Allocation of Expenses.....	16
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	17
ITEM 7 – TYPES OF CLIENTS	18
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS	19
ITEM 9 – DISCIPLINARY INFORMATION	59
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	60
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING	61
A. Code of Ethics.....	61
B. Personal Trading.....	61
C. Interest in Client Transactions.....	62
D. Allocation of Personnel	63

E.	Allocation of Investments.....	64
F.	Co-Investments	65
G.	Other Potential Conflicts of Interest	68
ITEM 12 – BROKERAGE PRACTICES		73
ITEM 13 – REVIEW OF ACCOUNTS		74
A.	General Ongoing Review Process.....	74
B.	Weekly Meetings.....	74
C.	Investor Reporting.....	74
ITEM 14 – CLIENT REFERRALS AND COMPENSATION		75
ITEM 15 – CUSTODY		76
ITEM 16 – INVESTMENT DISCRETION		77
ITEM 17 – VOTING CLIENT SECURITIES		78
ITEM 18 – FINANCIAL INFORMATION		79
ITEM 19 – STATE-REGISTERED ADVISORS		80

ITEM 4 – ADVISORY BUSINESS

A. General Description of Advisory Firm

Palladium Heritage Management, LLC (the “Registrant”), located in New York, New York, is an investment advisor to multiple pooled investment vehicles commonly known as private equity funds. For purposes of this Brochure, “Palladium” or the “Firm” includes the Registrant, along with its affiliated General Partner (as discussed below) and other affiliates such as Palladium Equity Partners Advisor, L.L.C. (the “Palladium Equity Partners Advisor”). Please see the Form ADV Part 2A for Palladium Equity Partners Advisor for information about the ownership of Palladium.

The Registrant was organized in February 2022, registered as an investment adviser in 2022 and is controlled by its sole member, Palladium Heritage, LLC, which in turn is owned 51% by Katherine Lehman and 49% by Palladium Investment Partners, LLC. Palladium Investment Partners, LLC is controlled through wholly owned subsidiaries by the Management Committee of Palladium.

The Palladium Equity Partners Advisor and the Registrant maintain a close relationship and share office space, systems, and personnel. Heritage (as defined below) personnel have access to the remainder of Palladium’s people and resources, including back-office support, fundraising and investor relations, finance, accounting and legal and compliance. Further, Heritage personnel have access to the intellectual capital, networks and experience of Palladium’s professionals by (1) participating in Palladium’s Weekly Meetings (as defined below), including portfolio reviews, (2) presenting potential deals at the Firm’s weekly deal review meeting to allow for idea and resource sharing, feedback and the highlighting of any areas of concern or further diligence and (3) cross-training and team sharing through a “secondment” process whereby an intermediate or junior professional from elsewhere in the Palladium organization is expected to be assigned to Heritage at any given time. In addition, three professionals from the Palladium organization have been appointed to the Heritage Investment Committee, including Palladium’s founder. The Heritage team also has direct access to databases and technologies within the Firm.

In June 2021, affiliates of Palladium entered into a preferred equity financing transaction with certain private investment funds affiliated with Landmark Equity Advisors, LLC (collectively, “Landmark”) pursuant to which Landmark is entitled to receive, indirectly vis-à-vis their limited partnership interests in PEP Professionals Capital, L.P. (the “SPV”), a Delaware limited partnership controlled by an affiliate of Palladium, repayment proceeds representing a portion of the management fee income from the Registrant and 2% of the carried interest distributable with respect to certain potential future private equity funds that may be sponsored by Palladium, until such time as set forth in the governing documents of the SPV.

B. Description of Advisory Services

a. Advisory Services

The Registrant is generally responsible for carrying out the day to day investment activities of Palladium Heritage Fund, L.P. (the “Partnership”) and its parallel funds, including Palladium Heritage (Parallel) Fund, L.P. (the “Parallel Fund” and together with the Partnership and its parallel funds, the “Heritage Fund” or “Fund”). The duties and obligations of the Registrant as advisor to the Fund are described more specifically in the advisory agreement that it entered into with the Fund. The Registrant may establish additional investment vehicles in the future, to which it may or may not provide investment advisory services. To the extent that another vehicle is established to which the Registrant provides investment advisory services, this Brochure and the Registrant’s Form ADV, Part 1A will be updated as appropriate to reflect such new vehicle.

The Fund’s general partner is Palladium Heritage GP, LLC (“General Partner” and together with the Registrant, “Heritage”). The General Partner is generally responsible for the management, operation and policy of the Fund, which includes making investments on behalf of the Fund, entering into contracts on behalf of the Fund, acquiring, holding, and selling investments on behalf of the Fund, and serving as the agent designated to carry out the investment objectives of the Fund on behalf of all partners. The duties and obligations of the General Partner are more specifically described in the Limited Partnership Agreement (“Partnership Agreement”) that all partners in the relevant Fund enter into in connection with their investment in each such Fund.

b. Private Funds

Investments in the Fund are governed by the Partnership Agreement, which includes written investment guidelines that must be followed by the General Partner in the course of investing on behalf of the Fund, as well as side letter agreements with particular Fund investors that require certain provisions relating to their investments in the Fund. We collectively refer to the Partnership Agreement, side letter agreements and advisory agreement of the Fund as the Fund’s “Governing Documents.”

The Partnership relies on an exemption from registration as an “investment company” under Section 3(c)(7) of the Investment Company Act of 1940 (the “Company Act”). The Parallel Fund relies on an exemption from registration as an “investment company” under Section 3(c)(1) of the Company Act. Interests in the Fund are only being offered to qualified investors via private placements of securities that are exempt from registration with the SEC under the Securities Act of 1933 (the “Securities Act”). Investment advice is provided by the Registrant and General Partner directly to the Fund, and not individually to the investors in the Fund. Pursuant to the Governing Documents, investors are not permitted to impose restrictions on the Fund’s investments.

The Heritage Fund targets investments in the lower end of the middle market. The Heritage Fund seeks to make control and control-oriented investments in business to business (“B2B”) and industrial companies (together, the “Target Sectors”) using a value-driven strategy with a focus on entrepreneur-backed companies, corporate carveouts, multi-seller transactions and other complex situations.

The Heritage Fund team (including the senior investment professionals thereof, the “Senior Investment Team” and together with certain other professionals who provide services to the Fund, the “Heritage Fund Team”) intends to utilize a value-driven, active ownership investment approach, seeking to transform, professionalize and grow businesses through enhanced leadership and by implementing strategies for operational improvement and corporate growth. The Senior Investment Team sees significant opportunity for experienced investors and operating resources to professionalize business processes or capabilities typically lacking in smaller family-owned companies or corporate “orphans”.

c. Co-Investment Vehicles

From time to time, Heritage may offer equity co-investment opportunities to invest alongside the Fund in Fund investments. Such opportunities may arise from time to time where the General Partner determines that the aggregate amount to be invested would exceed the amount determined to be appropriate or applicable for the Fund, pursuant to the Governing Documents and in the General Partner’s good faith judgment. The Governing Documents contain provisions addressing allocation of co-investment opportunities, and Heritage maintains written allocation policies in its compliance manual. The considerations relating to the allocation of co-investments are described in greater detail at Item 11 (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading) below. In certain instances, Heritage may consider establishing dedicated co-investment vehicles to invest alongside the Fund in the Fund investment. As of the date of this Brochure, the Registrant does not provide investment advisory services to any co-investment vehicle. The Registrant may establish co-invest vehicles in the future, to which it may or may not provide investment advisory services. To the extent that another co-investment vehicle is established to which the Registrant provides investment advisory services, this Brochure and the Registrant’s Form ADV, Part 1A will be updated as appropriate to reflect such new vehicle.

From time to time, in connection with obtaining funding for portfolio investments, lenders may request equity co-investment opportunities as part of a lending agreement. When such circumstances arise, the General Partner will review the Fund’s opportunities to obtain funding in the market, and determine whether it is in the Fund’s best interest to agree to such request or to pursue alternative financing.

d. Employee Investment Vehicles

Certain Palladium employees are permitted to participate on a fee free basis in the Fund and/or Fund investments via specific investment vehicles established for such purpose. These employment investment vehicles are not expected to invest alongside the related Fund’s

investment, but rather to participate as limited partners in the Fund and/or by investing in or alongside the related General Partner in the Fund. Heritage interests in Fund investments are discussed in greater detail at Item 11 (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading) below.

e. Assets Under Management

Heritage's Regulatory Assets Under Management as of December 31, 2022 total \$34,333,551.

ITEM 5— FEES AND COMPENSATION

Heritage's specific compensation terms are set forth in the Governing Documents. The Registrant expects that generally all Fund investors will be "qualified purchasers" (as defined in Section 2(a)(51) of the Company Act) or "knowledgeable employees" (as defined in Rule 3c-5 under the Company Act).

A. Management Fees

Heritage typically receives a management fee (the "Management Fee," as defined and described in the Governing Documents) as compensation, which is generally paid quarterly in advance. Management Fees for the Fund are expected to be two percent (2%) per annum of third party investors' committed capital during the Fund's investment period. After the active investment period ends, Management Fees are expected to be two percent (2%) per annum of third party investors' capital pursuant to the terms of the Governing Documents.

From time to time, the Management Fee will be modified, reduced, waived or rebated at Heritage's discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which will typically not be disclosed to all other investors in the Fund. Fees differ among investors in the Fund. In certain cases, the rate of Management Fees payable by certain investors in the Fund will be lower than other investors if such investors have a personal, professional and/or strategic relationship with Heritage, if the size of their investment in the Fund is larger than such other investors, if such investors subscribed to the Fund prior to a designated date or for other reasons determined in Heritage's discretion. In the event that Heritage does not provide services for the full quarterly period, the Management Fee is expected to be required to be returned on a pro rata basis to the investors in the Fund. In general, the amount of fees returned is calculated based on the number of days remaining in the applicable period.

The Management Fee is paid by either Fund investors making capital contributions, or by the Firm withholding the fee amount from investment proceeds that would otherwise be distributable to Fund investors. When such investment proceeds are withheld, Heritage provides written notice to affected Fund investors explaining the withholding. The notice provides information about the amount withheld for the Management Fee and also the aggregate amount of investment proceeds.

B. Carried Interest

In addition to the Management Fee, Heritage is expected to receive certain performance-based distributions referred to as "Carried Interest." Carried Interest is discussed in detail at Item 6 (Performance-Based Fees and Side-by-Side Management) below.

C. Other Fees

In addition to the Management Fee and Carried Interest, as described in the Governing Documents, Heritage is expected to receive advisory fees from portfolio companies for performing advisory services for portfolio companies, though such fees may be, and from time to time have been, waived in the Registrant's discretion. Such advisory fees are compensation for services that are expected to be provided by the Registrant to the portfolio company, including: designing financing structures, the disposition of assets and/or potential business acquisitions, evaluating and analyzing significant business development opportunities, developing cash management and portfolio company-level treasury functions, risk management and related insurance coverage, developing financial reporting packages, budgeting, forecasting and other financial planning activities for the portfolio company. The fees Heritage is permitted to receive for these types of services are described in the Governing Documents, and in addition to advisory fees, such fees also from time to time include net break-up, topping, monitoring and directors', organization, set-up, advisory, consulting, management, guarantor, surety, closing and transaction fees, and other similar fees (together, "Other Fees").

As described in the Governing Documents, the Management Fee is reduced by a portion of, but not the entire amount of, Other Fees (after deducting expenses incurred by Heritage in connection with providing these services). If the Fund does not pay Management Fees, any such reductions will not benefit it. Also, Management Fees will generally be reduced by the fees paid by the Fund to persons acting as a placement agent in connection with the offer and sale of interests in the Fund to certain potential investors, pursuant to applicable laws and regulations and in accordance with the Governing Documents. In the Fund, Broken Deal Expenses (as defined below) are borne by the Fund as a Partnership Expense (as defined below).

From time to time, Heritage engages and retains for various services senior advisors, advisors, consultants, and other similar professionals who are not employees or affiliates of Palladium and certain of whom receive payments from portfolio companies, either at the close of the Fund's investment in a company, or for services provided to the portfolio company after closing. Amounts paid to such consultants, advisors or professionals by portfolio companies will not be deemed paid to or received by Heritage, and such amounts will not offset the Management Fees paid by the Fund. The nature of the relationship with each of these professionals and the amount of time devoted or required to be devoted by them varies considerably. In certain cases, they provide Heritage with industry-specific insights, assist in transaction due diligence, make introductions to and provide reference checks on management teams. The fees for these services by such consultants, advisors or professionals are paid by the Fund as "Partnership Expenses" pursuant to the Governing Documents. Such advisors or consultants may (i) further take on more extensive roles and contribute to the origination of new investment opportunities, for which their fees are paid by Heritage or the Fund in accordance with the Governing Documents, or (ii) serve as executives or directors on the boards of portfolio companies, for which their fees are paid by the applicable portfolio company.

In addition, from time to time, Heritage engages independent industry executives and independent board members to serve on portfolio company boards or otherwise assist with portfolio company operations. Such industry executives and independent board members may be paid for by Heritage or by the relevant portfolio company to which services are provided. Amounts paid to such industry executives and independent board members will not be deemed paid to or received by Heritage, and such amounts will not offset Management Fees paid by the Fund.

Moreover, Heritage and its employees can be expected to receive certain intangible and/or other benefits and/or discounts and/or perquisites arising or resulting from their activities on behalf of the Fund that will not be subject to any Management Fee offset or otherwise shared with the Fund, investors and/or portfolio companies. For example, airline travel or hotel stays incurred as Partnership Expenses typically result in “miles” or “points” or credit in loyalty/status programs, and such benefits or amounts will, whether or not de minimis or difficult to value, inure exclusively to Heritage and/or such personnel (and not the Fund, investors and/or portfolio companies) even though the cost of the underlying service is borne by the Fund, investors, and/or portfolio companies. Heritage, its personnel, and other related persons also may receive discounts on products and services provided by portfolio companies and/or customers or suppliers of such portfolio companies.

D. Fund Expenses

Over the life of the Fund, aggregate expenses are expected to be substantial and will reduce returns to investors. As explained in the Governing Documents, the Fund is responsible for paying applicable expenses related to its operations (such expenses, “Partnership Expenses”) which typically include, but are not limited to:

(i) fees, costs and expenses of tax advisors, accountants, third-party administrators and administration (including tracking and reporting software), depositaries, legal counsel, auditors, custodians, consultants, operating partners, industry experts, senior advisors, deal finders, brokers, agents, research-related data providers (including related systems, software and services from such data providers), valuation experts (including third-party valuations, appraisals and pricing services) and other professionals and the costs of related information management systems (whether maintained by the Registrant, third-party administrators or otherwise), including the fees, costs and expenses of secondment of personnel of the foregoing;

(ii) costs associated with preparing, printing, filing and distributing Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports or other regulatory requirements contemplated by or arising under the European Union Alternative Investment Fund Managers Directive (the “Directive”) or any similar law, rule or regulation (including any implementing law, rule or regulation relating thereto), including the Fund’s, and the Registrant’s registered office fees and filing fees in the Cayman Islands, if any)), communications and other reports to investors and monitoring

investor portfolio activity (including, without limitation, accounting or financial management software, any online data portal and other third-party expenses incurred in connection with secure communications to limited partners, the preparation of financial statements and other accounting or similar administrative functions);

(iii) costs and expenses, if any, incurred in connection with attending meetings related to investments (including the cost of first class and/or business class commercial airfare, whether actually incurred or incurred as the deemed cost of using or chartering private aircraft or other private air travel (including the use of a private aircraft owned or partially owned by the Registrant, any of its affiliates or any of their respective owners, personnel or agents), accommodation and entertainment related thereto), developing, identifying, negotiating, structuring, holding (including any expenses of portfolio tracking facilities), organizing, consummating, financing, refinancing, bidding on, owning, restructuring, managing, operating, hedging, trading, taking public or private, acquiring, obtaining regulatory approvals for, settling, monitoring, maintaining custody of, or, to the extent applicable, selling, valuing, winding up, liquidating or otherwise dissolving or disposing of, as applicable, investments and the Fund's temporary investments (including due diligence in connection therewith and portfolio and risk management), including, without limitation, any associated financing, legal, accounting, auditing, appraisal, advisory, consulting, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, third party software and service providers, consultants, operating partners and other professional expenses in connection therewith, and any fees and expenses related to transactions that may have been offered to co-investors;

(iv) any fee, cost, expense, liability or obligation associated with the organization, documentation and maintenance of any parallel funds or feeder vehicles or alternative vehicles established by the General Partner or any of its affiliates to pursue the Fund's investment strategy or their respective activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company or investment of such alternative vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any expenses 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;

(v) costs and expenses incurred in connection with establishing, capitalizing and operating platform vehicles, including expenses of searches on retainer and expenses related to attending trade association meetings, conferences or similar meetings for purposes of evaluating potential investment opportunities, tombstones and advertising in trade publications for the purpose of generating potential investment opportunities;

(vi) brokerage commissions, prime brokerage fees, custodial expenses, fees associated with lines of credit, agent bank and other bank service fees, and other investment costs, fees and expenses actually incurred in connection with making, holding, settling, custody,

monitoring or disposing of actual portfolio investments ((see Item 12 (Brokerage Practices) for additional information on transaction costs));

(vii) the costs and expenses of holding meetings or conferences with limited partners and/or the Advisory Committee (as defined in the Governing Documents), including, without limitation, travel, set-up, room and board, honorarium, dining, entertainment and related expenses;

(viii) costs and expenses, if any, incurred by or on behalf of the Fund, any parallel fund, any alternative vehicle, any feeder vehicle or any vehicles formed for strategic investors or other co-investors in (A) developing, investigating (including any subscriptions to any periodicals or databases), acquiring, structuring, organizing, negotiating, consummating, financing, refinancing, bidding on, restructuring, trading, prospective or potential portfolio companies or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, third-party software and service providers, consultants, operating partners and senior advisors and similar professionals in connection therewith, and any fees and expenses related to transactions that may have been offered to co-investors), to the extent the General Partner or the Registrant is not reimbursed by a prospective or actual portfolio company or other third parties, (B) break-up, reverse break-up, topping and termination fees and other similar fees payable by the Fund, any parallel fund, any alternative vehicle, any feeder vehicle, any vehicle formed for strategic investors or other co-investors or any acquisition vehicle in connection with portfolio investments that are not ultimately made, (C) all fees (including commitment fees), costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed portfolio investment that is not ultimately made, (D) any amounts paid to an individual or group pursuing a business plan that is not successfully implemented and (E) any deposits or down payments of cash or other property which are forfeited in connection with a proposed portfolio investment that is not ultimately made (“Broken Deal Expenses”);

(ix) the costs of any litigation, liability and directors and officers liability, errors and omissions liability and general partnership liability premiums and other insurance and regulatory expense; other insurance expense; and indemnification (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person 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) or extraordinary expenses or liabilities relating to the affairs of the Fund; actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith;

(x) all fees, expenses and settlements related to hedging, foreign exchange or currency transactions;

(xi) fees, costs and expenses, if any, associated with any third-party examinations or audits (including other similar services) of the Fund, the General Partner or the Registrant that are attributable to the operation of the Fund or requested by limited partners; (xii) all out of pocket fees, costs and expenses, if any, incurred in connection with (A) the Fund's legal and regulatory compliance with U.S. federal, state, local, non-U.S. or other law or regulation (including, without limitation, regulatory filings of the Registrant and its affiliates relating to the Fund and its activities, including reporting on and compliance with Form PF, FATCA and any comparable legislation or regulations published by any other relevant jurisdiction, including in each case reports, disclosures, filings and notifications prepared in accordance with and the organization or maintenance of any entity used in connection with compliance with the Directive by the Fund or any parallel fund (including any entity established to be the "alternative investment fund manager" of the Fund or any parallel fund within the meaning of the Directive) as well as any travel and accommodation expenses related to such entity, the salary and benefits of any personnel reasonably necessary for the maintenance of such entity, or other overhead expenses in connection therewith) and/or (B) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including any costs and expenses of any discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith;

(xiii) fees, costs and expenses of tax advisors and tax structuring with respect to portfolio investments, including any costs and expenses incurred in administering or maintaining any non-U.S. or other holding companies used by the Fund to hold or make portfolio investments (whether incurred by the Registrant or its affiliates, including the allocable rent and/or compensation cost of those personnel located in local non-U.S. offices who are involved in providing such services, or by any other third party);

(xiv) the costs of liquidating and/or dissolving the Fund, any related feeder fund or other administrative structure;

(xv) the costs of liquidating the Fund's assets; and any taxes, fees or other governmental charges levied against or reserved by the Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund; provided, that this in no way limits the amount of taxes withheld or may be required to withhold;

(xvi) the expenses of the Advisory Committee and meetings of partners otherwise approved by the General Partner, activities or proceedings of the Advisory Committee (including any reasonable fees, costs and expenses incurred by representatives of the Fund, the General Partner, the Registrant, the Advisory Committee members, permitted observers and other Persons attending or otherwise participating in meetings of the Advisory Committee);

(xvii) the expenses related to transfers of interests;

(xviii) the costs and expenses of any lenders, investment banks and other financing sources (including principal and interest on and fees and expenses arising out of all borrowings made by the Fund permitted under the Partnership Agreement, including, but not limited to,

the arranging thereof and any related expenses or professional fees incurred in connection with any procedure reports for lenders);

(xix) expenses incurred in connection with complying with provisions in side letters, including “most-favored-nations” provisions;

(xx) expenses and fees charged or specifically attributed or allocated by the Registrant or its affiliates to provide administrative, accounting and legal services to the Fund and/or portfolio companies, and expenses, charges and/or related costs incurred by the Fund, the Registrant or its affiliates in connection with such provision of administrative, accounting and legal services to the Fund and/or portfolio companies including, without limitation, in-house compensation and other overhead allocable to or overseeing (if provided by third-party vendors) such services; provided, that the General Partner determines in good faith that any such in-house expenses (including oversight expenses), charges or related costs are not greater than what would be paid to an unaffiliated third party for substantially similar services;

(xxi) any activities with respect to protecting the confidential or non-public nature of any information or data, including any confidential information;

(xxii) defaults by Partners in the payment of any capital contributions;

(xxiii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the parallel funds, feeder vehicles and any alternative vehicles or special purpose vehicle of the Fund or the parallel funds, including the preparation, distribution and implementation thereof; and

(xxiv) any other fees, costs, expenses, liabilities or obligations approved by Advisory Committee.

Other than as described herein, and pursuant to the Governing Documents, neither Heritage nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

E. Co-Investment Vehicle Expenses

Subject to the Governing Documents, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors alongside the Fund may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the Fund shall not bear expenses related to its organization and formation or other expenses incurred solely for the benefit of the co-investment or similar vehicle. For the avoidance of doubt, expenses incurred on behalf of, or in relation to, a co-investment or similar vehicle but which are incurred for the benefit of a portfolio company may be borne by such portfolio company, and accordingly, may indirectly be borne in part by the Fund. If a proposed transaction is not consummated (i.e., a “broken deal”), and no such co-investment or similar

vehicle has been closed, the Fund may bear the co-investment or similar vehicle's pro rata amount of any expenses relating to such broken deal.

F. Allocation of Expenses

From time to time, Heritage, the Fund and/or portfolio companies will receive products or services from third parties, the costs and expenses of which are allocable (in whole or in part) between or among Heritage, the Fund and/or such portfolio companies. Heritage allocates expenses among parties in the manner prescribed by the Governing Documents, and in cases where costs and expenses are properly allocable between or among multiple parties, the allocation would be done in a manner that Heritage considers to be fair and equitable, taking into account factors such as the actual or estimated relative benefits to each applicable party of the expense-generating item (which typically would include consideration of the Fund's relative position size in an expense-generating item or investment).

A conflict of interest could arise in Heritage's determination whether certain costs or expenses that are incurred in connection with the operation of the Fund meet the definition of Partnership Expenses for which such Fund is responsible, or whether such expenses should be borne by Heritage. The Fund will be reliant on the determinations of Heritage in this regard. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case measures would be undertaken to correct such circumstance, which might include a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by Heritage to be the most appropriate corrective measure. There can be no assurance that allocation errors will not arise or that corrective measures will be possible in all circumstances.

Heritage will allocate shared fees and expenses between the Fund and any Other Palladium Funds (as defined below) in accordance with such funds' governing documents and in a manner that Heritage and its affiliates consider to be fair and equitable.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The General Partner will receive a portion of the profits of the Fund if certain thresholds for Fund performance are met. This is referred to as “Carried Interest,” and is defined and described in detail in the Governing Documents.

The performance thresholds necessary for Carried Interest to be paid are set forth in the Fund’s Governing Documents and offering documents. If Carried Interest is paid to the General Partner, it is separate and distinct from the Management Fees charged for advisory services. If Carried Interest is paid, the fee amount is distributed to the General Partner from investment proceeds that would otherwise be distributable to Fund investors, and all investors are provided written notice of the fee payment. The General Partner, from time to time in its discretion, may elect to waive, defer, or reduce an investor’s obligation to pay Carried Interest in connection with the Fund per the Governing Documents. Carried Interest may differ among investors in the Fund. In certain cases, as explained in the Governing Documents, the rate of Carried Interest payable by investors in the Fund will be lower, for example, as a result of such investors having a personal, professional and/or strategic relationship with Heritage.

The provisions for Carried Interest may give rise to an incentive for the General Partner to make investments that are riskier or more speculative for the Fund than would be the case if it did not receive Carried Interest, though the Fund will require performance standards to be met before Carried Interest may be paid.

To the extent that the Firm launches a new fund while a current Fund is being actively invested, all investments are made pursuant to Palladium’s allocation policy. The Governing Documents set forth requirements designed to ensure that all investors are treated fairly, and to prevent potential conflicts from unduly influencing the allocation of investment opportunities among funds (including the Fund and Other Palladium Funds), including (but not limited to) provisions outlining the parameters of the Firm’s ability to launch new funds while current funds are being actively invested.

ITEM 7 – TYPES OF CLIENTS

Heritage provides investment advisory services to pooled investment vehicles that are exempt from registration under the Company Act and whose securities are exempt from registration under the Securities Act. Investment advice is provided directly to the Fund and not individually to investors in the Fund. In general, the minimum initial investment in the Fund is \$5 million, although lesser amounts are from time to time accepted at the discretion of the General Partner.

The Registrant expects that generally all Fund investors will be “qualified purchasers” as defined in the Company Act and include, among others, some or all of the following: public and private corporate pension plans, charitable organizations, endowments, high net worth individuals, banks, profit sharing plans, trusts, estates, corporations, limited partnerships, limited liability companies and other entities.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

The Fund targets investments in the lower end of the middle market. The Heritage Fund seeks to make control and control-oriented investments in the Target Sectors using a value-driven strategy with a focus on entrepreneur-backed companies, corporate carveouts, multi-seller transactions and other complex situations.

An investment in the Fund is a long-term, illiquid investment involving a high degree of risk and potential conflicts of interest. Such investment is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Fund and for which the Fund does not represent a complete investment program. A Fund investment should only be made by persons that can afford a loss of their entire investment. The possibility of partial or total loss of capital will exist, and an investor contemplating an investment in the Fund must be both prepared and able to bear capital losses that may result from such investment.

While certain risks and potential conflicts of interest are summarized below, investors should refer to the Fund's offering documents, which further describe relevant risks and potential conflicts relating to a potential investment in the Fund. Investors should carefully review and consider all of the risks related to investing in the Fund that are set forth in the offering documents for the Fund.

Limited Operating History and Newly Formed Entities. The Fund has only recently commenced operations and therefore has limited operating history upon which prospective investors may evaluate their performance. The past investment performance of the General Partner, the Heritage Fund Team and the affiliates of Heritage should not be construed as an indication of the future results of the Fund or any investment.

Incomplete Investment Team. Most of the Heritage Fund Team has not worked together in the past nor worked at Palladium or Heritage in the context of a prior Palladium investment fund. In addition, the Registrant is actively seeking to build its team of investment and other professionals. In this regard, only a portion of the anticipated team members have currently been identified and engaged by the Registrant. Consequently, the Registrant's ability to undertake the investment program described herein will be limited until such team is identified and integrated into its activities. Moreover, the Fund is subject to all of the business risks and uncertainties associated with any new fund, including the risk that it will not achieve its investment objective and that the value of an interest in the Fund could decline substantially.

No Assurance of Investment Return. An investment in the Fund requires a long-term commitment with no certainty of return. Palladium cannot provide any assurance whatsoever

that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that the Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. Actual realized returns on unrealized investments will depend on various factors, including future operating results, market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of disposition, all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based. Accordingly, the actual realized returns on unrealized investments may differ materially from the returns indicated. There can be no assurance that any limited partner will receive any distribution from the Fund. Furthermore, distributions to limited partners may be subordinated in the event of a default under any credit facility of the Fund or its related entities. Partial or complete sales, transfers or other dispositions of investments, which may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. Accordingly, an investment in the Fund should only be considered by persons for whom a speculative, illiquid and long-term investment is an appropriate component of a larger investment program and who can afford a loss of their entire investment.

Highly Competitive Market for Investment Opportunities. The activity of identifying, managing, monitoring, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. In particular, in light of changes in such conditions, including changes in long-term interest rates, certain types of investment opportunities may not be available to the Fund on terms that are as attractive as the terms on which opportunities were available to previous investment programs sponsored by Palladium or other sponsors. Potential competitors include any vehicles managed or controlled by Palladium, including Palladium Equity Partners IV, L.P., Palladium Equity Partners V, L.P., their respective parallel vehicles and alternative vehicles (the “Palladium Equity Partners Funds”) and any other Palladium-sponsored funds, vehicles and accounts, including registered investment companies, joint ventures or similar partnerships or arrangements (collectively, “Other Palladium Funds”), whether formed now or in the future. The Fund will be competing for investments with many other private equity investors, including, without limitation, other investment partnerships and corporations, strategic investors, hedge funds, merchant banks, business development companies, sovereign wealth funds, domestic and international public pension plans, the public debt and equity markets, individuals, financial institutions, industrial groups and other financial investors investing directly or through affiliates, and the Fund may be unable to identify a sufficient number of attractive investment opportunities for the Fund to meet its investment objectives. Other investors may make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with the board of directors or owners of an acquisition target, consummating the transaction is subject to a myriad of uncertainties, only some of which are foreseeable or within the control of the Fund. New competitors constantly enter the market, and in some cases existing competitors combine in a way that increases their strength in the market. Further, over the

past several years, an ever-increasing number of private equity funds have been formed and others have been consolidated (and many such existing funds have grown substantially in size), resulting in an unprecedented amount of capital available for private equity interest. Additional funds, vehicles and accounts with similar investment objectives may be formed in the future by Palladium or by other unrelated parties and further consolidations may occur (resulting in larger funds and vehicles). Some of these competitors may have more relevant experience, greater financial and other resources and more personnel than Palladium, the General Partner, the Registrant and the Fund. Further, there continues to be a significant amount of equity capital available for private equity investments. There can be no assurance that the Fund will be able to: (i) locate, complete and exit investments which satisfy the Fund's rate of return objective or (ii) invest fully its available capital.

Consequently, it is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to the Fund and adversely affecting the terms upon which investments can be made. The Fund will incur bid, legal, due diligence and other costs (including deposits which may not be refundable) on investments which are not consummated or are otherwise not successful. As a result, the Fund will not recover from such investments all of its costs, which will detract from the Fund's returns. Because competition for appropriate investment opportunities is expected to increase, the Fund may be required to participate in auctions more frequently. The outcome of these auctions cannot be guaranteed, thus potentially reducing the number of investment opportunities available to the Fund and potentially adversely affecting the terms upon which investments can be made. Participation in auction transactions will also increase the pressure on the Fund with respect to pricing of the transaction. The Fund will seek to implement a sourcing strategy that targets proprietary or limited auction investment opportunities; however, a degree of competition in identifying proprietary investment opportunities and limited auctions exists and, although limited in participants as compared to competitive auctions, limited auctions nonetheless are competitive and such competition affects the price paid for, and the terms of, the Fund's investments. There can be no assurance that proprietary or limited auction opportunities will be available to the Fund or that the Fund will be able to successfully implement its sourcing strategy. Limited partners will be dependent upon the judgment and ability of the General Partner and the Registrant in sourcing and diligencing transactions and investing and managing the capital of the Fund. There can be no assurance that the Fund will be able to locate, consummate and exit investments that satisfy the Fund's investment criteria, target equity size range, rate of return objectives or realize upon their values or that it will be able to invest fully its available capital. To the extent that the Fund encounters competition for investments, returns to investors are likely to be negatively impacted.

In addition, Palladium's investment strategies in certain sectors may depend on its ability to enter into satisfactory relationships with joint venture partners or operating partners. There can be no assurance that Palladium's current relationship with any such partner or operator will continue (whether on currently applicable terms or otherwise) with respect to the Fund or that any relationship with other such persons will be able to be established in the

future as desired with respect to any sector or geographic market and on terms favorable to the Fund.

Illiquid and Long-Term Investments. Investment in the Fund requires a long-term commitment with no certainty of return. Many of the Fund's investments will be highly illiquid, and there can be no assurance that the Fund will dispose of such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the partners. The Fund's ability to realize an investment can be dependent on the public equity markets (e.g., demand for new public offerings and security sales) and investments in publicly traded securities are subject to restrictions under relevant securities laws (e.g., Section 16 of the 1934 Act). Although investments by the Fund may occasionally generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition or refinancing of such investment. 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 investment is made. It is unlikely that there will be a public market for the securities held by the Fund at the time of their acquisition. Therefore, no assurance can be given that, if the General Partner is determined to dispose of a particular investment held by the Fund, it could dispose of such investment at a prevailing market price, and there is a risk that disposition of such investments may require a lengthy time period or may result in distributions in kind to investors. The Fund will generally not be able to sell investments publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the Fund may be prohibited by contract or legal or regulatory reasons from selling certain securities for a period of time. To the extent that there is no liquid trading market for an investment, the Fund may be unable to liquidate that investment or may be unable to do so at a profit. Moreover, there can be no assurances that private purchasers of the Fund's investments will be found.

No Market for Limited Partnership Interests; Restrictions on and Limitations Relating to Transfers. The interests have not been registered under the Securities Act or applicable securities laws of any U.S. state or the securities laws of any other jurisdiction and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and any other applicable securities laws or an exemption from such registration is available. It is not contemplated that registration of the interests under Securities Act or other securities laws will ever be effected. Interests may only be offered, sold or transferred to individuals or entities who or which are qualified investors under applicable securities laws. There is no public market for the interests and one is not expected to develop. Accordingly, it may be difficult to obtain reliable information about the value of the interests. Each limited partner will be required to represent that it is a qualified investor under applicable securities laws and that it is acquiring its interests for investment purposes and not with a view to resale or distribution and that it will only sell and transfer its limited partnership interest to a qualified investor under applicable securities laws or in a manner permitted by the Partnership Agreement and consistent with such laws. A limited partner will not be permitted to directly or indirectly assign, sell, pledge, exchange or transfer any of its interests or any of its rights or obligations with respect to its

interests without the prior written consent of the General Partner, whose consent may be given or withheld in accordance with the Partnership Agreement, and transfers are also subject to the other terms and conditions of the Partnership Agreement. The General Partner may condition its consent to any transfer of a limited partner's interest on, without limitation: (i) the receipt of additional information regarding the transaction in which such interest will be sold, including, representations from the transferee that the transfer price was negotiated on an arm's length basis and reflects, in such limited partner's good faith determination, the fair value of such interest, (ii) the transferee or transferor making an unrelated investment in an Other Palladium Fund or (iii) other matters which are solely in the interest of Palladium. Accordingly, Palladium may influence the set of potential transferees who may acquire an interest from a limited partner that is seeking to transfer, which may affect the terms on which such transfer is completed, including by reducing the transfer price. Any transfer by a limited partner to a person other than an affiliate of such limited partner or otherwise approved by a General Partner prior to such limited partner's admission to the Fund will be subject to a right of first refusal for the benefit of the other Partners, including the General Partner, which right may be waived by the General Partner in its sole discretion. Except in extremely limited circumstances, withdrawals from the Fund will not be permitted. Limited partners must be prepared to bear the risks of owning interests for an indefinite period of time. In extraordinary and very limited circumstances that are set out in the Partnership Agreement, generally where the continued involvement of the limited partner with the Fund creates a material adverse effect in respect of the Fund, the General Partner, the Registrant, any portfolio company, or any of their affiliates or for the limited partner in certain limited circumstances, a limited partner may be required to withdraw, or may be permitted to withdraw, in respect of some or all of its interest. To the extent the circumstances giving rise to a withdrawal relate to a single investment, a limited partner may be required to withdraw solely in respect of its participation in such portfolio investment.

A transferee's commitment(s) will not be aggregated with one or more commitments associated with interests acquired from an unaffiliated transferor for purposes of determining such transferee's applicable Management Fee rate. Finally, to the extent a limited partner transfers a portion of its interest, such limited partner's applicable management fee rate will be recalculated based upon its remaining commitment following such transfer and such rate will be applied in future Management Fee periods (subject to additional transfers).

Valuation Matters. The fair value of all portfolio investments or of property received in exchange for any portfolio investments will be determined by the General Partner in accordance with the Partnership Agreement, pursuant to which the General Partner prepares valuations in good faith in accordance with GAAP. Accordingly, the carrying value of a portfolio investment may not reflect the price at which the portfolio investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of portfolio investments will affect the amount and timing of the General Partner's Carried Interest and, under certain circumstances, the amount of Management Fees payable to the Registrant. Valuations are subject to determinations, judgments and opinions and other third parties or investors may disagree with such valuations.

The valuation of portfolio investments may also affect the ability of Heritage to raise a successor fund to the Fund. As a result, there may be circumstances where the General Partner is incentivized to determine valuations that may be higher than the actual fair value of portfolio investments.

Dependence on Key Personnel. Heritage will be relying extensively on the experience, relationships and expertise of its investment professionals to successfully manage the Fund. There can be no assurance that these individuals will remain in the employ of Heritage, or otherwise continue to be able to carry on their current duties throughout the term of the Fund. In addition, members of the investment teams are not dedicated exclusively to any one Fund and will have other responsibilities for Heritage. Conflicts of interest are expected to arise in allocating management time, services or functions, and the General Partner and its affiliates' ability to access other professionals and resources within Heritage for the benefit of the Fund as described in this Brochure may be limited. Such access may also be limited by the internal compliance policies of Heritage or other legal or business considerations, including those constraints generally discussed herein.

Dependence on Operating Partners. Though they are not Heritage employees, Heritage coordinates and works with a network of independent operating partners, consultants, and directors, which it continually seeks to improve and enhance for the benefit of the Fund and its portfolio companies. Operating partners may, and from time to time do, provide services to portfolio companies or potential portfolio investments. Accordingly, a conflict of interest may arise with respect to how such operating partners allocate their time for Heritage-related services relating to portfolio companies. Moreover, operating partners engage in other activities unrelated to their respective Heritage engagement, which activities may give rise to potential conflicts of interest. Heritage strives to align operating partner incentives to mitigate these risks by, among other things, providing operating partners an opportunity to invest in portfolio companies on the same economic basis as the Fund. See also "Operating Partners and Other Consultants" below.

Lack of Management Rights; Reliance on Palladium. Limited partners will generally have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the Fund. In order to safeguard their limited liability for the liabilities and obligations of the Fund, limited partners must rely entirely on the General Partner and the Registrant to conduct and manage the affairs of the Fund. The General Partner and Registrant will generally have sole discretion in structuring, negotiating and purchasing, financing and eventually divesting portfolio investments on behalf of the Fund. Consequently, the limited partners will generally not be able to evaluate for themselves the merits of particular portfolio investments prior to the Fund making such portfolio investment.

A purchaser of interests must rely upon the ability of the General Partner and the Registrant to identify, structure and implement portfolio investments consistent with the Fund's investment objectives and policies. The General Partner and the Registrant may be unable to find a sufficient number of attractive opportunities to meet the Fund's investment

objectives. The success of the Fund will depend on the ability of the General Partner and the Registrant to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of portfolio investments.

Broad Investment Mandate. The Partnership Agreement contains no material limitations on the instruments, markets or countries in which the Fund may invest or the specific investment strategies that may be employed on behalf of the Fund. As such, the General Partner is expected to implement on behalf of the Fund whatever strategies or discretionary approaches within such broad mandate the General Partner believes from time to time may be best suited to prevailing market conditions. In light of the Fund's broad investment mandate, the Fund may make equity and/or debt investments that do not involve control or influence over the underlying portfolio company. Additionally, and while the Fund generally intends to focus on investment within the Target Sectors as discussed more fully herein (which Target Sectors are, by their nature, broad and encompass a wide-range of activities and markets), the Fund will be permitted to invest (and may actually invest) in any number of companies operating in a wide range of industries or activities. The Fund's portfolio may be concentrated at various points in time, including, for example, with respect to the number of investments (which will be particularly limited when the Fund commences its investing activities), the nature of such investments and the geographies or industry sectors represented by the companies in which the Fund invests.

Non-U.S. Investments. The Fund may invest in portfolio companies outside the United States. In addition, investments in companies that are organized, headquartered or that principally operate in the United States often have operations in, sales to or other exposure to countries outside of the United States. With any portfolio investments outside the United States, there exists the risk of adverse political developments, including nationalization, confiscation without fair compensation or war. Non-U.S. investments involve certain risks not typically associated with investing in companies that are organized, headquartered and principally operating in, and whose customers are primarily in, the United States, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Fund's non-U.S. portfolio investments are denominated; and costs associated with conversion of investment principal and income from one currency into another; (ii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in, and relative illiquidity of, some non-U.S. securities markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less governmental supervision and regulation in some countries; (v) governmental decisions to discontinue support of economic reform programs generally and impose centrally planned economies; (vi) less extensive regulation of the securities markets; (vii) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability, including the risk of sovereign defaults, and the possibility of expropriation or confiscatory taxation and adverse economic and political development; (viii) the possible

imposition of non-U.S. taxes on income and gains recognized with respect to such securities; (ix) differing, and potentially less well-developed or well-tested laws regarding corporate governance, fiduciary duties, the protection of investors and intellectual property rights; (x) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (xi) political hostility to investments by foreign or private equity investors and (xii) less publicly available information.

Risk of Limited Number of Investments. The Fund may participate in a limited number of investments and, as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of even a single investment (which may be exacerbated by the use of leverage). In addition, investors generally have no assurance as to the degree of diversification of the Fund's investments, either by geographic region, industry, asset or transaction type. To the extent the Fund does not accept commitments in the range of its target for aggregate commitments, or to the extent the Fund concentrates investments in a particular issuer, industry, asset, security, geographic region or other measures, limited partners will be subject to concentration levels higher than currently targeted for the Fund, which concentration would result in the limited partners' interests being more susceptible to fluctuations in value resulting from adverse economic, business or market conditions. Moreover, there are no assurances that all of the Fund's investments will perform well or even return capital. Therefore, if certain investments perform unfavorably, for the Fund to achieve above-average returns, one or a few of its investments must perform exceptionally well. There are no assurances that this will be the case. As a consequence, the aggregate return of the Fund may be adversely affected by the unfavorable performance of one or a small number of investments.

Reliance on Portfolio Company Management. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the General Partner and the Registrant will be responsible for monitoring the performance of each investment, there can be no assurance that the existing management team, or any successor, will be able to successfully operate the portfolio company in accordance with the Fund's plans. Additionally, portfolio companies need to attract, retain and develop executives and members of their management teams. The market for executive talent can be, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, the Fund may be adversely affected thereby. In addition, even though members of portfolio company management are generally compensated by the portfolio company (and therefore indirectly by a Fund), they may be consulted by Palladium with respect to market insight and other matters related to other funds, vehicles or accounts managed by Palladium or its affiliates.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Risk of Fraud in Portfolio Companies. Before making investments, the General Partner and/or the Registrant will typically conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence generally entails

evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties often are involved in the due diligence process to varying degrees depending on the type of investment, the costs of which will be borne by the Fund. Such involvement of third-party advisors or consultants presents a number of risks, including that the General Partner has reduced control of the functions that are outsourced. In addition, if the General Partner and/or Advisor are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, the General Partner and/or the Registrant will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations and/or consumer surveys. The due diligence investigation that the General Partner and/or the Registrant carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. This risk is further exacerbated by the impact of COVID-19, which has caused commercial disruption on a global scale and has disrupted the manner in which due diligence investigations have historically been conducted. Moreover, such an investigation will not necessarily result in the investment being successful. In circumstances where Palladium accesses non-public confidential information, there is a possibility that certain trading restrictions would apply to Palladium and its affiliates, which may affect the Fund's ability to transact. There can be no assurance that attempts to provide downside protection with respect to investments, including pursuant to risk management procedures and environmental, social and governance guidelines, will achieve their desired effect and potential investors should regard an investment in the Fund as being speculative and having a high degree of risk.

Conduct occurring at portfolio companies, even activities that occurred prior to the Fund's investment therein, could have an adverse impact on the Fund. There can be no assurance that the Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor an investment on an ongoing basis or that any risk management procedures implemented by the Fund will be adequate.

Misconduct of Heritage Personnel and Third-Party Service Providers. There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and there is a risk that employee misconduct could occur with respect to the Fund. Misconduct by employees or by third-party service providers could cause significant losses to the Fund. Employee misconduct could include, among other things, binding the Fund to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses), or otherwise charging (or seeking to charge) inappropriate expenses to the Fund or Palladium. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Fund's business prospects or future activities. Furthermore, because of Palladium's diverse businesses and the regulatory

regimes under which they operate, misdeeds by a Palladium entity (or its personnel) may result in foreclosing the Fund's ability to conduct its activities in the manner otherwise intended. It is not always possible to deter misconduct by employees or service providers, and the precautions the General Partner or the Registrant takes to detect and prevent this activity may not be effective in all cases.

Uncertainty of Financial Projections. Heritage will generally establish the pricing of transactions and the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. Estimated operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the assumptions will be accurate or that the estimated results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are difficult to predict, can have a material adverse impact on the reliability of such projections. Other participants in the industry may disagree with the feasibility of projections.

Risks Associated with Hedging Transactions. In connection with the acquisition, holding or disposition of certain portfolio investments, the Fund, on behalf of itself or any co-investment vehicles, may employ hedging techniques designed to reduce certain risks, including, among others, adverse movements in interest rates, securities prices and currency exchange rates, but there shall be no obligation to engage in such hedging activities. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Fund may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for the Fund than if it had not entered into such hedging transactions. These arrangements may also require the posting of cash collateral at a time when the Fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, which may reduce the returns generated by the Fund. The General Partner may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills that are different than the skills used in selecting and monitoring portfolio investments. There can be no assurance that any risk management procedure will be effective in reducing risks associated with the use of hedging techniques or that the use of such techniques by the Fund will not result in poorer overall performance for the Fund than if it had not utilized such techniques.

Syndication Risks. The Fund is expected to initially acquire a portion of certain investments (including through borrowings on a subscription-based credit facility) intended as co-investments as described herein and to syndicate all or part of such co-investments to one or more co-investors. In such instances, co-investors are expected to reimburse the Fund for its

carrying costs (including interest with respect to any borrowings on a subscription-based credit facility). However, the value of the investment during such period is likely to fluctuate. If the value of the investment increases prior to syndication, the Fund will generally not receive the full benefit, or any benefit, of such increase. Similarly, in the event of a decrease in the investment's value, any such planned syndication may not be completed on the terms previously contemplated or at all, in which case the Fund's investment may be larger than desired.

Capital Calls and Use of Subscription Lines and Asset-Backed Credit Facilities. The General Partner may fund the making of portfolio investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which can be, for example, one or more assets of the Fund, i.e., asset-backed facilities, or the unfunded commitments of investors, i.e., subscription lines) prior to calling commitments. The Fund is permitted to borrow under subscription lines for any purpose permitted under the Partnership Agreement. For administrative convenience, capital calls, including those used to pay interest on subscription lines, asset-backed facilities and other indebtedness, may from time to time be "batched" together into larger, less frequent capital calls or closings, with the Fund's interim capital needs being satisfied by the Fund borrowing money from such credit facilities. In particular, it is expected that capital needs of the Fund during the fundraising period may be met through drawdowns from such credit facilities rather than capital calls. The interest expense and other costs of any such borrowings will be Partnership Expenses and, accordingly, decrease net returns of the Fund. In addition, the batching of capital calls may amplify the magnitude of potential defaults by limited partners as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender, such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of liquidity constraints on limited partners and/or limited partners facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Finally, the existence of a subscription facility may impair a limited partner's ability to transfer its interest in the Fund as a result of restrictions imposed on such transfers by the lender.

While the Fund is subject to certain limits on borrowings as set forth in the Partnership Agreement, portfolio companies, holding companies and/or special purpose entities formed by the Fund to hold portfolio investments (i.e., asset level vehicles) may engage in borrowings and incur leverage, which will not count towards any caps on borrowings and guarantees on the Fund, as contained in the Partnership Agreement, as such borrowings are not recourse to the Fund and do not reduce unfunded commitments of the limited partners. This is the case even if such borrowings or leverage by entities owned by the Fund engage in joint borrowings and/or are cross-collateralized with or among other such entities, such that multiple portfolio investments are pledged to and at risk with respect to a borrowing in connection with a single portfolio investment (even if the amounts involved are greater than the single investment limitation set forth in the Partnership Agreement).

The General Partner may enter into one or more margin loans, including to effect a distribution to the partners, which are not subject to the restrictions on borrowings generally in the Partnership Agreement.

It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return, which does not accrue on such borrowings and will begin accruing when capital contributions to fund such portfolio investments, or repay borrowings used to fund such portfolio investments, are actually made to the Fund. As a result, the use of a subscription facility with respect to portfolio investments and ongoing capital needs may reduce or eliminate the preferred return received by the limited partners and accelerate or increase distributions of Carried Interest to the General Partner. Because the preferred return does not accrue on such outstanding borrowings, the General Partner has an incentive to cause the Fund to borrow in this manner in lieu of drawing down commitments and, in view of the fact that the Management Fee payable by the Fund is the same whether investments are funded with capital contributions or Fund borrowings, the General Partner may benefit from operating the Fund in this manner. As a general matter, use of leverage in lieu of drawing down commitments amplifies returns (either negative or positive) to limited partners. See also “Investments in Highly Leveraged Companies; Use of Leverage; Risk of Borrowing by the Funds” below.

Investments in Highly Leveraged Companies; Use of Leverage; Risk of Borrowing by the Fund. The Fund’s investments are expected to include investments in companies whose capital structures may have significant leverage. Instruments issued by such companies may have limited covenants (e.g., “covenant lite” securities), and the lack of robust covenants can increase the risk associated with an investment in such issuers. While investments in leveraged companies offer the opportunity for capital appreciation and the General Partner will seek to use leverage in a manner it believes to be prudent, such investments also involve a higher degree of risk and increases the investment’s exposure to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment, as further described below.

The Fund’s investments may involve varying degrees of leverage, which could magnify the impact of circumstances such as unfavorable market or economic conditions, operating problems and other changes that affect the relevant investment or its industry, resulting in a more pronounced effect of such circumstances on the profitability or prospects of such investments. In using leverage, these companies may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair their ability to finance or otherwise pursue their future operations or otherwise satisfy additional capital needs. Moreover, rising interest rates will, unless such rates are fixed pursuant to the terms of any such indebtedness, significantly increase such investments’ interest expense, causing losses and/or the inability to service debt levels. If an investment cannot generate adequate cash flow to meet its debt obligations, the Fund is likely to suffer a partial or total loss of capital invested in such investment. In addition, to the extent there is not ample availability of financing for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions

or a decreased appetite for risk by lenders) the Fund's ability to consummate certain transactions could be impaired. See also "General Economic and Market Conditions" below. Borrowings by the Fund will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Fund's cost of funds. As a general matter, the presence of leverage can accelerate losses.

Investments in Less Established Companies. The Fund may invest a portion of its assets in the securities of less established companies and family-owned companies. Certain of the investments may be in businesses with little or no operating history. Investments in such early-stage or family-owned companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by the Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies and family-owned companies tend to have lower capitalizations and fewer resources, and therefore, are often more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. Start-up enterprises and family-owned companies may not have significant or any operating revenues, and any such investment should be considered highly speculative and may result in the loss of the Fund's entire investment therein. In addition, less mature and family-owned companies could be deemed to be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which the Fund invests, the Fund may suffer a partial or total loss of capital invested in that company. There can be no assurance that any such losses will be offset by gains (if any) realized on the Fund's other assets.

Investments Longer than Term. The Fund expects to make investments, which may not be advantageously disposed of prior to the date that the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although the General Partner expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution or disposition at dissolution and the General Partner has a limited ability to extend the term of the Fund, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of the dissolution of the Fund. In addition, although upon the dissolution of the Fund, the General Partner (or the relevant liquidator) will be required to use its reasonable best efforts to reduce such assets of the Fund to cash and cash equivalents, on such terms as the General Partner or such liquidator shall deem advisable to sell, subject to obtaining fair value for such assets taking into account any contractual, tax, market, legal or other considerations (including legal restrictions on the ability of a limited partner to hold any assets to be distributed in-kind). Consequently, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the limited partners will occur.

Litigation and Regulatory Investigations. Heritage and its affiliates and any supervised persons engage in a broad variety of activities. These activities have subjected Palladium, and may in the future subject, Heritage or one or more of its affiliates or supervised persons to risks

of becoming involved in litigation by third parties, including shareholder actions, or may subject Heritage or any such affiliate or supervised persons to civil and criminal investigations or proceedings initiated by governmental authorities or other potential claims. It is difficult to determine what impact, if any, such litigation, investigations, proceedings or other claims may have on Heritage, such affiliates or supervised persons and the Fund. As a result, there can be no assurance that the foregoing will not have an adverse impact on Heritage, or such affiliates or supervised persons, or otherwise impede the Fund's ability to effectively achieve its objectives. The regulatory environment for private funds and capital markets is also evolving, and changes in the regulation of private funds, their managers and their trading activities and capital markets could negatively affect the ability of the Fund to pursue its investment strategy, its ability to obtain leverage and financing and the value of investments held by the Fund.

In the ordinary course of business, Palladium is, and Heritage expects to be, a party to litigation, investigations, inquiries, employment-related matters, disputes and other potential claims. Palladium currently is and Heritage expects to be, from time to time, subject to examinations, formal and informal inquiries and investigations by various U.S. and non-U.S. governmental and regulatory agencies, including but not limited to, the SEC, Department of Justice and state attorneys general and the UK Financial Conduct Authority. Palladium routinely cooperates, and Heritage expects to routinely cooperate, with such examinations, inquiries and investigations, and they may result in the commencement of civil, criminal, or administrative or other proceedings against Palladium, Heritage and/or its personnel. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against Palladium, Heritage or its personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm Palladium, Heritage and/or the Fund. While it is difficult to predict what impact, if any, the foregoing may have, there can be no assurance that any of the foregoing would not have a material adverse effect on the Fund and its ability to achieve its investment objectives.

Currency and Exchange Rate Risk. The Fund's portfolio investments, and the income received by the Fund with respect to such portfolio. Investments are expected to be denominated primarily in U.S. dollars and the books of the Fund will be maintained, and capital contributions to and distributions from the Fund generally will be made, in U.S. dollars. However, the Fund may make portfolio investments that are denominated in a foreign currency, which are subject to the risk that the value of a particular currency will change in relation to the U.S. dollar. Accordingly, changes in currency exchange rates, costs of conversion and exchange control regulations may materially adversely affect the U.S. dollar value of portfolio investments, interest and dividends received by the Fund, gains and losses realized on the sale of portfolio investments and the amount of distributions, if any, to be made by the Fund. In addition, the Fund will incur costs or experience substantial delays when, or be prohibited from, converting currency into another. While the General Partner may enter into hedging transactions designed to reduce such currency risks, there can be no assurance that any such transactions would achieve their intended results. Further, such hedging transactions could result in diminished returns (or increased losses on capital) to the extent overall returns are less than the Fund's costs or losses associated with such hedging transactions. The Fund

may also experience gains attributable solely, or in large part, to favorable movements in exchange rates as of any date of valuation or realization of a portfolio investment, even despite relatively adverse performance of the relevant portfolio company.

Any capital outlays or guarantees in respect of hedging transactions are treated as Partnership Expenses for purposes of the Partnership Agreement and are therefore not taken into account for purposes of calculating the Fund's compliance with the investment guidelines set forth in the Partnership Agreement.

Certain Restrictions on Ownership. Current laws and regulations in various jurisdictions give heads of state and regulatory bodies the authority to block or impose conditions with respect to acquisitions of and investments in local entities by foreign persons if that acquisition or investment threatens to impair national or economic security. These U.S. and foreign laws could limit the Fund's ability to invest in some entities or impose burdensome notification requirements, operational restrictions or delays in pursuing and consummating transactions, and could result in the Fund excluding (in whole or in part) the participation of certain limited partners in any such transaction.

In some cases, portfolio investments by the Fund involving the acquisition of or investment in a U.S. business (including a U.S. branch or subsidiary of a company domiciled outside of the United States) may be subject to review and approval by the Committee on Foreign Investment in the United States ("CFIUS") or any other non-U.S. equivalents thereof. In the event that CFIUS or any other non-U.S. equivalents thereof reviews one or more investments, there can be no assurance that the Fund will be able to maintain or proceed with such portfolio investments on any terms, or on terms that are acceptable to the General Partner.

CFIUS may recommend that the President block such transactions, or CFIUS may impose conditions on such transactions, certain of which may materially and adversely affect the Fund's ability to execute its investment strategy. Additionally, CFIUS may seek to impose limitations on one or more such portfolio investments that may prevent the Fund from maintaining or pursuing investment opportunities that the Fund otherwise would have maintained or pursued, which could adversely affect the performance of the Fund's investment in such portfolio investments and thus the performance of the Fund. Legislation to reform CFIUS was signed into law by the U.S. President on August 13, 2018, and final regulations implementing this legislation were enacted in 2020. The legislation and its implementing regulations, among other things, expand the scope of CFIUS' jurisdiction to cover more types of transactions and empower CFIUS to scrutinize more closely investments in U.S. "critical infrastructure", "critical technology" and "sensitive personal data" companies, including investments involving foreign limited partners that may be deemed "non-passive."

The Fund's portfolio investments may face delays, limitations, or restrictions as a result of notifications made under and/or compliance with these legal regimes and rapidly-changing agency practices. Similar foreign direct investment rules or regulations exist in many jurisdictions outside the U.S., and could operate in ways that adversely affect the Fund's

performance and investment activities. Some of these non-U.S. national security investment clearance rules and regulations have recently been made more rigorous. Other countries continue to establish and/or strengthen their own national security investment clearance regimes, including in response to U.S. encouragement of other countries to impose CFIUS-like regulations on foreign investment in certain sectors and assets on national security grounds, which could have a corresponding effect of limiting the Fund's ability to make investments in such countries. These requirements and the disclosure process may delay or otherwise impact the Fund's acceptance and drawdown of capital commitments from certain investors and approval of transfers by or to certain limited partners. Delays in the Fund's ability to accept or draw down capital commitments may adversely impact the ability of the Fund to make investments in certain jurisdictions. The foregoing requirements may also result in circumstances in which the Fund determines not to pursue certain potential investment opportunities in these countries. In particular, in October 2020, the European Union (the "EU") implemented an EU-wide mechanism to coordinate the screening of foreign investment on national security grounds across EU member states, which could impede, restrict, and/or delay the Fund's portfolio investments with a nexus to the EU. In addition, on April 22, 2020, the India Ministry of Finance enacted the NDI Rules, 2020, which states that any foreign investment by or from an entity of any country which shares its land border with India or where the beneficial owner of an investment into India is situated in, or is a citizen of, any country which shares its land border with India, can only be made with prior approval of the Government of India. Further clarity is awaited from the Government of India/RBI on what would constitute beneficial owner. The application of the NDI Rules may inhibit the Fund's ability to consummate portfolio investments in India and may require partial or full exclusion of any limited partners from countries bordering India from such portfolio investments. Uncertainty resulting from the application of the NDI Rules may also lead to higher amounts of, or longer durations of, borrowings by the Fund. Also, in Australia, legislation passed in 2020 expands the criteria used to determine whether a transaction must be notified to the country's Foreign Investment Review Board and affords the government new call-in powers to review transactions that may pose a national security risk. In the United Kingdom ("UK"), a new national security regime was implemented pursuant to the country's National Security and Investment Act 2021 and commenced on January 4, 2022, requiring mandatory notification for certain acquisitions in 17 strategic sectors and giving the UK government broad powers to review certain acquisitions in any economic sector. Other jurisdictions, such as the Netherlands, are similarly in the midst of ongoing reform that may establish further restrictions and pose additional risk by enhancing governments' powers to scrutinize, impose conditions on and potentially block mergers, acquisitions and other transactions.

Heightened scrutiny of foreign direct investment worldwide may also make it more difficult for the Fund to identify suitable buyers for portfolio investments upon exit and may constrain the universe of exit opportunities for a portfolio investment in a portfolio company. As a result of such regimes, the Fund may incur significant delays and costs, be altogether prohibited from making a particular investment or be impeded or restricted in syndication or sale of Fund assets to certain buyers, all of which could adversely affect the Fund's ability to meet its investment objectives.

The outcome of CFIUS's and other foreign direct investment processes may be difficult to predict, and there is no guarantee that, if applicable to a portfolio investment, the decisions of the applicable regulator would not adversely impact the Fund's investment in such entity. The Partnership Agreement contains certain provisions that may require certain limited partners to be excluded from participating in a portfolio investment, for example where their participation is at risk of jeopardizing the Fund's ability to successfully acquire, hold, operate, sell, transfer, exchange, pledge or dispose of an actual or prospective portfolio investment in light of legal, regulatory or other similar considerations.

Force Majeure Risk. Investments may be affected by force majeure events (e.g., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, trade war, cyber security breaches, terrorism and labor strikes). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to the Fund or a portfolio company) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a portfolio company or the Fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Fund may invest specifically. Additionally, a major governmental intervention into an industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets (including recent government action in response to COVID-19), could result in a loss to the Fund, including if its investment in such portfolio company is canceled, unwound or acquired (which could be without what the Fund considers to be adequate compensation). Deterioration in economic conditions could cause decreases in or delays in spending and reduce and/or negatively impact the Fund's or portfolio companies' short-term ability to grow revenues. Further, any early termination of agreements due to deterioration in economic conditions could negatively impact results of operations of portfolio companies. Any of the foregoing may therefore adversely affect the performance of the Fund and its investments. See also "—Coronavirus and Public Health Emergencies" below.

Coronavirus and Public Health Emergencies. There is currently an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a global pandemic. The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity, and contributed to significant volatility in certain equity, debt, derivatives and commodities markets. The global ramifications of the outbreak have been rapidly evolving, and many countries have reacted by instituting (or strongly encouraging) quarantines, prohibitions on travel, the closure of offices, businesses, factories, schools, retail stores, restaurants, hotels, courts and other public venues, vaccine mandates (e.g. for certain public sector employees) and other restrictive measures designed to help slow the spread of COVID-19. Many businesses have at different times and to different degrees also implemented similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, have created, and

continue to create, significant disruption in the global public and private markets, supply chains and economic activity and are especially impactful on transportation, hospitality, tourism, entertainment, healthcare, consumer and other industries. Moreover, with the continued spread of COVID-19, in particular in certain nations and localities, governments and businesses have taken, and may continue to take, increasingly aggressive measures to help slow its spread. For this reason, among others, as COVID-19 has and could in the future continue to spread throughout the world, the likelihood of an ongoing and/or exacerbated impact, including a global, regional or other economic recession (which recessions some financial experts opine have already arrived), is increasingly uncertain and difficult to assess.

Any public health emergency, including any new outbreaks or variants of COVID-19, SARS, H1N1/09 flu, avian flu, respiratory syncytial virus or RSV other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could negatively impact the Fund and the portfolio companies and could meaningfully affect the Fund's ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on the Fund's and the portfolio companies' operational and financial performance will depend on many factors, including but not limited to the duration and scope of such public health emergency (as well as the availability of effective treatment and/or vaccination); the extent of any related travel advisories and voluntary or mandatory government or private restrictions (including on component parts and raw materials) implemented; the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels; the extent of government support and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. For example, the shortage of workers and lack of key components and raw materials that has come as a result of COVID-19 has and may continue to contribute to manufacturers and distributors being unable to produce or supply enough goods to meet increasing demands. The impact of these global supply chain constraints may not fully be reflected until future periods and may have an adverse impact on the Fund and its portfolio companies at a future point when COVID-19 may not be as prevalent in the public. For this reason, valuations in this environment are subject to heightened uncertainty and subject to numerous subjective judgments, even beyond what is traditionally the case, any or all of which could turn out to be incorrect with the benefit of hindsight. Furthermore, traditional valuation approaches that have been used historically may need to be modified in order to effectively capture fair value in the midst of significant volatility or market dislocation. The effects of a public health emergency may negatively impact the value and performance of the portfolio companies, the Fund's ability to source, manage and divest investments (including but not limited to circumstances where potential transactions are already signed but not closed) and the Fund's ability to achieve its investment objectives, all of which could result in significant losses to the Fund. In particular, a public health emergency like COVID-19 may have a greater impact on leveraged assets.

Any such disruptions may continue for an extended and uncertain period of time. In addition, the operations of the Fund, the portfolio companies, and Palladium may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity, including possibly the Senior Investment Team, or the personnel of any such entity's key service providers. The impact to businesses in such circumstances has been and is expected to continue to be substantial.

In connection with the impacts of the current pandemic and any future such public health crisis, the Fund is expected to incur heightened legal expenses which could similarly have an adverse impact to the Fund's returns. For example, but not by limitation, the Fund or portfolio companies may be subject to heightened litigation and its resulting costs, which costs may be significant and are expected to be borne by the Fund and/or its portfolio companies. There is also a heightened risk of cyber and other security vulnerabilities during the ongoing public health emergency and any future one, which could result in adverse effects to the Fund or the portfolio companies in the form of economic harm, data loss or other negative outcomes.

While the U.S. Food and Drug Administration and other similar regulators globally have approved COVID-19 vaccines and these vaccines are currently available to the general public in the U.S. and in many non-U.S. jurisdictions, a substantial proportion of the U.S. population and the population of other jurisdictions has, despite the availability of vaccines, not been vaccinated, which is believed to be prolonging the effects of COVID-19. In addition, the vaccines have been found to be less than 100% effective and to have waning effectiveness within an extended period of time following inoculation, which means a portion of the population that receives such vaccinations is less than fully protected against the disease and may still experience symptoms, hospitalization or death (and be contagious to others even if asymptomatic). Furthermore, such vaccines (even among individuals who have received one or more "booster" vaccinations) have shown reduced efficacy against certain existing or emerging variants of COVID-19, and emerging variants may continue to be more transmissible or deadly than existing variants of COVID-19. COVID-19 is likely to continue to affect the economy generally, and the pandemic and its economic impact may affect the Fund and the Fund's ability to achieve its investment objectives to a degree that is not currently known, given the situation continues to evolve.

An extended period of remote work arrangements could strain the Fund's or its portfolio companies' business continuity plans, introduce operational risk, including but not limited to cybersecurity risks, and impair the Fund's or the portfolio companies' ability to manage its business. The business operations of the Fund and its portfolio companies could be significantly disrupted if its critical workforce, key vendors, third-party suppliers or counterparties with whom the Fund or its portfolio companies, as applicable, transact are unable to work effectively, including because of illness, quarantines, government actions in response to the COVID-19 pandemic, disruptions in access to remote working capabilities,

including as a result of internet service outages, or other reasons. The Fund and its portfolio companies may outsource certain critical business activities to third parties. As a result, the Fund and its portfolio companies may rely upon the successful implementation and execution of the business continuity planning of such entities. Successful implementation and execution of business continuity strategies by these third parties are largely outside the Fund's and the portfolio companies' control. If one or more of the third parties to whom the Fund or its portfolio companies outsource certain critical business activities experience operational failures as a result of the impacts from the spread of COVID-19, or claim that they cannot perform due to a force majeure, it could cause a material adverse effect on the business, financial condition, results of operations and cash flows of the Fund and its portfolio companies.

Counterparty Risk. The Fund is exposed to the risk that third parties that may owe the Fund money, securities or other assets will not perform their obligations. These parties include trading counterparties, clearing agents, exchanges, clearing houses, custodians, prime brokers, administrators and other financial intermediaries. These parties may default on their obligations to the Fund or its portfolio companies, due to bankruptcy, lack of liquidity, operational failure or other reasons. Nonpayment and nonperformance by such parties may reduce revenues and increase expenses, and any significant level of nonpayment and nonperformance could have a negative impact on the portfolio companies' ability to conduct business, operating results, cash flows and its ability to service debt obligations and make distributions to the Fund. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have long-term obligations to make payments to the Fund or its portfolio companies, or executing securities, futures, currency or commodity trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Also, any practice of rehypothecation of securities of the Fund or its investments held by counterparties could result in the loss of such securities upon the bankruptcy, insolvency or failure of such counterparties.

OFAC, FCPA and Anti-Bribery Considerations. Economic sanction laws in the U.S. and other jurisdictions may prohibit Heritage, Heritage's professionals and the Fund from transacting with or in certain countries or jurisdictions and with certain individuals and companies. In the U.S., the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces 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 entities and individuals include specially designated nationals, sanctions evaders and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited 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 or jurisdictions regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of

sanctions may significantly restrict the Fund's investment activities. Other jurisdictions maintain different and/or additional economic and trade sanctions.

In some countries, there is a greater acceptance than in the U.S. of government involvement in commercial activities, and of corruption. Heritage, Heritage's professionals and the Fund is committed to complying with the U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the Fund may be adversely affected because of its unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for the Fund to act successfully on investment opportunities and for investments to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the UK has continued to broadly enforce the UK Bribery Act of 2010 ("UK Bribery Act"). Other countries have also adopted or improved their anti-corruption legal regimes in recent years. While Heritage has developed and implemented policies and procedures designed to ensure strict compliance by Heritage and its personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of Heritage's policies and procedures, affiliates of portfolio companies, particularly in cases where the Fund or another Heritage sponsored fund or vehicle does not control such portfolio company, may engage in activities that could result in FCPA violations. Any determination that Heritage has violated the FCPA, the UK Bribery Act or other applicable anti-corruption laws or anti-bribery laws could subject Heritage to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect Heritage's business prospects and/or financial position, as well as the Fund's ability to achieve their investment objectives and/or conduct their operations. The Fund may incur costs and expenses associated with engaging external counsel or other third-party consultants or professionals in connection with inquiries or investigations relating to FCPA or other applicable anti-corruption laws or anti-bribery laws.

European Union Directive On Alternative Investment Fund Managers. The Directive imposes requirements on alternative investment fund managers ("AIFMs") which market alternative investment funds ("AIFs") to professional investors within the EEA or the UK and/or manage AIFs within the EEA or the UK (as applicable). If the General Partner were subject to the Directive, the Fund would be a non-EEA AIF marketed by a non-EEA AIFM.

The Directive allows member states to permit the marketing of an AIF by a non-EEA AIFM under a national private placement regime provided that the national private placement regime meets the requirements of Article 42 of the Directive. There is no requirement for a member state to operate or maintain a national private placement regime and, if it does, the member state is free to impose stricter rules than the minimum requirements. In summary, the AIFM must at a minimum: (i) provide pre-investment and periodic disclosure to investors; (ii) provide prescribed information to regulators on a periodic basis; (iii) prepare an annual report

and make it available to investors and regulators; and if applicable: (a) comply with notification and disclosure requirements in relation to the acquisition and control of non-listed companies and issuers; and (b) comply with restrictions on early distributions, capital reductions and share redemptions in respect of portfolio companies (the asset-stripping rules).

Were the General Partner to market the Fund in a member state in compliance with the national private placement regime resulting in investors from that member state investing in the Fund, the General Partner's ongoing compliance with the laws of that member state would continue until all of such investors dispose of their interests in the Fund. The Directive would therefore have the potential to adversely affect the operations of the Fund by: (i) limiting the territories in the EEA in which the Fund may seek investors to those that operate a private placement regime, (ii) affecting the range of investment and realization strategies that the Fund is able to pursue, (iii) disadvantaging the Fund vis-à-vis non-AIF competitors, and (iv) adding to the costs associated with compliance, monitoring and reporting over the life of the Fund.

In the future it may be possible for the General Partner to seek, or it may determine that it should seek, authorization as an AIFM in an EEA member state (should that option become available) or under a similar regime elsewhere. Alternatively, it might be determined in the future that the Fund should be managed by an associate of the General Partner that is an authorized AIFM and has its registered office in an EEA member state. Authorization would enable the Fund to be marketed within the EEA pursuant to a pan-European marketing "passport" instead of under national private placement regimes, but it would entail full compliance with the Directive (or with similar requirements of a similar regime). In such circumstances, the AIFM would become subject to rules relating to remuneration, minimum regulatory capital requirements, professional indemnity insurance, restrictions on the use of leverage, requirements in relation to liquidity and risk management, valuation of assets, appointment of a depositary, etc. Such requirements could adversely affect the Fund, among other things by increasing the regulatory burden and costs of operating and managing the Fund and its investments. Any required changes to compensation structures and practices could make it harder for the AIFM and its associates to recruit and retain key personnel.

General Economic and Market Conditions. Turmoil such as that recently experienced by the U.S. and global financial markets as a result of the ongoing COVID-19 (as defined above) pandemic, and such as that which markets endured during the global financial crisis of 2008, illustrates the risk that the financial markets can experience uncertainty, volatility and instability, potentially for protracted periods of time. Lending and the global credit markets continue to experience substantial volatility, disruption, liquidity shortages and to some extent financial instability. Global financial markets have experienced considerable and prolonged declines in the valuations of equity and debt securities and periodic acute contraction in the availability of credit. There can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of the Fund's investments (including with respect to performing under or refinancing their existing obligations), its access to capital or leverage, its ability to effectively deploy its capital or realize investments on favorable terms or

its overall performance. Please see “Coronavirus and Public Health Emergencies” for additional important considerations regarding global economic conditions.

The success of the Fund’s activities will be affected by the current economic volatility as well as general economic and market conditions, such as interest rates, availability and spreads of credit, credit defaults, inflation rates, economic uncertainty, changes in applicable laws and regulations (including laws relating to taxation of the Fund and the Fund’s investments), trade barriers, currency exchange controls, continued technology disruption, tax reform or other significant policy changes as well as national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts, security operations or public health considerations).

The Fund’s investment strategy and the availability of opportunities satisfying the Fund’s risk-adjusted return parameters relies in part on the continuation of certain trends and conditions observed in the financial markets and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made or the beliefs and expectations currently held by the General Partner will prove correct and actual events and circumstances may vary significantly.

Inflation. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets, particularly in emerging economies. For example, if a portfolio company is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Portfolio companies may have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, a portfolio company may earn more revenue but incur higher expenses. As inflation declines, a portfolio company may not be able to reduce expenses commensurate with any resulting reduction in revenue. Furthermore, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Further, certain countries, including the U.S., have recently seen increased levels of inflation and there can be no assurance that continued and more widespread inflation will not become a serious problem in the future and have an adverse impact on the Fund’s returns.

Ongoing Turmoil in the U.S. and Global Financial Markets. General fluctuations in the financial markets, market prices of securities and/or interest rates may adversely affect the value of the Fund’s investments and/or increase the risks inherent in the Fund’s investments. The ability of companies, businesses, projects or assets in which the Fund hold investments to refinance debt securities may depend on their ability to obtain financing, including by selling new securities in the high-yield debt or bank financing markets, which in recent months have been extraordinarily difficult to access at favorable rates. The precarious state of global credit and equity markets, coupled with the uncertainty for financial services companies and in the global financial system generally, may make it significantly more difficult than it had been in the

recent past for financial sponsors like Heritage to obtain favorable financing terms for its investments. Any deterioration of the global debt markets, any possible future failures of certain financial services companies and a significant rise in market perception of counterparty default risk will likely significantly reduce investor demand and liquidity for investment grade, high-yield and senior bank debt, which in turn is likely to lead some investment banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer committed financing for investments on less favorable terms than had been prevailing in the recent past. The Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments.

Enhanced Scrutiny and Potential Regulation of the Private Equity Industry. The Fund's ability to achieve its investment objectives, as well as the ability of the Fund to conduct its operations, is based on laws and regulations which are subject to change through legislative, judicial or administrative action. There have been significant legislative developments affecting the private investment fund industry and there continues to be discussion regarding enhancing governmental scrutiny and/or increasing the regulation of the private investment fund industry. It is difficult to determine what impact, if any, any increased regulatory scrutiny or initiatives will have on the private investment fund industry generally or on Heritage and the Fund specifically. Future legislative, judicial or administrative action could adversely affect the Fund's ability to achieve its investment objectives, as well as the ability of the Fund to conduct its operations.

The alternative asset management and financial services industries are subject to enhanced governmental scrutiny and/or increased regulation, and a number of legislative initiatives have been signed into law affecting alternative investment firms, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), a key feature of which is the potential extension of prudential regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") to nonbank financial companies that are not currently subject to such regulation but that are determined to pose risk to the U.S. financial system. The Dodd-Frank Act defines a "nonbank financial company" as a company that is predominantly engaged in activities that are financial in nature. The Financial Stability Oversight Council (the "FSOC"), an interagency body created to monitor and address systemic risk, has the authority to subject such a company to supervision and regulation by the Federal Reserve Board (including capital, leverage and liquidity requirements) if the FSOC determines that such company is systemically important, in that its material financial distress or the riskiness of its activities could pose a threat to the financial stability of the United States. The Dodd-Frank Act does not contain any minimum size requirements for such a designation, and it is possible that it could be applied to private funds, particularly large, highly leveraged funds. If regulations were to extend the regulatory and supervisory requirements, such as capital and liquidity standards currently applicable to banks, or the Fund were considered to be engaged in certain "shadow banking" activities, either in the United States or in any other jurisdiction in which such Fund engages in investment activities, the regulatory and operating costs associated

therewith could adversely impact the implementation of the Fund's investment strategy and the Fund's returns and may become prohibitive.

The Dodd-Frank Act also imposes a number of restrictions on the relationship and activities of banking organizations with certain private equity funds and hedge funds and other provisions that affect the private equity industry, either directly or indirectly. Included in the Dodd-Frank Act is the so-called "Volcker Rule," which takes the form of Section 13 of the Bank Holding Company Act of 1956, as amended. Among other things, the Volcker Rule (as amended by the Reform Act, as defined below, and together with its implementing regulations) generally prohibits any "banking entity" (generally defined as any insured depository institution, subject to certain exceptions, including for depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets or significant trading assets and liabilities, any company that controls such an institution, a non-U.S. bank that is treated as a bank holding company for purposes of U.S. banking law, and any affiliate or subsidiary of the foregoing entities) from sponsoring or acquiring or retaining an ownership interest in a private equity fund or hedge fund that is not subject to the provisions of the Company Act in reliance upon either Section 3(c)(1) or Section 3(c)(7) of the Company Act, subject to certain exclusions. The Volcker Rule also permits the Federal Reserve to require, by rule, that certain nonbank financial companies that have been determined to be systemically important by the FSOC and subject to supervision and regulation by the Federal Reserve Board (as discussed above) comply with additional capital requirements for, and additional quantitative limits with regards to, such activities, although such nonbank financial companies are not expressly prohibited from engaging in sponsoring or investing in such funds.

Although the Registrant is currently registered under the Advisers Act of 1940 (the "Advisers Act"), the enactment of these reforms and/or other similar legislation could nonetheless have an adverse effect on the private investment funds industry generally and on Heritage and/or the Fund specifically, and may impede the Fund's ability to effectively achieve its investment objectives. The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and / or on the Fund or Palladium.

As a registered investment adviser under the Advisers Act, the Registrant is required to comply with a variety of periodic reporting and compliance-related obligations under applicable federal and state securities laws (including, without limitation, the obligation of the Registrant and its affiliates to make regulatory filings with respect to the Fund and its activities under the Advisers Act (including, without limitation, Form PF and Form ADV)). In light of the heightened regulatory environment in which the Fund and the Registrant operate and the ever-increasing regulations applicable to private investment funds and their investment advisors, it has become increasingly expensive and time-consuming for the Fund, the Registrant and their affiliates to comply with such regulatory reporting and compliance-related obligations. For example, Form PF requires that Heritage report the regulatory assets under management of the Fund, and because the Fund could be required to bear the Fund's expenses relating to compliance-related matters and regulatory filings, the Fund's will bear the costs and expenses of initial and ongoing Form PF compliance applicable to the Fund, including costs and expenses of collecting and

calculating data and the preparation of such reports and filings. Such expenses are likely to be material, including on a cumulative basis over the life of the Fund. Any further increases in the regulations applicable to private investment funds generally or the Fund and/or the Registrant in particular may result in increased expenses associated with the Fund's activities and additional resources of the Registrant being devoted to such regulatory reporting and compliance-related obligations, which may reduce overall returns for the limited partners and/or have an adverse effect on the ability of the Fund to effectively achieve its investment objectives.

The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and/or on Heritage or the Fund, specifically. Therefore, there can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on Heritage or otherwise impede the Fund's activities. The current regulatory environment in the United States may be impacted by future legislative developments, such as amendments to key provisions of the Dodd-Frank Act. For example, on May 24, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the "Reform Act") was signed into law. Among other regulatory changes, the Reform Act, together with implementing regulations adopted by U.S. federal regulatory agencies in July 2019, amends various sections of the Dodd-Frank Act, including by modifying the Volcker Rule to exempt depository institutions that do not have, and are not controlled by a company that has, more than \$10 billion in total consolidated assets or significant trading assets and liabilities. Also in July 2019, U.S. federal regulatory agencies adopted certain targeted amendments to the Volcker Rule regulations to simplify and tailor certain compliance requirements relating to the Volcker Rule. In June 2020, U.S. federal regulatory agencies adopted certain clarifying amendments to the Volcker Rule's restrictions on sponsoring and investing in certain covered hedge funds and private equity funds, along with certain new exemptions that allow banking entities to sponsor and invest without limit in credit funds, venture capital funds, customer facilitation vehicles and family wealth management vehicles (the "Covered Fund Amendments"). The Covered Fund Amendments also loosen certain other restrictions on extraterritorial fund activities and direct parallel or co-investments made alongside covered funds. The Covered Fund Amendments, should therefore expand the ability of banking entities to invest in and sponsor private funds. The ultimate consequences of the Reform Act and such regulatory developments on the Fund and its activities remain uncertain, and the private investment fund industry may in the future be subject to further enhanced governmental scrutiny and/or increased regulation, including resulting from changes in U.S. executive administration or Congressional leadership. Any significant changes in, among other things, banking and financial services regulation, including the regulation of the asset management industry, could have a material adverse impact on the Fund and its activities.

In February 2022, the SEC voted to propose new rules and amendments (collectively, the "SEC Proposed Rule") to existing rules under the Advisers Act specifically related to registered advisers and their activities with respect to private funds. If enacted, the SEC Proposed Rule could create additional regulatory uncertainty and may have a significant impact on advisers to private funds, including Palladium. In particular, the SEC has proposed to limit

circumstances in which a fund manager can be indemnified by a private fund; increase reporting requirements by private funds to investors concerning performance, fees and expenses; require registered advisers to obtain an annual audit for private funds and also require such fund's auditor to notify the SEC upon the occurrence of certain material events; enhanced requirements, including the need to obtain a fairness opinion and make certain disclosures, in connection with adviser-led secondary transactions (also known as GP-led secondaries); prohibit advisers from engaging in certain practices, such as, without limitation, charging accelerated fees for unperformed services or fees and expenses associated with an examination to private fund clients and seeking reimbursement, indemnification, exculpation or otherwise limiting an adviser's liability for certain activities; and impose limitations and new disclosure requirements regarding preferential treatment of investors in private funds in side letters or other arrangements with an adviser. If adopted, including with modifications, this new SEC Proposed Rule could have a significant effect on private fund advisers, including Palladium, and their operations, including increasing compliance burdens and associated regulatory costs, reducing the ability to receive expense or indemnification reimbursements, and increasing the risk of regulatory action, including public regulatory sanctions, and may result in a change to Palladium's practices and risk appetite in respect of Palladium's investment programs. Further, we note that in connection with the SEC Proposed Rule, if such rule were to be enacted, it could also significantly increase the cost of insurance, specifically D&O and E&O insurance, or may even make such insurance coverage unavailable.

In May 2022, the SEC proposed amendments to rules and reporting forms to promote consistent, comparable, and reliable information for investors concerning investment advisers' incorporation of environmental, social, and governance (ESG) factors (the "ESG Proposed Rule"). The ESG Proposed Rule seeks to categorize certain types of ESG strategies broadly and require advisers to provide census type data in Form ADV Part 1A and provide more specific disclosures in adviser brochures based on the ESG strategies they pursue.

The SEC Proposed Rule and ESG Proposed Rule, if adopted, may result in material alterations to how Palladium operates its business and/or the Fund, as well as Palladium's implementation of the Fund's investment strategy, and there can be no assurance that such alterations will not have a material adverse effect on Palladium, the Registrant, the General Partner, the Fund, its portfolio investments and/or the Limited Partners. To the extent permitted under the Partnership Agreement, the incremental costs of compliance by Palladium and/or the Fund with any new SEC rules may be borne by the Fund, which may be significant.

Furthermore, various federal, state and local agencies have been examining the role of placement agents, finders and other similar service providers in the context of investment by public pension plans and other similar entities, including investigations and requests for information, and in connection therewith, new and/or proposed rules and regulations in this arena may increase the possibility that the General Partner and its affiliates may be exposed to claims and/or actions that could require a limited partner to withdraw from the Fund. Relatedly, Heritage may be required to provide certain information regarding some of the limited partners in the Fund to regulatory agencies and bodies in order to comply with

applicable laws and regulations including the FCPA and FOIA. Moreover, the SEC has specifically focused on private equity. In connection with that focus, the SEC's list of examination priorities includes, among other things, private equity firms' collection of fees and allocation of expenses, their marketing and valuation practices, allocation of investment opportunities and other conflicts of interests. Relatedly, Heritage may be required to provide certain information regarding some of the Limited Partners to regulatory agencies and bodies in order to comply with applicable laws and regulations, including the FCPA and Freedom of Information Act ("FOIA").

In addition, elements of organized labor and other representatives of labor unions have embarked on a campaign targeting private investment firms on a variety of matters of interest to organized labor. There can be no assurance that the foregoing will not have an adverse impact on Heritage or the Fund or otherwise impede the Fund's activities. The recent negative perception of the private investment fund industry in certain countries could make it harder for funds sponsored by private investment firms, such as the Fund, to successfully bid for and complete investments.

This increased political and regulatory scrutiny of the private investment fund industry has been particularly acute since the 2008-2009 global financial crisis. In addition to the U.S. legislation described above, other jurisdictions, including many European jurisdictions, have proposed modernizing financial regulations that have called for, among other things, increased regulation of and disclosure with respect to, and possibly registration of, hedge funds and private equity funds such as the "Directive" discussed below. There is therefore a material risk that regulatory agencies in the U.S., Europe, or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the private equity industry, or other changes that could adversely affect private equity firms and the funds they sponsor, including the Fund.

Increased reporting, registration and compliance requirements may divert the attention of personnel and the management teams of the General Partner, and may furthermore place the Fund at a competitive disadvantage to the extent that Palladium is required to disclose sensitive business information.

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 recently been subject to criticism by some politicians, regulators and market commentators. The recent negative perception of the private fund industry in certain countries could make it harder for the Fund to successfully bid for and complete portfolio investments.

The outcome of the 2020 U.S. presidential, the 2022 U.S. federal elections and other elections create uncertainty with respect to legal, tax and regulatory regimes in which the Fund and its portfolio companies, as well as Palladium, Heritage and their affiliates, will operate. In addition to the proposed legislation described above, any significant changes in, among other

things, economic policy (including with respect to interest rates), the regulation of the asset management industry, tax law, immigration policy and/or government entitlement programs could have a material adverse impact on the Fund and its portfolio companies.

Registration under the U.S. Commodity Exchange Act. Registration with the U.S. Commodity Futures Trading Commission (the “CFTC”) as a “commodity pool operator” or any change in the Fund’s, the General Partner’s or its affiliates’ operations (including, without limitation, any change that causes the General Partner or its principals to be subject to certain specified covered statutory disqualifications) necessary to maintain the General Partner’s or Registrant’s ability to rely upon an exemption from registration could adversely affect the Fund’s ability to implement its investment program, conduct its operations and/or achieve its objectives and subject the Fund to certain additional costs, expenses and administrative burdens. Furthermore, any determination by the General Partner to cease or to limit holding or investing in interests which may be treated as “commodity interests” in order to comply with the regulations of the CFTC may have a material adverse effect on the Fund’s ability to implement its investment objectives and to hedge risks associated with its operations.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory changes, including new interpretations of existing laws or regulations, could occur during the term of the Fund that may adversely affect the Fund. 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 financings for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to the risks involved in such transactions.

Increased scrutiny and newly proposed legislation applicable to private investment funds and their sponsors may also impose significant administrative burdens on the applicable manager and may divert time and attention from portfolio management activities. There is a material risk that regulatory agencies in the U.S., Latin America or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the alternative asset management (including private equity) industry, or other changes that could adversely affect alternative asset management firms, private equity firms and the funds they sponsor, including the Fund. In addition, and in particular in light of the changing global regulatory climate, the Fund may be required to register under certain foreign laws and regulations and need to engage distributors or other agents in certain non-U.S. jurisdictions in order to market interests to potential investors. The effect of any future regulatory change on the Fund could be substantial and adverse. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies.

Risks in Effecting Operating Improvements. In some cases, the success of the Fund’s investment strategy will depend, in part, on the ability of the Fund to restructure and effect

improvements in the operations of a portfolio investment. The activity of identifying and implementing restructuring programs and operating improvements in portfolio investments entails a high degree of uncertainty. There can be no assurance that the Fund will be able to successfully identify and implement such restructuring programs and improvements. Companies in certain industries in which the Fund expects to invest will be subject to additional pressures to continuously upgrade their facilities through ongoing renovations and capital improvements in order to stay competitive. There is no assurance that a company's management team will undertake such capital improvements or that cash flow and reserves from operations will be adequate to meet costs of such improvements. In these circumstances, the Fund may be required to provide additional funding and may be adversely affected thereby. In addition, owned properties that become unprofitable may not be easily converted to other uses.

U.S. Tax Reform. According to publicly released statements, a top legislative priority of President Biden's administration and of Democrats in the Senate and the House of Representatives is significant tax increases and various other changes to U.S. tax rules. For example, legislation has been proposed that includes, among other changes, significant modifications to the international tax rules and further restrictions on the taxation of carried interest. It is unclear whether any legislation will be enacted into law or, if enacted, what form it would take, and it is also unclear whether there could be regulatory or administrative action that could affect U.S. tax rules. The impact of any potential tax changes on an investment in the Fund is uncertain.

United Kingdom – Exit from the European Union. As part of the process of the UK leaving the EU, the EU and the UK agreed to an EU-UK Trade and Cooperation Agreement ("TCA") that governs the trading relationship between the UK and the member states of the EU and came into effect on January 1, 2021. Broadly, the TCA provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin, but is subject to both parties maintaining a level playing field in areas such as environmental protection, social and labor rights, investment, competition, state aid, and tax transparency.

Firms that conduct or depend on the provision of cross-border services, including UK regulated firms in the financial sector, are adversely affected by these arrangements because the TCA does not provide for continued access by UK firms to the EU single market although there is the possibility that in time, the UK may obtain a recognition of equivalence from the EU in certain financial sectors which would enable varying degrees of access to the EU market. Similarly, notwithstanding zero tariffs and zero quotas on goods, market access for those firms that conduct cross-border trade in goods will fall below what the single market previously allowed. Non-tariff barriers, customs declarations, customs checks, restrictions on movements of employees, withdrawal of recognition of previously recognized professional qualifications, changes in the status of the UK vis-à-vis the EU for tax and value added tax purposes, and other sources of friction have the potential to impair the profitability of a business, require it to adapt, or even relocate to operate through an establishment in the EU. Understanding and

preparing for these new arrangements may result in increased operational and compliance burdens for the Fund.

It will take some time to observe the many and varied effects on UK and EEA businesses (and therefore asset values) of the consequences of the UK leaving the single market and customs union, taking into account the flow of goods and services in both directions and the complications of the Northern Ireland protocol. Given the size and global significance of the UK's economy, uncertainty, at least in the near term, about the effect of the TCA on the day-to-day operations of those businesses that engage in the cross-border trade of goods or services between member states of the EU and the UK, may be a continued source of currency fluctuations or have other adverse effects on international markets, international trade and other cross-border cooperation arrangements. The present uncertainty could therefore adversely affect the Fund, the performance of its portfolio investments and its ability to fulfil its investment objectives (especially if its portfolio investments include, or expose it to, businesses that have historically relied on access to the single market for their custom or that have historically relied on sourcing goods, materials or labor from the single market).

The withdrawal of the UK from the EU may also increase the compliance and regulatory burden of the Fund. The UK legal and regulatory framework may, with time, increasingly differ from EU laws and regulations and the General Partner will need to consider both systems to ensure compliance with applicable laws and regulations.

Investors should also be aware of the on-going disagreements between the UK government and the European Union regarding the Northern Ireland Protocol ("NIP"). The NIP is part of the arrangements put in place as part of the TCA to address cross-border trade in goods between Great Britain, Northern Ireland and the European Union. The UK government has subsequently raised concerns as to the manner in which the NIP has been interpreted and implemented and has indicated it may take action to suspend and/or override aspects of the NIP. The European Commission has stated it reserves the right to take retaliatory measures in response to actions taken by the UK government.

Any prolonged dispute regarding the TCA and/or the NIP may have a material adverse effect on cross-border trade between the United Kingdom and the European Economic Area which could prove disruptive to their respective economies. Negative impacts on portfolio investments that are exposed to the economies of the United Kingdom and/or the European Economic Area may therefore arise which could cause a material adverse effect on the business, financial condition, results of operations and cash flows of the Fund and its portfolio investments.

Generally, the withdrawal of the UK from the EU may increase the compliance and regulatory burden of the Fund. The UK legal and regulatory framework may, with time, increasingly differ from EU laws and regulations and Heritage will need to consider both systems to ensure compliance with applicable laws and regulations.

Tax Legislation Adversely Affecting Heritage Employees and Other Service Providers.

Heritage's ability to achieve the investment objectives of the Fund depends to a substantial degree on its ability to retain and motivate its investment professionals and other key personnel, and to recruit talented new personnel. Heritage's ability to recruit, retain and motivate its professionals is dependent on its ability to offer highly attractive incentive compensation. Tax law requires an investment to be held for at least three years in order for the carried interest related to such investment to be treated as capital gains for U.S. federal income tax purposes, and Congress has recently proposed legislation that would lengthen such required holding period. Further, Congress has previously considered legislation that would subject "carried interest" and gain on the sale of investment services partnership interests to higher rates of U.S. federal income tax than under current law. Enactment of any such legislation could cause Heritage's investment professionals to incur a material increase in their tax liability with respect to their entitlement to "carried interest." This might make it more difficult for Heritage to incentivize, attract and retain these professionals, which may have an adverse effect on Heritage's ability to achieve the investment objectives of the Fund.

EU Unshell. On December 22, 2021, the European Commission issued a proposal for a Council Directive laying down rules to prevent the misuse of shell entities for tax purposes within the EU (the "Unshell Proposal"). While the Unshell Proposal is expected to be adopted and published into EU member states' national laws by June 30, 2023, and to come into effect as of January 1, 2024, there is considerable uncertainty surrounding the development of the proposal and its implementation. The proposal could result in additional reporting and disclosure obligations for the Fund and/or its subsidiaries (which may require the Fund or its subsidiaries to share with applicable taxing or other governmental authorities information concerning limited partners) and/or additional tax being suffered by limited partners, the Fund or its subsidiaries.

Limited Access to Information. Limited partners' rights to information regarding the Fund will be specified, and strictly limited, in the Partnership Agreement. In particular, it is anticipated that the General Partner will obtain certain types of material information from investments that will not be disclosed to limited partners because such disclosure is prohibited for contractual, legal or similar obligations, which may be outside of the General Partner's control. The General Partner may also withhold information to preserve legal privilege. Decisions by the General Partner 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 interests may have difficulty in determining an appropriate price for such interests. Decisions to withhold information also may make it difficult for limited partner to monitor the General Partner and its performance. Additionally, it is expected that limited partners who designate representatives to participate on the Advisory Committee will, by virtue of such participation, have more information about the Fund and investments in certain circumstances than other limited partners generally and may be disseminated information in advance of communication to other limited partners generally.

In addition, certain limited partners may also be limited partners in Other Palladium Funds. Limited partners may also include affiliates of Palladium, such as Other Palladium Funds, charities or foundations associated with Palladium personnel and/or Palladium employees and any such affiliates, funds or persons may also invest through the vehicles established in connection with Palladium's co-investment rights. It is also possible that the Fund or Fund's investments may be counterparties or participants in agreements, transactions or other arrangements with a limited partner or an affiliate of a limited partner. Such limited partners described in the previous sentences may therefore have different information about Palladium and the Fund than limited partners not similarly positioned. Similarly, not all limited partners monitor their investments in vehicles such as the Fund in the same manner. For example, certain limited partners may periodically request from the General Partner information regarding the Fund and investments and/or portfolio companies that is not otherwise set forth in (or has yet to be set forth in) the reporting and other information required to be delivered to all limited partners. In such circumstances, the General Partner may provide such information to such limited partner, but the fact that the General Partner has provided such information upon request by one or more limited partners does not necessarily obligate the General Partner to affirmatively provide such information to all limited partners (although the General Partner will generally provide the same information upon request and treat limited partners equally in that regard). As a result, certain limited partners may have more information about the Fund than other limited partners, and the General Partner will have no duty to ensure all limited partners seek, obtain or process the same information regarding the Fund and its investments and/or portfolio companies.

Furthermore, in response to questions and requests and in connection with due diligence meetings, side letter compliance and other communications, the Fund and the General Partner may provide additional information to certain limited partners and prospective limited partners that is not distributed to other limited partners and prospective limited partners. Such information may affect a prospective limited partner's decision to invest in the Fund or take actions or make decisions as a limited partner.

Indemnification. The Fund will be required to indemnify the General Partner, the Registrant, their respective affiliates, and their respective officers, directors, agents, stockholders, employees, operating partners, senior advisors, members and partners, and any other person who serves at the request of the General Partner on behalf of the Fund as an officer, director, agent, stockholder, employee, operating partner, senior advisor, member and partner of any other entities for liabilities incurred in connection with the affairs of the Fund. Members of the Advisory Committee will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the Partnership Agreement. Such liabilities may be material and may have an adverse effect on the returns to the limited partners. For example, in their capacity as directors of portfolio companies, the members, managers or affiliates of Heritage may be subject to derivative or other similar claims brought by shareholders of such companies. The Fund may also engage placement agents and other similar finders and consultants and agree to indemnify such agents, finders or consultants. The indemnification obligation of the Fund (including advancement expenses in connection

therewith) would be payable from the assets of the Fund, including the unfunded commitments of the limited partners. If the assets of the Fund are insufficient, Palladium may recall distributions previously made to the limited partners, subject to certain limitations set forth in the Partnership Agreement. Furthermore, as a result of the provisions contained in the Partnership Agreement, limited partners may have a more limited right of action in certain cases than it would in the absence of such limitations. It should be noted that the General Partner may cause the Fund, at the Fund's expense, to purchase insurance, including, for example, directors and officers liability insurance, for (or allocate a portion of the premium from the Firm's insurance policy as it relates to) the Fund, the General Partner, the Registrant and their employees, agents and representatives with respect to their Fund-related activities. Moreover, the General Partner will, notwithstanding any actual or perceived conflict of interest, be a direct or indirect beneficiary of any decision by it to provide indemnification (including advancement of expenses).

Carried Interest. Carried Interest creates an incentive for the General Partner to make riskier or more speculative investments on behalf of the Fund than would be the case in the absence of this arrangement, although Palladium's commitment of capital to the Fund should somewhat reduce this incentive. See also "Capital Calls and Use of Subscription Lines and Asset-Backed Credit Facilities" above. The existence and terms of the General Partner's Carried Interest may also create other incentives and potential conflicts of interest related to the General Partner's investment-related decisions. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by the General Partner in accordance with procedures set forth in the Partnership Agreement. An independent appraisal generally will not be required and is not expected to be obtained. In certain limited circumstances, the amount of Carried Interest will be calculated based on the fair market value of in-kind distributions, even though a limited partner may have elected to receive a distribution of cash in lieu thereof. Pursuant to the Partnership Agreement, the General Partner may be required to return excess amounts of Carried Interest as a "clawback." This clawback obligation creates an incentive for the General Partner to defer disposition of one or more investments or delay the liquidation of the Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for the General Partner.

In addition, the manner in which the General Partner's entitlement to Carried Interest is determined may result in a conflict between its interests and the interests of limited partners with respect to the sequence and timing of disposals of investments. For example, the members and partners of the General Partner are generally subject to U.S. federal and local income tax (unlike certain of the limited partners). The General Partner may be incentivized to operate the Fund, including to hold and/or sell investments, in a manner that takes into account the tax treatment of its Carried Interest. The current law relating to the taxation of Carried Interest provides for a lower capital gains tax rate in respect of investments held for at least three years. While the General Partner generally intends to seek to maximize pre-tax returns for the Fund as a whole, the General Partner may nonetheless be incentivized, for example, to hold investments longer to ensure long-term capital gains treatment and/or realize

investments prior to any change in law that results in a higher effective income tax rate on its Carried Interest. Further, Palladium frequently defers distributions of Carried Interest that it is entitled to early in the life of a fund. Such a deferral may be made in connection with an investment in respect of which certain limited partners participate through a corporation. To the extent that the General Partner later receives a “make-whole” distribution from a separate investment in respect of which those limited partners do not participate through a corporation, the aggregate after-tax proceeds received by such limited partners may be lower than what would have been the case had the Carried Interest not been deferred.

Pay-To-Play Laws, Regulations and Policies. In light of controversies and highly publicized incidents involving money managers, a number of states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit the Registrant from providing advisory services for compensation with respect to a government plan investor for two years after the advisor or certain of its executives or employees make a contribution to certain elected officials or candidates. If the Registrant, the General Partner, or their respective employees or affiliates fail to comply with such pay-to-play laws, regulations or policies, such non-compliance could have an adverse effect on the Fund by, for example, providing the basis for the withdrawal of the affected government plan investor.

Diverse Limited Partner Group. The limited partners are expected to be based in a wide variety of jurisdictions and take a wide variety of forms. Accordingly, they will have conflicting regulatory, legal, investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of individual limited partners with respect to other limited partners and relative to investors in other investment vehicles may relate to or arise from, among other things, the nature of investments made by the Fund and such other investment vehicles, the structuring or the acquisition or sale of investments and such other investment vehicles and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner or the Registrant, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors’ individual tax situations.

In addition, the Fund may make investments which may have a negative impact on related investments made by the limited partners in separate transactions. In selecting, structuring and managing investments appropriate for the Fund, the General Partner will generally consider the investment and tax objectives of the Fund and its Partners (and those investors in other investment vehicles managed or advised by the General Partner and the Registrant) as a whole, and not the investment, tax or other objectives of any limited partner individually. To the extent members of the Advisory Committee or limited partners in the Fund vote on any matter regarding conflicts or otherwise participate in matters involving a vote or action thereby, any such limited partners in the Fund may have an interest in other funds, including Other Palladium Funds, or provide services (including acting as agents or lenders) to

the Fund, portfolio companies and investments, Palladium, Other Palladium Funds or their portfolio companies and, as a result, may not be motivated to vote solely in accordance with its interests related to the Fund. Moreover, such limited partners are unrestricted from voting, and may affirmatively vote, in a manner that is adverse to the interests of other limited partners and the Fund. In such circumstances, it is not necessarily the case that a member of the Advisory Committee or limited partner would seek to recuse itself or otherwise be excluded from those voting. Additionally, not all limited partners monitor their investments in vehicles such as the Fund in the same manner. For example, certain limited partners periodically request from the General Partner information regarding the Fund and investments and/or portfolio companies in which the Fund invests that is not otherwise set forth in (or has yet to be set forth in) the reporting and other information required to be delivered to limited partners generally.

Cyber Security Breaches, Identity Theft, Denial of Service Attacks, Ransomware Attacks, and Social Engineering Attempts. Cybersecurity incidents, cyber-attacks, denial of service attacks, ransomware attacks, and social engineering attempts (including business email compromise attacks) are increasing in frequency, scope and severity at a global level and will likely continue to increase in the future. There have been a number of recent highly publicized cases involving companies reporting the unauthorized disclosure of client or customer information and the unauthorized transfer of client or customer funds, as well as cyber-attacks involving the dissemination, theft and destruction of corporate information or other assets, whether as a result of a failure to follow procedures by employees or contractors or as a result of actions by a variety of third parties, including nation state actors and terrorist or criminal organizations. The General Partner, the Registrant, the Fund, the portfolio companies, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions, and their operations rely on the secure processing, storage and transmission of confidential and other information in their systems and those of their respective third-party service providers. These information, technology and communications systems are subject to a number of different threats or risks that could adversely affect the Fund, its investors and the portfolio companies, despite the efforts of the General Partner, the Registrant, and any service providers engaged by the portfolio companies and/or the Fund to adopt technologies, policies and practices intended to mitigate these risks and protect the security of their information technology and communications systems and related assets, as well as the confidentiality, integrity and availability of information belonging to the Fund, its investors and the portfolio companies. For example, these systems are subject to damage or interruption from computer viruses, ransomware attacks, 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, typhoons, earthquakes, wars, terrorist attacks and other similar events. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the General Partner's, the Registrant's, the portfolio companies', or their respective service providers' systems to disclose sensitive information in order to gain access to the General Partner's, the Registrant's, the Fund's or the portfolio companies' data or that of their respective investors. There also have been several publicized cases where hackers have

requested ransom payments in exchange for not disclosing client or customer information or restoring access to information technology or communications systems.

The General Partner and the Registrant have implemented and will continue to implement, various policies, processes and measures to manage risks relating to these types of events. However, such policies, process and measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. If the aforementioned systems, processes and measures are inadequate, compromised, become inoperable for extended periods of time or, cease to function properly, the Fund, the General Partner, the Registrant, a portfolio company and/or a service provider of any of the foregoing would have to make a significant investment to fix or replace them. In addition, due to interconnectivity with third-party service providers (and their respective subcontractors), the Fund would be adversely affected if any service provider or subcontractor of the Fund, the General Partner, the Registrant or any portfolio company is subject to a successful cyber-attack or other information security event. Heritage does not control the cyber security plans and systems put in place by third-party service providers, and oftentimes has limited access to gain visibility into such plans, systems, or breaches thereof, and such third-party service providers may have limited indemnification obligations to Heritage, the Fund and/or a portfolio company, each of whom could be negatively impacted as a result. The successful penetration or circumvention of the security of the Heritage's own internal cyber systems or a portfolio company's or a third-party service provider's systems, or a failure of or weaknesses in, these systems or Heritage's own internal cyber systems and controls and/or of disaster recovery plans for any reason could cause significant interruptions in Heritage's, the Fund's, the General Partner's, the Registrant's, a portfolio company's and/or a service provider's operations and result in a failure to maintain the security, confidentiality, availability or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors), material non-public information in possession of Heritage and/or portfolio companies and the intellectual property and trade secrets and other sensitive information in the possession of Heritage and/or portfolio companies. A cybersecurity incident could have numerous material adverse effects, including on the operations, liquidity and financial condition of the Fund and/or its portfolio companies, such as the inability to access electronic systems, loss or theft of proprietary information or corporate data and physical damage to a computer or network system. In addition, cybersecurity incidents and cyber-attacks could cause financial costs from the theft of Fund or portfolio company assets (including proprietary information and intellectual property) as well as numerous unforeseen costs including, but not limited to: litigation costs, costs of responding to regulatory inquiries, settlement costs, compliance costs, preventative and protective costs, remediation costs and costs associated with reputational damage, any one of which, could be materially adverse to the Fund. Such a failure could harm Heritage's, the Fund's, a portfolio company's and/or a service provider's reputation, subject any such entity and their respective affiliates to legal claims, compliance costs and litigation and otherwise affect their business and financial performance (including effects on their liquidity and financial condition). These threats in the aggregate continue to be meaningfully magnified as the sophistication and complexity of cyber threats, and expansion of

cyber resources and threat actors (including those who may be supported by nation states with extensive resources), have evolved over time, and they have continued to become increasingly advanced over time. Despite the General Partner's and the Registrant's efforts to foster the security, integrity and availability of their information technology and communications systems, the General Partner and Registrant are likely not going to be able to anticipate, detect or prevent all cyber threats, especially because the techniques used are increasingly sophisticated, change frequently and are often not recognized until initiated.

Data taken in such breaches may be used by criminals in identity theft, to commit insider trading, in obtaining loans or payments under false identities, in attempting extortion and other crimes that could affect the limited partners directly as well as affect the value of assets in which the Funds invests. These risks can disrupt the ability to engage in transactional business, cause direct financial loss and reputational damage, lead to violations by the Registrant or the Fund of applicable securities laws and other laws, such as those related to data and privacy protection and consumer protection, or incur regulatory penalties, all or part of which may not be covered by insurance. Cybersecurity risks also result in ongoing prevention and compliance costs, many of which will be borne by the Fund, such as any costs pertaining to reviewing and monitoring on an ongoing basis a portfolio company's cybersecurity. In addition, Palladium and/or the Fund may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach (including a breach of a portfolio company), relating to increased and upgraded cybersecurity tools and additional service providers, as well as substantial costs relating to, among other things, identity theft, social engineering attacks, unauthorized use of proprietary information, attempted extortion, system disruptions, adverse limited partner reaction, or litigation.

Similar types of operational and technology risks (and costs) are also present for the portfolio companies, in which the Fund invests, including the risks with respect to third-party service providers. These risks, if they were to materialize, as they have in the past and are likely to do in the future, could have material adverse consequences for such companies and may cause the Fund's investments to lose substantial value. These risks are heightened given the focus of the portfolio companies in which the Fund invests, especially where, for example, portfolio companies provide critical infrastructure-related services and/or collect and maintain broad or extensive categories of data including, for example, personal information and other sensitive data. Portfolio companies that provide services to state, federal and/or global government agencies may be at an increased risk of vulnerability as a potentially valuable target.

Russian Invasion of Ukraine. On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People's Republic and Luhansk People's Republic regions). On February 22, 2022, the U.S., UK and EU announced sanctions against Russia. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, including Russia's forces pre-positioned in Belarus. In response, the U.S., the UK, the EU, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures

against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus, as well as a number of Russian Oligarchs. Additional sanctions, export controls, and other measures continue to be adopted as the conflict continues. For example, in September and October of 2022, following the purported annexation by Russia of four territories of Ukraine, several nations imposed additional sanctions, export controls, and other measures against Russia and those outside of Russia that provided political or economic support for the purported annexation. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on the economy and business activity globally (including in the countries in which the Fund invests), and therefore could adversely affect the performance of the Fund's portfolio investments. Furthermore, given the ongoing nature of the conflict between the two nations and its ongoing escalation (such as Russia's decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and as a result, the situation presents material uncertainty and risk with respect to the Fund and the performance of its investments or operations, and the ability of the Fund to achieve its investment objectives. Similar risks will exist to the extent that any portfolio investments, service providers, vendors or certain other parties have material operations or assets in Russia, Ukraine, Belarus, or the immediate surrounding areas.

Again, this summary overview of certain risks relating to a potential investment in the Fund identifies some, but not all, risk factors that should be considered prior to investing. Investors should carefully and thoroughly review and consider all of the risks related to investing in the Fund that are set forth in the offering documents for the Fund.

Recent Developments in the Banking Sector. Recent bank closures in the U.S. banking sector have caused uncertainty for financial services companies, and fear of instability in the global financial system generally. Notwithstanding intervention by U.S. governmental agencies to protect the uninsured depositors of banks that have recently closed, there is no guarantee that the uninsured depositors of a financial institution that closes, which could include the Fund and/or its portfolio companies, will be made whole or, even if made whole, that the deposits will become available for withdrawal in short order. In addition, there could be a closure of a financial institution that provides credit facilities and/or other forms of financing, and in such event, there can be no assurance that their ability to honor these obligations will continue or be unaffected or, if affected, whether other financial institutions can provide replacement financing or capabilities and on similar terms. In addition, it is possible that other banking institutions may be similarly impacted, and it is uncertain what steps regulators may take in the event of further bank closures. Uncertainty caused by recent bank failures – and general concern regarding the financial health and outlook for other financial institutions, including smaller and/or regional banks – could have an overall negative effect on banking systems and financial markets generally. The recent developments may also have other implications for

broader economic and monetary policy, including interest rate policy. For the foregoing reasons, there can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect the Fund or one or more of its portfolio investments or its overall performance.

ITEM 9 – DISCIPLINARY INFORMATION

In the past ten years, there have been no legal or disciplinary events involving Heritage or any of its management persons that are material to Heritage’s advisory business.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Heritage nor any of its management persons are registered (or have an application pending to register) as a broker-dealer or as a registered representative of a broker-dealer.

Neither Heritage nor any of its management persons are registered (or have an application pending to register) as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

An affiliate of Heritage serves as General Partner of the Fund. For a description of the conflicts related to such arrangements, please refer to Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading).

Heritage does not recommend or select other investment advisers for the Fund.

The Palladium Equity Partners Advisor, a wholly owned subsidiary of Palladium, and an SEC-registered investment adviser, acts as investment adviser to the Palladium Equity Partners Funds and certain Other Palladium Funds. The strategy the Palladium Equity Partners Advisor currently offers these clients is executed by a substantially different investment team than the team that provides investment advisory services to the Heritage Fund, although certain personnel may be shared between Palladium and Heritage (including members of the Heritage Investment Committee) as described above. The Palladium Equity Partners Advisor may expand to offer other strategies and services that are similar to, or may overlap with, Heritage's strategies and services. In the event that an investment opportunity that Palladium evaluates for potential investment by the Palladium Equity Partners Funds or such other vehicles is an eligible investment for the Fund or vice versa, such opportunity will be allocated in accordance with Palladium's allocation policy. Please see discussion at Item 11 (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading) under "Allocation of Investments" for more detail.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

A. Code of Ethics

Heritage has adopted a Code of Ethics (the “Code”), reasonably designed to detect or prevent violations of securities laws, to prevent or address conflicts of interests between Heritage and the Fund, and to comply with SEC Rule 204A-1. The Code requires that Heritage employees and certain associated persons act in the best interests of the Fund, as opposed to acting in their own best interest. Employees are also required to comply with applicable provisions of all applicable securities laws and to promptly report any actual or suspected violations of such laws, or of the Code, to Heritage’s Chief Compliance Officer.

B. Personal Trading

In addition, the Code sets forth formal policies and procedures with respect to any securities trading activities over which employees have direct or indirect influence or control. Such policies apply to Heritage employees, as well as members of such employees’ households or others whose trading activities may be directly or indirectly influenced or controlled by such employee. Heritage’s personal trading policies permit employees and their family and household members to purchase investments for their own accounts subject to the terms of the Code, which restricts or prohibits certain types of personal trades. For example, personnel and certain of their family and household members may not trade in individual public securities for speculative or day-trading purposes, however, trading for certain other purposes is permitted. Employees and certain of their family and household members must pre-clear personal securities transactions that are allowed by the Code. Employees and their family/household members are not permitted to directly invest in any Fund investment, unless such investment is made through an employee investment vehicle established by Heritage for such purpose. Please refer to Item 4 (Advisory Business) under “Description of Advisory Services—Employee Investment Vehicles” above for more specific information regarding employee investment vehicles.

Heritage monitors all personal trading that is subject to its policies (including both employees and those over whose trading employees can exert direct or indirect influence or control) via its compliance program, which is managed and monitored via a web-based compliance platform. Any trading that violates the Code will result in further inquiry by Heritage’s Chief Compliance Officer, and may lead to sanctions by Heritage, up to and including possible termination of employment.

Heritage employees must acknowledge that they have received, reviewed, understand and will abide by the terms of the Code on an annual basis, or as the Code is amended. Employees are also required to provide certain initial, annual, and quarterly reports regarding

the personal securities holdings and transactions subject to Heritage's Code, as required by SEC Rule 204A-1. Please note that this summary is qualified in its entirety by the Code, copies of which will be provided to any existing or prospective investor upon request to Heritage's Chief Compliance Officer at the phone number found on the cover of this Brochure or at InvestorRelations@palladiumequity.com.

C. Interest in Client Transactions

Palladium and certain employees and affiliates of Palladium invest in the Fund through the General Partner. The conflicts of interest encountered by Heritage and the Fund include those described in this Item 11 (Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading), although this discussion is not exhaustive and does not necessarily describe all of the conflicts that may be faced by Heritage and the Fund. Other conflicts are disclosed throughout this Brochure and in the offering documents of the Fund, and these materials should be read carefully and in their entirety. If the Fund participates in a transaction in which a conflict exists, its return on the transaction may not be equal to another fund participating in the same transaction, or may not be as favorable as it would have been had such conflicts not existed.

In general, Heritage does not, and does not anticipate that it will, engage in either principal transactions or cross trades. Pursuant to the Governing Documents, any proposed Fund transaction that involves a conflict of interest, including, for example, a transaction between the Fund and its General Partner or an affiliate of the General Partner or an account controlled by a General Partner or any of its affiliates (a principal transaction), will be brought to the Advisory Committee for review and approval. Generally, the Advisory Committee is expected to meet at least annually and is expected to be comprised of a certain number of Fund investors who generally have a capital commitment above a certain threshold. Any such transactions could create conflicts of interest because, by not exposing such buy and sell transactions to market forces, the Fund may not receive the best price otherwise possible, or Heritage might have an incentive to improve the performance of the Fund by selling underperforming assets to another related vehicle in order, for example, to earn fees. Additionally, in connection with such transactions, Heritage, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment).

Pursuant to the Governing Documents, certain other conflicts of interest may need to be brought to the attention of the Advisory Committee.

Pursuant to the Code, officers, principals and employees are prohibited from buying securities in transactions offered to but rejected by the Fund.

As described above in Item 5 (Fees and Compensation), Heritage will receive certain fees relating to evaluating, monitoring, acquiring, and selling potential Fund investments, as well as Other Fees. Certain Other Fees are paid by portfolio companies or their respective affiliates.

Please see Item 5 (Fees and Compensation) for a more detailed description of such fees and compensation. In many cases with respect to the implementation of such arrangements, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other related terms in the applicable agreement with the portfolio company.

From time to time, Palladium advises or encourages portfolio companies of one Fund to do business with the portfolio companies of another Palladium fund where doing so may be mutually beneficial to both portfolio companies and effected via arms' length transactions. Certain portfolio companies of one fund do business with a portfolio company of another fund. Conflicts of interest may arise in this scenario because Palladium has an incentive to maintain goodwill between the portfolio companies of each respective fund, although the products or services recommended may not necessarily be the best or lowest cost option available to the portfolio companies, and could result in higher expenses for the portfolio company (and a disadvantage to the fund holding such portfolio company); a conflict may also arise if such circumstances create a financial advantage for the fund holding the service-providing portfolio company.

D. Allocation of Personnel

Heritage personnel will devote such time as shall be reasonably necessary to conduct the business affairs of the Fund in an appropriate manner. However, Heritage personnel will work on other projects, including, as permitted by the Governing Documents, other investment funds or vehicles advised by Heritage, and, therefore, conflicts may arise in the allocation of management resources.

Heritage Fund personnel have access to the remainder of Palladium's people and resources, including back-office support, fundraising and investor relations, finance, accounting and legal and compliance. Further, Heritage personnel have access to the intellectual capital, networks and experience of Palladium's professionals by (1) participating in Palladium's Weekly Meetings, including portfolio reviews, (2) presenting potential Partnership deals at the Firm's weekly deal review meeting to allow for idea and resource sharing, feedback and the highlighting of any areas of concern or further diligence and (3) cross-training and team sharing through a "secondment" process whereby an intermediate or junior professional from elsewhere in the Palladium organization is expected to be assigned to Heritage at any given time. In addition, three professionals from the Palladium organization have been appointed to the Heritage Investment Committee, including Palladium's founder.

Additionally, members of the Heritage Fund Team do currently serve, and are expected to continue serving as members of the boards of directors of various companies and do currently participate, and are expected to continue participating in other activities outside of Heritage. Conflicts may arise as a result of such activities. The possibility exists that the companies with which one or more of the members of the Heritage Fund Team is involved could engage in transactions that would be suitable for the Fund, but in which the Fund might be unable to invest. With respect to any persons who serve as directors of a portfolio company,

such individuals, in their capacity as directors, will generally be required to make decisions that they consider to be in the best interests of the portfolio company. There may be conflicts of interests between such person's duties with respect to the General Partner and such person's duties as a director of the portfolio company.

E. Allocation of Investments

As a general matter, there can be no assurance that all investment opportunities identified by or suitable for Palladium investment funds, vehicles and managed accounts will be made available to the Heritage Fund as Palladium is able to make certain investments outside the Fund as set forth in the Governing Documents. The Heritage Fund will have a "first call" on certain investments made within the Target Sectors with an initial investment size of less than \$50 million. Where there is uncertainty as to whether the Heritage Fund or any Other Palladium Funds, including, without limitation, the Palladium Equity Partners Funds, have "first call" on a given investment opportunity, Palladium will review such investment opportunity in accordance with its allocation policy. To the extent investment opportunities fall within the overlapping investment objectives of the Heritage Fund and Other Palladium Funds, including, without limitation, the Palladium Equity Partners Funds, Palladium may allocate all or a portion of such opportunities (including any related co-investment opportunities) to one or more of the Heritage Fund and such Other Palladium Funds (including, without limitation, an allocation of 100% of such an opportunity to such Other Palladium Fund, or 100% of such opportunity to the Heritage Fund) on a basis that Palladium reasonably determines in good faith to be fair and reasonable taking into account all factors the General Partner deems relevant, including the requirements of such Other Palladium Funds, the sourcing of the transaction, the nature of the investment objective, investment focus, mandate or policies, current portfolio composition, target return profile or projected hold period, focus of each such Other Palladium Fund, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment advisory professionals for the Heritage Fund and each such Other Palladium Fund and other considerations deemed relevant by Palladium in good faith.

In this regard, the Heritage Fund may, from time to time, invest on a side-by-side basis with Other Palladium Funds. Such Other Palladium Funds are expected to have terms that differ from the terms of the Heritage Fund and may participate in investments on different terms than the Heritage Fund and/or after the closing of the Heritage Fund's investments. Furthermore, such Other Palladium Funds may from time to time be entitled to priority allocations of certain investment opportunities over the Heritage Fund (or any Other Palladium Funds). Accordingly, the participation by the Heritage Fund in investments with Other Palladium Funds is expected to vary on an investment-by-investment basis and there may be investments within the Heritage Fund's investment objective made by Palladium, on behalf of such Other Palladium Funds, in which the Heritage Fund does not participate or does not participate to the same extent as other investments. Consistent with the foregoing, Palladium expects that the Heritage Fund may make investments in industries and/or target geographic regions in which Other Palladium Funds have been specifically organized to invest.

Investors should note that Palladium has established and may establish in the future Other Palladium Funds with investment objectives, mandates and policies that are substantially similar to those of the Heritage Fund but with a focus on investments with a different target return profile, different projected hold period or other characteristics that make them inconsistent with the Heritage Fund's investment objectives, mandates or policies (thereby making them inappropriate for the Heritage Fund). Palladium may allocate investment opportunities to such funds and accounts based on the anticipated targeted returns or projected hold periods based solely on Palladium's expectations at the time such investments are made and certain investments may be allocated between the Heritage Fund and such funds or accounts. However, there can be no assurances that the actual returns from such investments will be in line with such targets, that such investments will be held for the projected hold period or that such characteristics will ultimately match Palladium's expectations at the time such investments are made and such investments may as a result prove to have been suitable for the Heritage Fund.

To the extent an investment opportunity is rejected by the Heritage Investment Committee, none of Palladium, the General Partner, the Registrant or any of their respective affiliates will be restricted from pursuing such opportunity outside of the Heritage Fund's investment program. In such a circumstance, Palladium may allocate such an opportunity to an Other Palladium Fund or to one or more entities established for the benefit of, or otherwise controlled by, one or more investment professionals of Palladium and/or their family members.

F. Co-Investments

The Fund is expected to co-invest with investors in the Fund, service providers and other parties with whom Heritage has a material relationship. The allocation of co-investment opportunities is entirely and solely in the discretion of Heritage, and it is expected that many investors who may have expressed an interest in co-investment opportunities will not be allocated any co-investment opportunities or will, in certain circumstances, receive a smaller amount of co-investment opportunities than the amount requested. Furthermore, co-investment offered by Heritage will be on such terms and conditions (including with respect to management fees, performance-based compensation and related arrangements and/or other fees applicable to co-investors) as Heritage determines to be appropriate in its sole discretion on a case-by-case basis, which can be expected to differ amongst co-investors with respect to the same co-investment.

Pursuant to the Governing Documents, and the Firm's internal policies on the allocation of investment opportunities, Heritage will determine whether the amount of an investment opportunity exceeds the amount Heritage determines would be appropriate or applicable to the Fund, and any such excess may be offered to one or more co-investors or strategic investors.

General Co-Investment Considerations: There are expected to be circumstances where an amount that would have otherwise been invested by the Fund is instead allocated to co-investors (who may or may not be investors in the Fund) or co-investment vehicles, and there is

no guarantee that any investor will be offered any particular co-investment opportunity. Heritage will take into account various facts and circumstances deemed relevant by the Heritage in allocating co-investment opportunities, including, among others, whether a potential co-investor has expressed an interest in evaluating co-investment opportunities, Heritage's assessment of a potential co-investor's ability to invest an amount of capital that fits the needs of the investment (taking into account the amount of capital needed as well as the maximum number of investors that can realistically participate in the transaction) and Heritage's assessment of a potential co-investor's ability to commit to a co-investment opportunity within the required timeframe of the particular transaction.

Additional considerations can be expected to also include, among others and without limitation, the size of a potential co-investor's commitments to the Fund and/or portfolio companies; whether a potential co-investor has a history of participating in co-investment opportunities with Heritage; the size of the potential co-investor's interest to be held in the underlying portfolio investment as a result of the Fund's investment (which is likely to be based on the size of the potential co-investor's capital commitment or investment in the Fund); whether the potential co-investor has demonstrated a long-term or continuing commitment to the potential success of Heritage, the Fund or portfolio companies (including whether a potential co-investor will help establish, recognize, strengthen or cultivate relationships that may provide indirectly longer-term benefits to the Fund and their portfolio companies, or whether the co-investor has significant capital under management by Heritage or intends to increase such amount); whether the potential co-investor has an overall strategic relationship with Heritage that provides it with more favorable rights with respect to co-investment opportunities; whether the co-investor is considered "strategic" to the investment because it is able to offer the Fund certain benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the portfolio entity or the possession of certain expertise; the transparency and predictability of the potential co-investor's investment process; whether Heritage has previously expressed a general intention to seek to offer co-investment opportunities to such potential co-investor; the familiarity Heritage has with the personnel and professionals of the investor in working together in investment contexts; the extent to which a potential co-investor has been provided a greater amount of co-investment opportunities relative to others; the ability of a potential co-investor to invest in potential follow-on acquisitions for the portfolio investment or participate in defensive investments; the likelihood that the potential co-investor would require governance rights that would complicate or jeopardize the transaction (or, alternatively, whether the investor would be willing to defer to Heritage and assume a more passive role in governing the portfolio investment); any interests a potential co-investor may have in any competitors of the underlying portfolio company; the tax profile of the potential co-investor and the tax characteristics of the portfolio investment (including whether or not the potential co-investor would require particular structuring implementation or covenants that would not otherwise be required but for its participation or whether such co-investor's participation is beneficial to the

overall structuring of the investment); whether a potential co-investor's participation in the transaction would subject the Fund or any of its portfolio investments to additional regulatory requirements, review or scrutiny, including any necessary governmental approvals required to consummate the investment; the potential co-investor's relationship with the potential management team of the portfolio company; whether the potential co-investor has any existing positions in the portfolio entity (whether in the same security in which the Fund is investing or otherwise); whether there is any evidence to suggest that there is a heightened risk with respect to the potential co-investor maintaining confidentiality; whether the potential co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for distributions; whether the expected holding period and risk-return profile of the investment is consistent with the stated goals of the investor; and such other factors that Heritage may in good faith deem relevant and appropriate to consider in the circumstances.

Heritage can be expected to establish co-investment vehicles for one or more investors (including third-party investors and investors in the Fund) in order to co-invest alongside the Fund in one or more future investments. The existence of these vehicles could reduce the opportunity for other limited partners to receive allocations of co-investment. Also, Heritage will, in certain circumstances, agree with investors (including investors in the Fund, service providers and third-party investors) to more favorable rights or pre-negotiated terms with respect to co-investment opportunities, including with respect to discounts or rebates of performance-based compensation or management fees. To the extent any such arrangements are entered into, they can be expected to result in fewer co-investment opportunities being made available to the investors.

In the event Heritage offers an investment opportunity to potential co-investors, there can be no assurance that such investment will be actually made by that or any potential co-investor, that the closing of such co-investment will be consummated in either a timely manner or on the terms and conditions that will be preferable for the Fund. Such investments may involve risks not present in investments where a co-investor is not involved, including the possibility that a co-investor may at any time have economic or business interests or goals which are inconsistent with those of the Fund, or may be in a position to take action contrary to such Fund's investment objectives. There can be no assurance that the Fund will be successful in mitigating these risks contractually through co-investment agreements. Transaction-specific returns, and a limited partner's overall returns from its exposure to the Fund's portfolio companies, may be affected significantly by the extent to which limited partners are offered and choose to participate in co-investment opportunities. The allocation of co-investment opportunities may provide a benefit to Heritage including, without limitation, capital commitments to the Fund or fees or Carried Interest from the co-investment opportunity. There can be no assurances with respect to the amount of any investment opportunity that will be allocated to the Fund.

G. Other Potential Conflicts of Interest

Advisors and Industry Executives. Heritage intends to engage and retain strategic advisors, consultants, senior advisors and other similar professionals who are not employees or affiliates of Heritage and who may, from time to time, receive payments from, or allocations with respect to, portfolio companies (as well as from Heritage or the Fund). In such circumstances, such payments from, or allocations with respect to, portfolio companies and/or the Fund will not, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by Heritage, be deemed paid to or received by Heritage and such amounts will not be subject to the offset provisions as described in the Partnership Agreement. These consultants and/or other professionals may be offered the ability to co-invest alongside the Fund, including in those investments in which they are involved, or otherwise participate in equity plans for management of any such portfolio entity, or invest directly in the Fund subject to reduced or waived management fees and/or Carried Interest. The nature of the relationship with each of the consultants and/or other professionals and the amount of time devoted or required to be devoted by them may vary considerably. In certain cases, they may provide the General Partner and/or the Registrant with industry-specific insights and feedback on investment themes, assist in transaction due diligence, make introductions to and provide reference checks on management teams. In other cases, they may take on more extensive roles and serve as executives or directors on the boards of portfolio companies or contribute to the origination of new investment opportunities. In certain instances, Heritage may enter into formal arrangements with these consultants, management teams for operating platforms and/or other professionals (which may or may not be terminable upon notice by any party), and in other cases the relationships may be more informal. They may be either compensated (including pursuant to retainers and expense reimbursement) from Heritage, the Fund and / or portfolio companies or otherwise uncompensated unless and until an engagement with a portfolio company develops.

Confidential or Material Non-Public Information. By reason of their responsibilities in connection with other activities of Heritage, certain employees of the General Partner, the Registrant or their affiliates may acquire confidential or material, non-public information or be restricted from initiating transactions in certain securities. The Fund will generally not be free to act upon any such information. Due to these restrictions, the Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to arrange for the sale and liquidation of all or any portion of a portfolio investment that it otherwise might have sold. Conversely, the Fund may not have access to material non-public information in the possession of Heritage which might be relevant to an investment decision to be made by the Fund, and the Fund may initiate a transaction or sell a portfolio investment which, if such information had been known to the relevant person, it may not have been undertaken.

Service Providers and Deal Sourcing. Services required by the Fund (including some services historically provided by Palladium to its investment funds) may for certain reasons, including efficiency considerations, be outsourced in whole or in part to third parties in the discretion of Palladium or the General Partner in connection with the operation of the Fund,

and the General Partner will have an incentive to outsource such services at the expense of the Fund in order to leverage the use of Palladium's employees. Such outsourced services may include, without limitation, deal sourcing, asset management, information technology, licensed software, data processing, trading, settlement, client relations, administration, custodial, accounting, legal and tax support and other services. Outsourcing may not occur uniformly for all Palladium managed vehicles and accounts and, accordingly, certain costs may be incurred by the Fund through the use of third party service providers that are not incurred for comparable services used by Palladium managed vehicles and accounts. The decision by Palladium to initially perform particular services in house for the Fund will not preclude a later decision to outsource such services, or any additional services, in whole or in part to third parties. The costs, fees or expenses of any such third party service providers will be treated as Partnership Expenses borne by the Fund and will not be subject to the Management Fee offset provisions of the Partnership Agreement, thereby increasing the expenses borne by the limited partners. Palladium will determine (in its discretion based on relevant experience, its belief regarding market practice and such other factors as it determines relevant under the circumstances) the fees, carried interest and other consideration payable to deal "sourcers" (who may be exclusive to Palladium), asset managers and other service providers.

Moreover, certain advisors and other service providers or their affiliates (including, without limitation, accountants, administrators, appraisers, valuation experts, tax advisors, asset managers, lenders, bankers, brokers or other deal "sourcers," attorneys, consultants, custodians, investment or commercial banking firms and certain other advisors and agents) to the Fund, Palladium or their portfolio companies, may also provide goods or services to or have business, personal, political, financial or other relationships with Palladium, its affiliates, its employees, and portfolio companies. Certain Palladium employees have ownership interests in certain service providers to the Fund, Other Palladium Funds and/or other Palladium entities. Such advisors and service providers may be: (i) investors in the Fund, Other Palladium Funds or other Palladium entities, (ii) affiliates of Palladium, the General Partner, and/or their affiliates, (iii) sources of investment opportunities, (iv) co-investors or counterparties or (v) entities in which Palladium and/or its managed funds has an investment, and payments by the Fund and/or such portfolio companies may indirectly benefit Palladium, Other Palladium Funds and/or such other Palladium entities. These relationships and the potential for leveraging the capabilities of its personnel through the use of service providers (such as, for example, deal "sourcers" and operating or development partners or board members who, in each case may be exclusive to Palladium) may influence the General Partner in deciding whether to select such a provider to perform services for the Fund or a portfolio company (the cost of which will generally be borne directly or indirectly by the Fund or such portfolio company, as applicable).

Further, in this regard, the Fund and its portfolio companies may also engage in transactions or enter into service arrangements with one or more businesses in which Palladium holds an interest directly, not through one of its funds. Any fees charged or costs incurred in connection with such transactions or service arrangements may be borne by the Fund as a Partnership Expense, or, to the extent charged to a portfolio company, would be borne indirectly by the Fund. These businesses will, in certain circumstances, also enter into

transactions or service arrangements with other counterparties of the Fund and its portfolio companies, as well as service providers, vendors and the limited partners. Palladium would benefit from these transactions and activities through current income and creation of enterprise value in these businesses. No fees charged by these service providers and vendors are expected to offset or reduce Management Fees. Furthermore, Palladium, Other Palladium Funds and their portfolio companies and their affiliates and related parties will use the services of these businesses, including at different rates. Although Palladium believes the services provided by these businesses are equal or better than those of third parties, Palladium directly benefits from the engagement of these affiliates, and there is therefore an inherent conflict of interest.

Notwithstanding the foregoing, investment transactions for the Fund that require the use of a service provider will generally be allocated to service providers on the basis of the General Partner's judgment as to best execution, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that the General Partner believes to be of benefit to the Fund. In addition, the General Partner will engage one or more fund administrators to perform certain functions in relation to the Fund, including but not limited to, coordination of the Fund's legal entity management function, execution and recordkeeping associated with applicable tax elections and filings, support for the General Partner's valuation process and support of certain investor correspondence, investor data management and reporting requests as well as data collection required for various regulatory reporting that the Fund is obligated to comply with. Certain employees of such fund administrators may dedicate substantially all of their time to Palladium investment funds. In certain circumstances, advisors and service providers or their affiliates may charge different rates or have different arrangements for services provided to Palladium, the General Partner, the Registrant or their affiliates as compared to services provided to the Fund and its portfolio companies, which may result in more favorable rates or arrangements than those payable by the Fund or such portfolio companies. Moreover, the Fund or the Registrant may not be in a position to verify the risks or reliability of such third-party service providers. The Fund may suffer adverse consequences from actions, errors or failure to act by such third parties, and will have obligations, including indemnity obligations, and limited recourse against them.

Side Letters. The General Partner may enter into side letters or other similar agreements with limited partners in connection with their admission to the Fund as limited partners therein with respect to their investment in the Fund without the approval of any other limited partner. Such side letters would have the effect of establishing rights under, altering or supplementing the terms of the Partnership Agreement with respect to one or more such limited partners in a manner more favorable to such limited partners than those applicable to other limited partners. Any rights established, or any terms of the Partnership Agreement or any subscription agreement related thereto altered or supplemented in a side letter or other similar agreement with a limited partner will govern solely with respect to such limited partner (but not any of such limited partner's assignees or transferees unless so specified in such side letter) notwithstanding any other provision of the Partnership Agreement or any subscription

agreement related thereto. and, for the avoidance of doubt, matters arising under any side letter are considered matters contemplated in the Partnership Agreement and the limitation on liability provisions therein shall apply equally to any side letter; provided that unless otherwise agreed by the General Partner, any such rights shall cease to apply with respect to any limited partner that becomes a defaulting limited partner. Such rights or terms in any such side letter or other similar agreement may include, without limitation: (i) fee and other economic arrangements with respect to such limited partners, including economic arrangements for limited partners committing a certain commitment amount to the Fund; (ii) excuse or exclusion rights applicable to particular investments or terms relating to withdrawal from the Fund, including without limitation, as a result of a limited partner's specific policies or certain violations of federal, state or non-U.S. laws, rules or regulations, such as so-called "pay-to-play" rules with respect to public pension plan investors (which may materially increase the percentage interest of other limited partners in, and their contribution obligations, for future investments and expenses, and reduce the overall size of the Fund); (iii) additional or modified reporting obligations of the General Partner and the Fund; (iv) waiver of certain confidentiality obligations; (v) prior consent of the General Partner to certain transfers by such limited partner; (vi) special rights with respect to co-investment allocation and participation; (vii) rights or terms necessary in light of particular legal, regulatory or policy characteristics of a limited partner; (viii) potential mandatory waivers of compensation as a result of certain violations of law with regard to public pension plan investors; (ix) additional obligations and restrictions of the General Partner and the Fund with respect to the structuring of any particular investment in light of the legal, tax, accounting, political, national security and regulatory considerations of particular limited partners; (x) agreements to assist with the taking or defending of tax positions; (xi) certain obligations and restrictions on the General Partner with respect to the exercise of its discretion on certain matters, including amendments, exercising default remedies and waiving confidentiality or terms; (xii) withdrawal events; (xiii) indemnification agreements (including limitations on a limited partner's indemnification obligations under the Partnership Agreement or its subscription agreement or the use of a limited partner's proportionate share of Fund assets to fulfill indemnification and other obligations of the Fund) and (xiv) any other matters described therein, which may be more favorable to those provisions offered to other limited partners. Side letters entered into by Palladium in respect of Other Palladium Funds may also have adverse effects on the Fund, such as placing limitations on Palladium's ability to allocate investment opportunities to certain Other Palladium Funds (including the Fund). To the extent the General Partner or the Fund incur third-party expenses in connection with compliance with a side letter provision, such expenses may be borne by the Fund as Partnership Expenses. The General Partner shall not be, to the fullest extent permitted by applicable law, under obligation to give the limited partners notice of any side letters between the General Partner and other limited partners, except with respect to most-favored-nations provisions and accordingly a limited partner may not be able to make its investment decision with respect to the Fund on the rights or benefits afforded to other limited partners (which rights or benefits may nonetheless be material to a given limited partner's investment decision).

Insurance. The Fund purchases, and/or bears premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for, insurance to insure the Fund, the

General Partner, the Registrant, Palladium and/or their respective directors, officers, employees, agents, representatives, members of the Advisory Committee and other indemnified parties, against liability in connection with the activities of the Fund. This includes a prorated portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by Palladium that cover the General Partner, Other Palladium Funds, the Registrant and/or Palladium (including their respective directors, officers, employees, agents, representatives, members of the Advisory Committee and other indemnified parties). [As of the date of this Brochure, the Fund bears approximately [●]% of the Firm’s liability insurance premiums.] **[Note to PD: If preferred, this sentence could be removed.]** The General Partner will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among the Fund, Other Palladium Funds, the Registrant and/or Palladium on a fair and reasonable basis, in their sole discretion, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in the Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

ITEM 12 – BROKERAGE PRACTICES

Heritage primarily evaluates, and the Fund primarily invests in, private securities. In determining whether an engaged broker-dealer is likely to provide best execution when effecting a securities transaction for the Fund, Heritage will generally consider qualitative and quantitative factors including, but not limited to, the broker's reliability and execution capabilities for the transaction, the commissions charged by the broker, and the broker's reputation and responsiveness to requests for trade data and other financial information.

Heritage does not have any soft dollar arrangements in connection with brokerage transactions and does not engage in directed brokerage arrangements.

In the private equity context, client referrals are not relevant to Heritage's selection or recommendation of broker-dealers. Similarly, aggregation of the purchase or sale of securities for multiple client accounts is generally not relevant in the private equity context. However, in the event that Heritage trades in public securities, Heritage may aggregate orders if it determines it advisable to do so but it is not obligated to do so.

ITEM 13 – REVIEW OF ACCOUNTS

A. General Ongoing Review Process

Heritage’s investment professionals and senior management monitor and review the Fund’s portfolio investments on an ongoing basis, including, for example, by actively engaging in board oversight (for example, by obtaining representation at the board level, with at least one Heritage professional serving as a member of certain portfolio company boards), actively monitoring financial tracking (for example, by developing a weekly cash flow forecasting system for each portfolio company, designed to provide cash flow visibility), actively reviewing each portfolio company in detail approximately multiple times per year in senior management meetings dedicated to each company, participating in portfolio company management calls and strategy sessions, reviewing annual and interim financial statements, and making ad hoc on-site visits. Palladium’s Finance Department monitors the Fund’s financial accounts. Outside vendors provide technical, analytical and systems support. In addition, the Fund’s financial statements are audited on an annual basis by an independent accounting firm that is registered with, and subject to oversight by, the Public Company Accounting Oversight Board (“PCAOB”).

B. Weekly Meetings

Currently, Palladium utilizes a process of sharing investment ideas, implementing investment decisions and reviewing current investments through a series of ongoing meetings held among members of the Firm’s investment personnel (the “Weekly Meetings”). The Weekly Meetings generally focus on new deal generation, portfolio monitoring, and decision-making, and are attended by Palladium investment professionals holding the position of Analyst and up, as well as Palladium’s Finance personnel, Associates, Vice Presidents, Principals, Partners, General Counsel and Chief Compliance Officer, Chief Financial Officer, Vice Chairman of Palladium, as well as the Chairman and Chief Executive Officer of Palladium.

The Firm’s Management Committee also meets weekly and as needed to discuss firm level strategic and risk-management issues.

C. Investor Reporting

On an annual basis, audited financial statements are provided to investors in the Fund generally within 90 days of the end of the Fund’s fiscal year. For more detailed information about these reports, please refer to Item 15 (Custody) below. On a quarterly basis, unaudited financial statements and a supplemental schedule of changes in partners’ capital are provided to investors in the Fund in the form of quarterly reports to limited partners. In addition, the Fund’s investors are invited to participate in an annual investor meeting, at which Heritage reports on the Fund’s portfolio investments and performance. Heritage may also hold investor update calls or meetings from time to time on an as-needed basis.

ITEM 14 – CLIENT REFERRALS AND COMPENSATION

Neither Heritage nor any of its related persons compensates any person who is not a supervised person for client referrals. However, from time to time, in the context of organizing the Fund, the Firm may compensate one or more placement agents, finders or other third parties for referrals of Fund investors. Pursuant to its internal policies, Heritage does not enter into any placement agent or solicitation agreements for the Fund, or agree to compensate any person for such services, without a prior review of such proposed arrangement for compliance with applicable laws.

If a prospective investor is solicited by a placement agent or other third party, such prospective investor will be advised of the arrangement, including the payment of fees in connection with the arrangement. The Governing Documents describe specific terms regarding applicable fees.

ITEM 15 – CUSTODY

Heritage invests Fund assets on a discretionary basis and has “custody” of such assets for purposes of applicable securities laws. It is Heritage’s policy to cause the Fund to be audited annually by an independent accounting firm that is registered with, and subject to oversight by, the PCAOB, and to distribute audited financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) to Fund investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of the Fund, Heritage will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to the Fund to all investors promptly after completion of the audit.

ITEM 16 – INVESTMENT DISCRETION

Heritage provides investment advice to the Fund on a discretionary basis. Generally, this discretion is subject only to the terms and guidelines set forth in the Governing Documents.

ITEM 17 – VOTING CLIENT SECURITIES

As noted above, Heritage invests primarily in private securities and therefore is usually not in a position to vote public company proxies. However, Heritage has established written policies and procedures setting forth the principles and procedures by which Heritage votes or gives consent with respect to securities owned by the Fund (“Votes”).

The guiding principle by which the Firm Votes is to vote in the best interests of the Fund by maximizing the economic value of the Fund’s holdings, taking into account the Fund’s investment horizon and guidelines, any contractual obligations under the Governing Documents, and all other relevant facts and circumstances at the time of the vote. Heritage does not permit Votes to be influenced in any manner that is contrary to, or dilutive of, this guiding principle. A copy of Heritage’s policies and procedures with respect to Votes and the Fund’s voting records will be maintained and available for review by clients upon written request to the Chief Compliance Officer, whose contact information can be found on the cover page of this Brochure, or InvestorRelations@palladiumequity.com.

When a conflict arises between Heritage and the Fund with respect to a Vote, such conflicts must be promptly brought to the attention of the Firm’s Chief Compliance Officer by the employee or employees who are or become aware of such situation. Identified conflicts of interest are submitted to the Firm’s Management Committee for consultation. In addition, conflicts of interest may need to be brought to the attention of the Advisory Committee, pursuant to the Governing Documents.

ITEM 18 – FINANCIAL INFORMATION

Heritage does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, the Firm has not included a balance sheet and does not have any disclosure applicable to this Item 18 (Financial Information).

Heritage does not believe that there are any conditions that are reasonably likely to impair its ability to meet contractual commitments to clients, and has never been the subject of a bankruptcy petition.

ITEM 19 – STATE-REGISTERED ADVISORS

This item is not applicable as the Registrant is not registered in any state.