

Proskauer»

UNDER THE MICROSCOPE

# BUYOUT FUNDRAISING

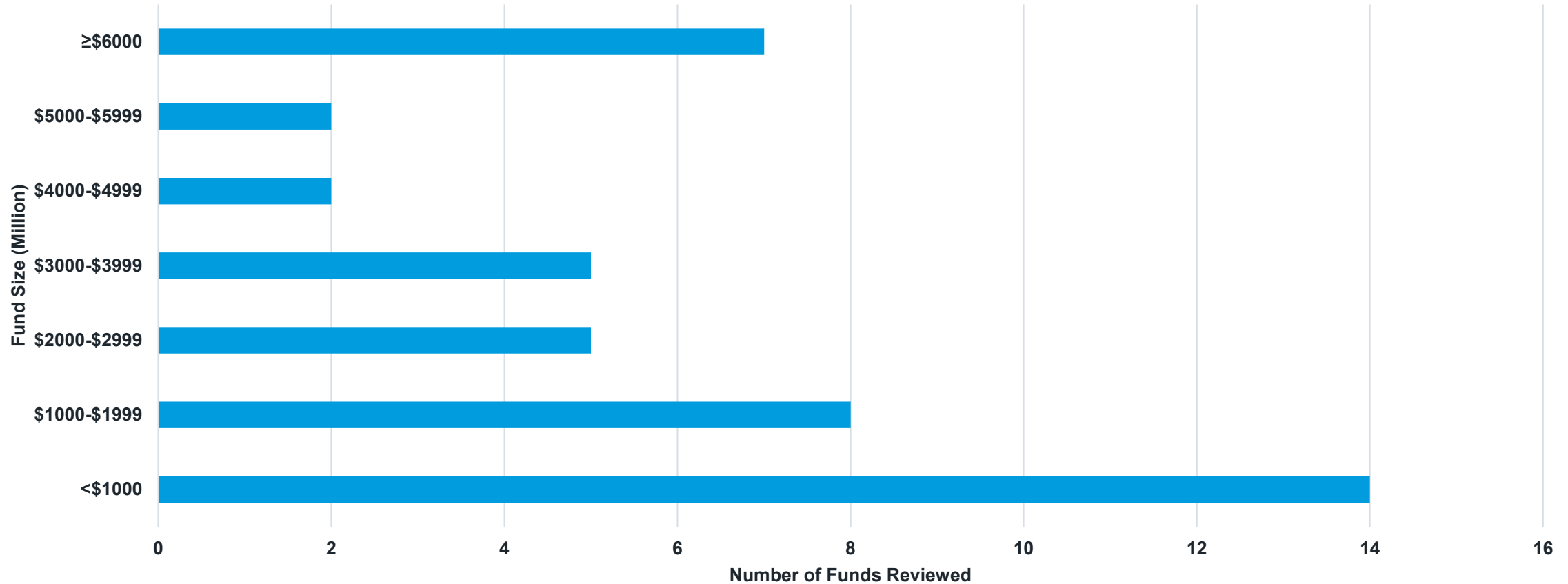
MARKET

REPORT

NORTH AMERICA

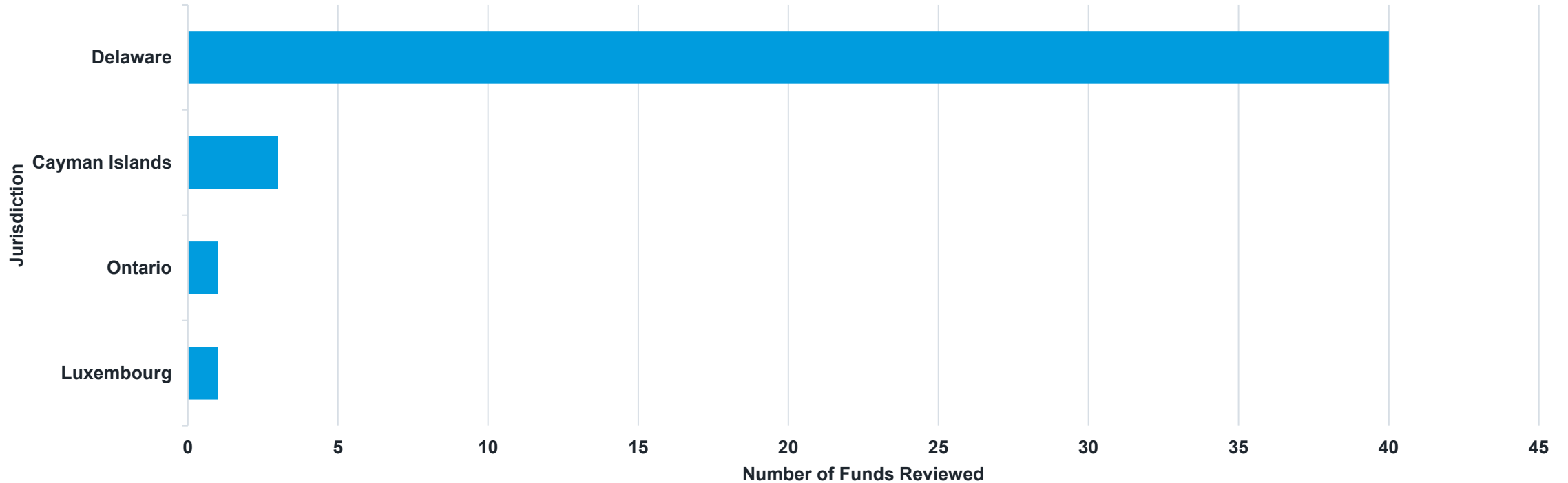
# Data Methodology

Our sample contained 45 buyout funds raised in 2024 and 2026. We collected 28 data points from these funds. The funds were all either specifically North America-focused or had North America as a key geography in their investment strategy. The target fund size of the funds reviewed ranged from \$20 million to \$26 billion, representing in total approximately \$155.61 billion of capital.



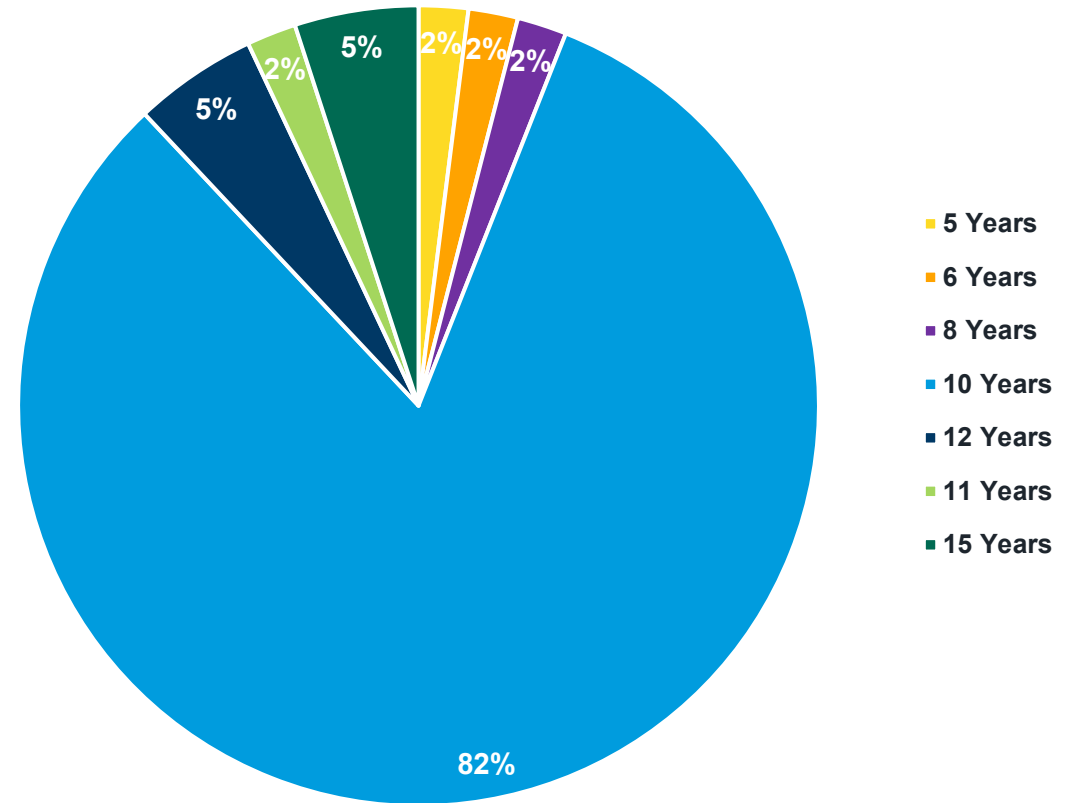
# Jurisdiction of Formation

As sponsors and investors alike would expect, Delaware is by far the most popular jurisdiction of formation, with the Cayman Islands trailing in a distant second. Delaware dominates across all fund sizes, especially in the smaller funds, due to sponsor and investor familiarity, relatively light administrative requirements and its developed case law. Some larger funds, likely those that expect a material allocation to investments in non-U.S. jurisdictions, are inclined to select the Cayman Islands or Ontario (Canada). Additionally, the size of the fund administration ecosystem in Luxembourg makes it an obvious choice for those North American managers seeking to raise a fund with access to the AIFMD marketing passport.



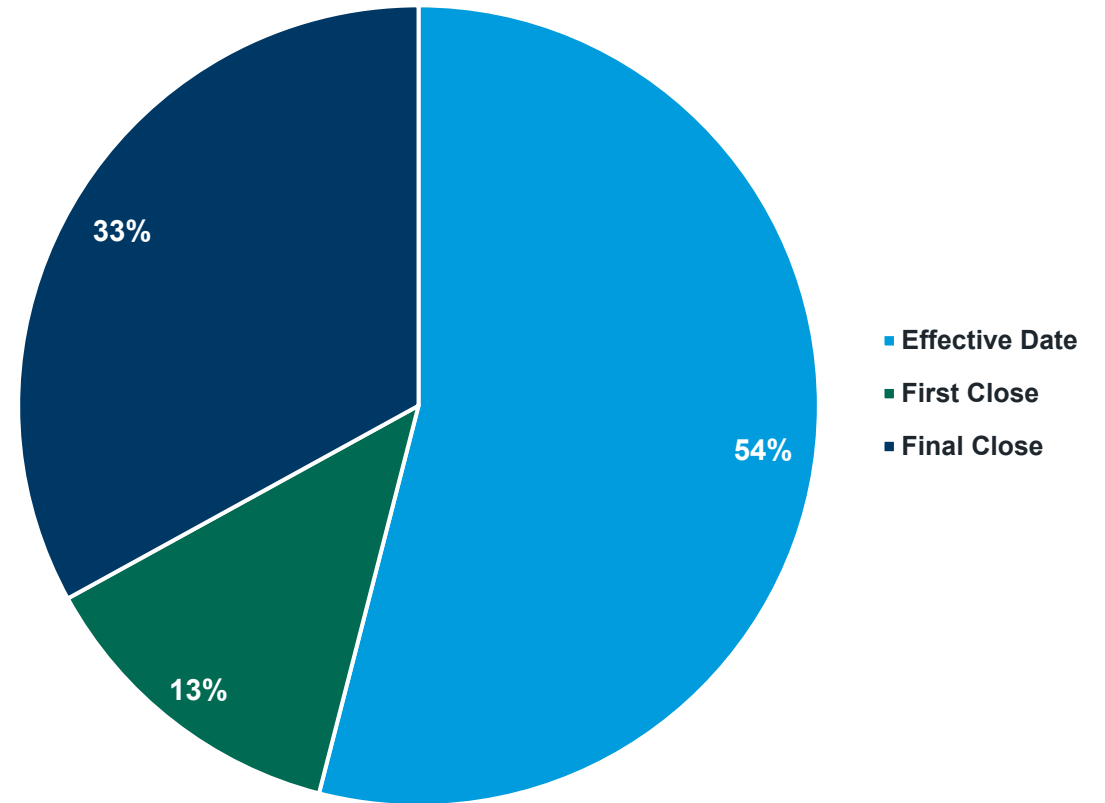
# Initial Term

Given LP pressure for distributions within the initial fund term and the range of GP-led liquidity options now available to sponsors, we generally have not seen (and do not expect) any pronounced increase in the term of traditional buyout funds in the coming years. A significant majority of funds in our sample (82%) continue to have an initial term of 10 years. The remaining minority is split between shorter and longer terms, but the market continues to support longer hold periods and longer fund lives through streamlined extension mechanisms and, on a more ad hoc basis, continuation funds and other late-stage liquidity solutions.



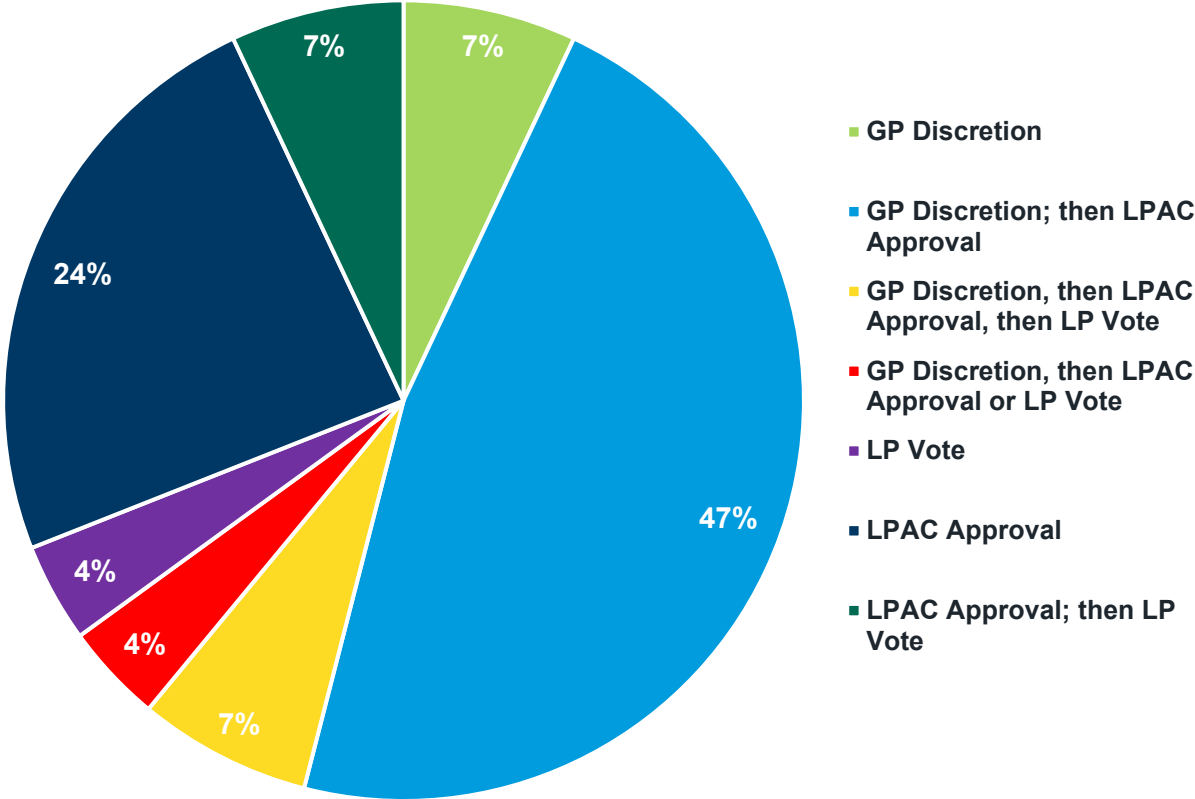
# Initial Term Begins From

There continues to be a bias toward using later dates to determine the length of the initial term of a fund, which can be attractive in helping to manage deal allocation, management fee timing and IRR drag before the first investment. In this year's sample, 53% of funds key off a designated "effective date," while 33% look to the final closing date and only 13% to the first closing date.



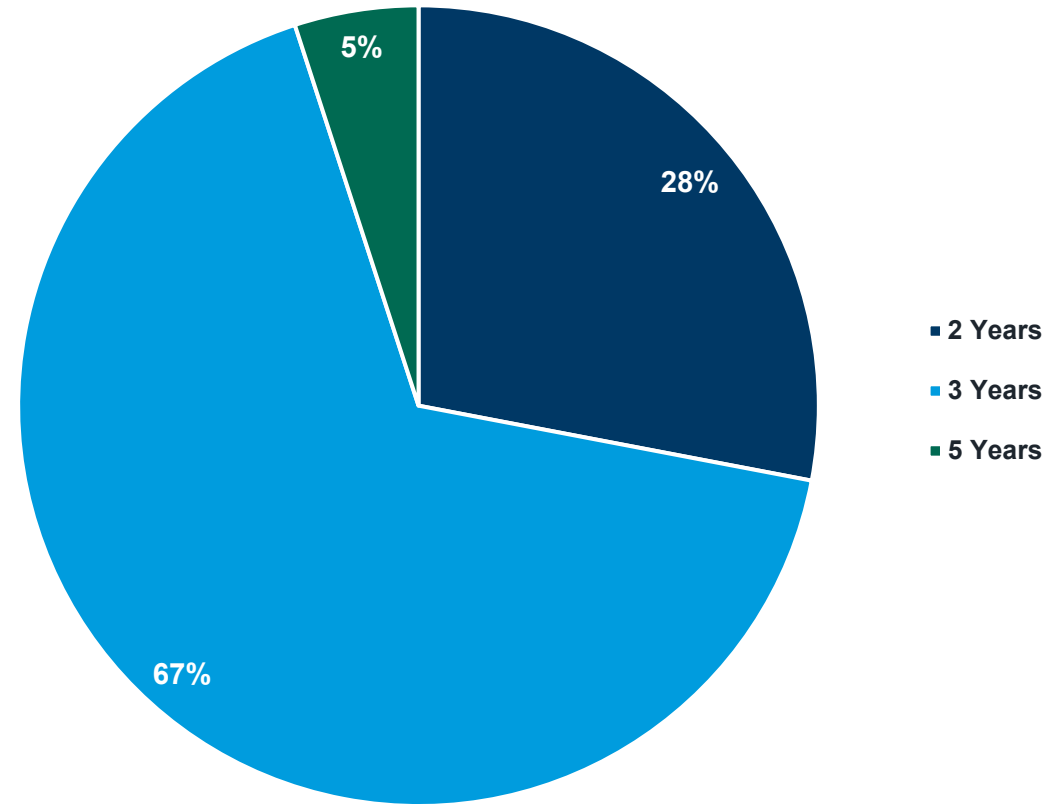
# Approval Required for Extension of Term

LPAC-based term extension mechanisms continue to be pervasive, reflecting continued market comfort with GP flexibility balanced by advisory committee consents. In this year's sample, 64% of funds give the GP discretion in relation to at least one extension, and the most common structure (47%) authorizes GP discretion for an initial extension followed by LPAC approval.



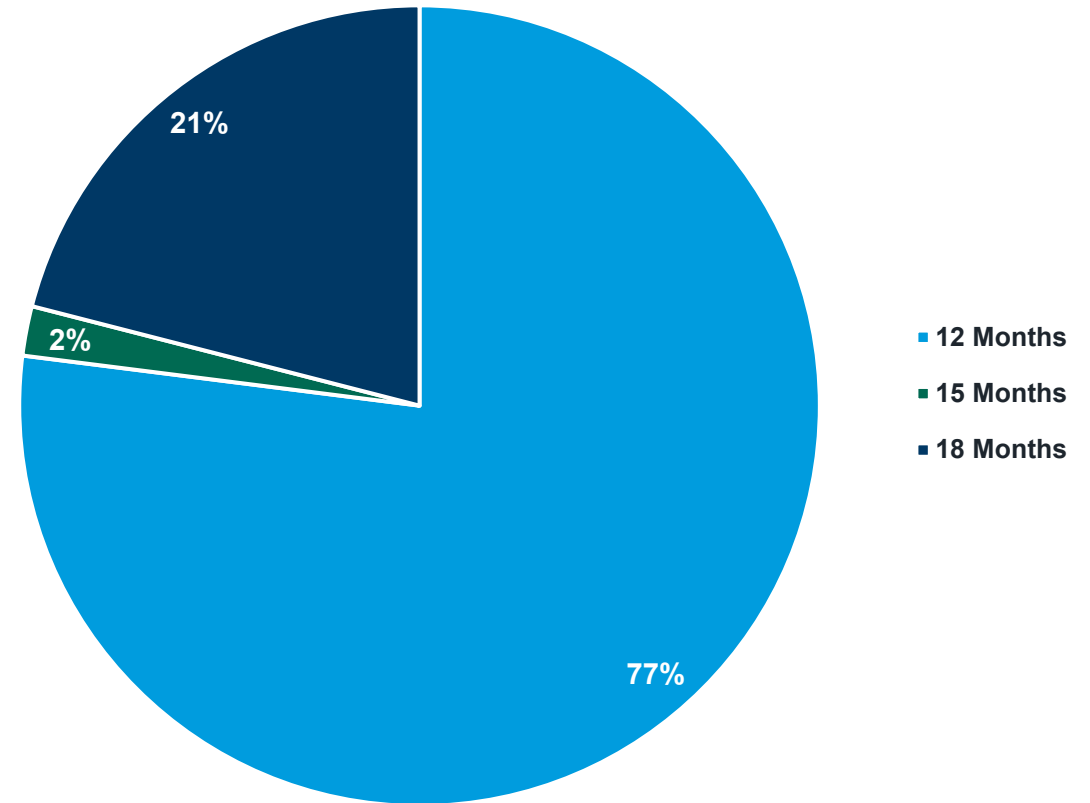
# Maximum Period of Extensions of Term

Our data suggests that, rather than lengthening the headline term, managers continue to look for additional runway to exits through extension mechanics. Where extensions of a fund's term are permitted, the market in this year's sample is concentrated around three single-year extensions, with two-thirds of surveyed funds contemplating up to three one-year extensions and a further 28% allowing for two years. A small minority provides for an even longer period.



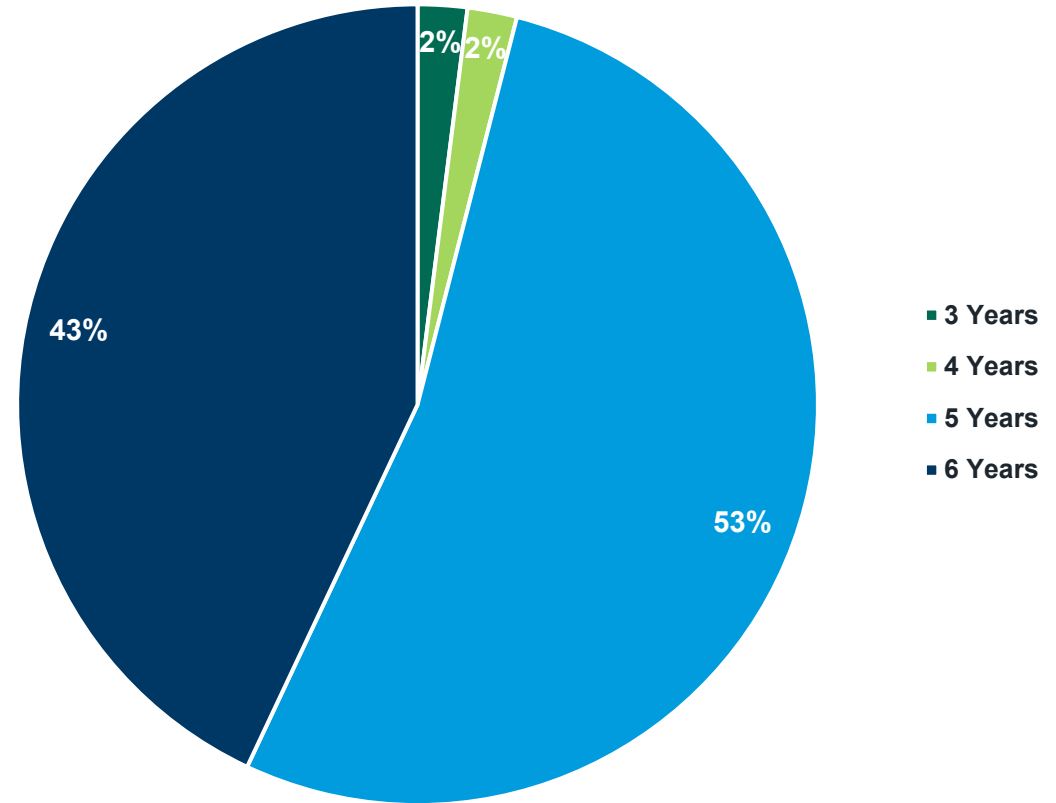
# Fundraising Period

The initial fundraising period remains 12 months in the clear majority of surveyed funds, applying to 77% of the 2026 sample. A further 21% allow 18 months. As in prior years, these figures reflect the initial permitted fundraising period only; some funds will hold a final closing much earlier than their potential final closing date, while others may look to extend the period with investor or LPAC consent.



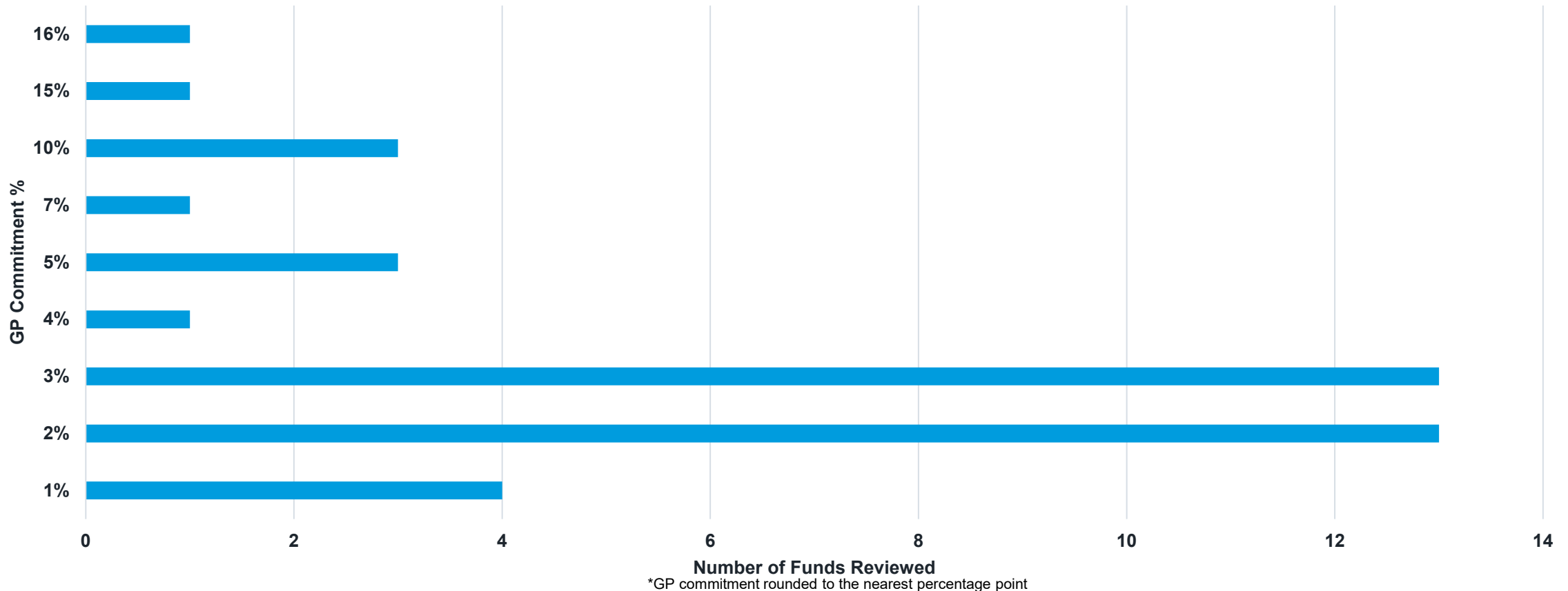
# Investment Period

The market appears more balanced between five and six years than in prior surveys that slanted toward the longer period, reflecting investor expectations to deploy capital on a reasonable timeframe. Longer investment periods continue to provide managers with greater flexibility in uncertain markets and a longer window during which the initial management fee may run.



# GP Commitment (% of Commitments)

Most GPs continue to commit an amount that is at least between 2% and 5% of commitments, with 2% and 3% now the joint most common minimum positions at 33% each of the sample. A minimum GP commitment of 1% appears in only 10% of funds. Many GPs will commit amounts in excess of the contractual minimum in practice.

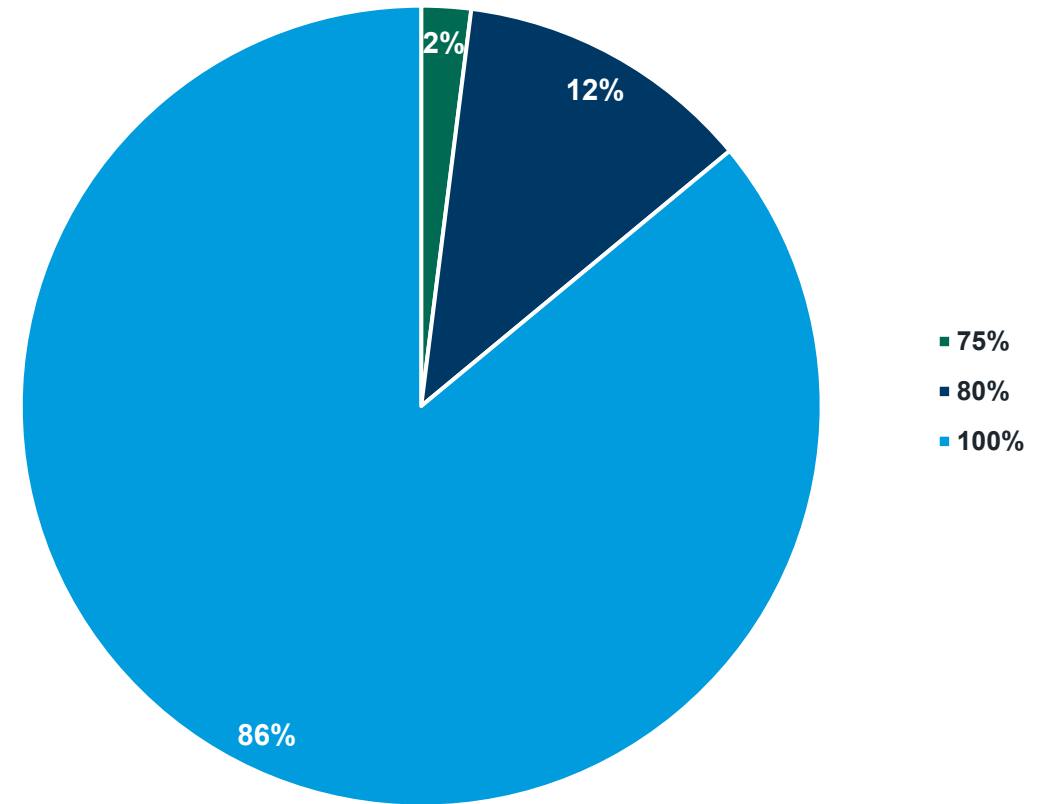






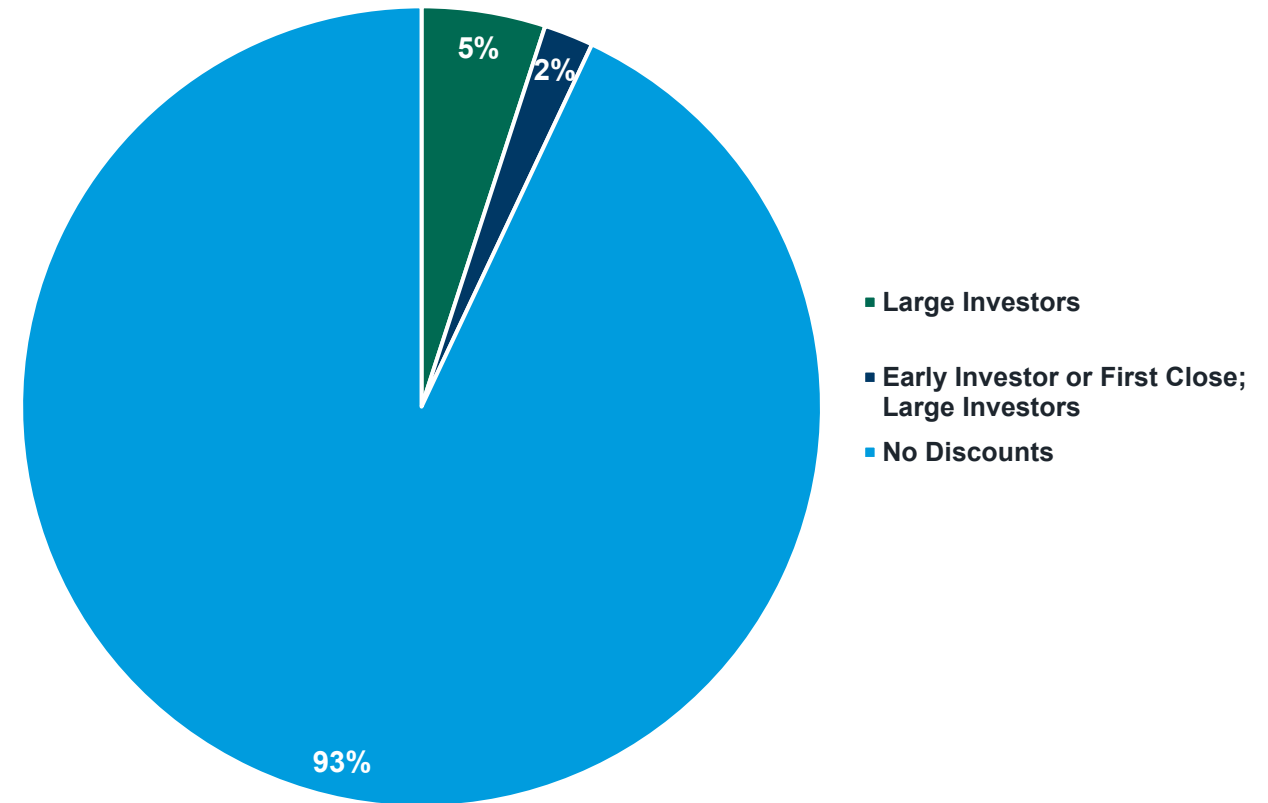
# Management Fee Offset

The market standard continues to be a 100% management fee offset, which appears in 86% of the 2026 sample. A small minority of funds provide for reduced offsets at 80% or 75%. As expected, a full fee offset for portfolio company fees remains the dominant U.S. market position.



# Management Fee Discounts

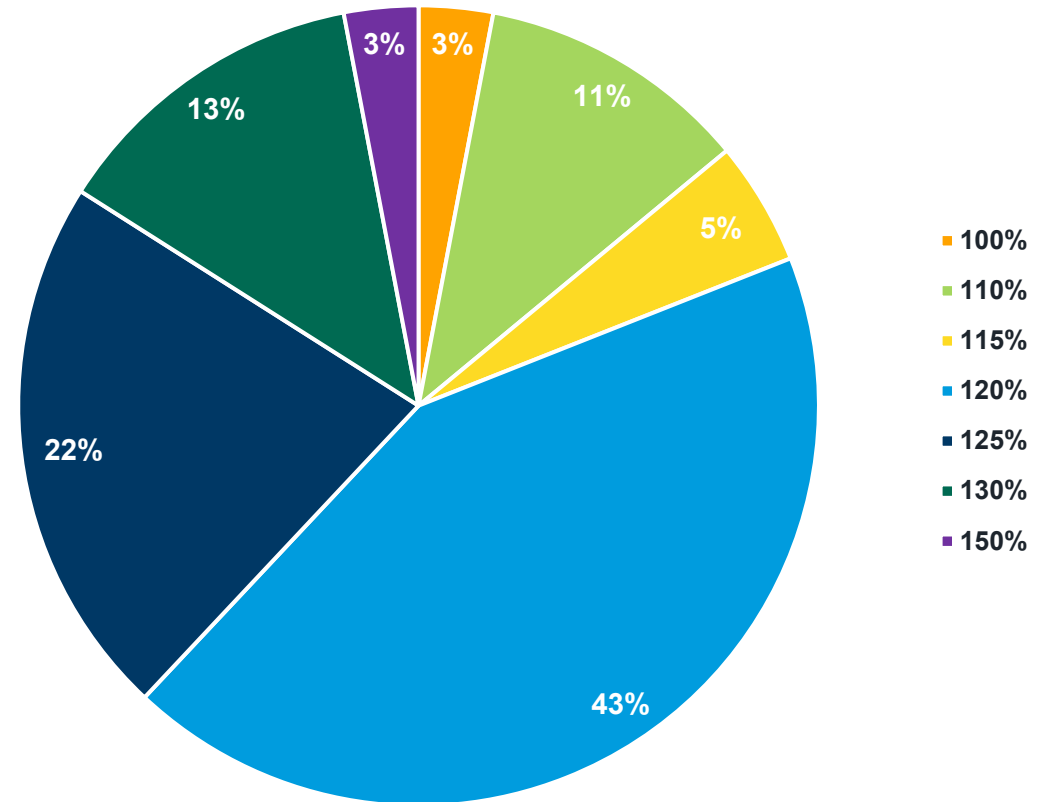
Buyout fund documents do not typically specify fee discount rates across fund size classes. Those funds that set out discount rates in their documents are more commonly at the ends of the sample barbell, representing the smallest and largest size ranges, and generally focus on size-based discounts. For smaller funds, this often reflects efforts to attract a critical mass of institutional investor support in order to raise funds and develop market presence. For larger funds, the dynamic reflects an effort to incentivize larger investments as necessary to hit vast target sizes, to standardize treatment across LPs for fairness reasons and to cut down on costly negotiations with individual investors. The data depicted here only captures funds that specify discounts in the definitive fund documentation: a number of funds will offer discounts via side letter but do not set out the detail in their main agreements. Discounts agreed via side letter are more difficult to track accurately.





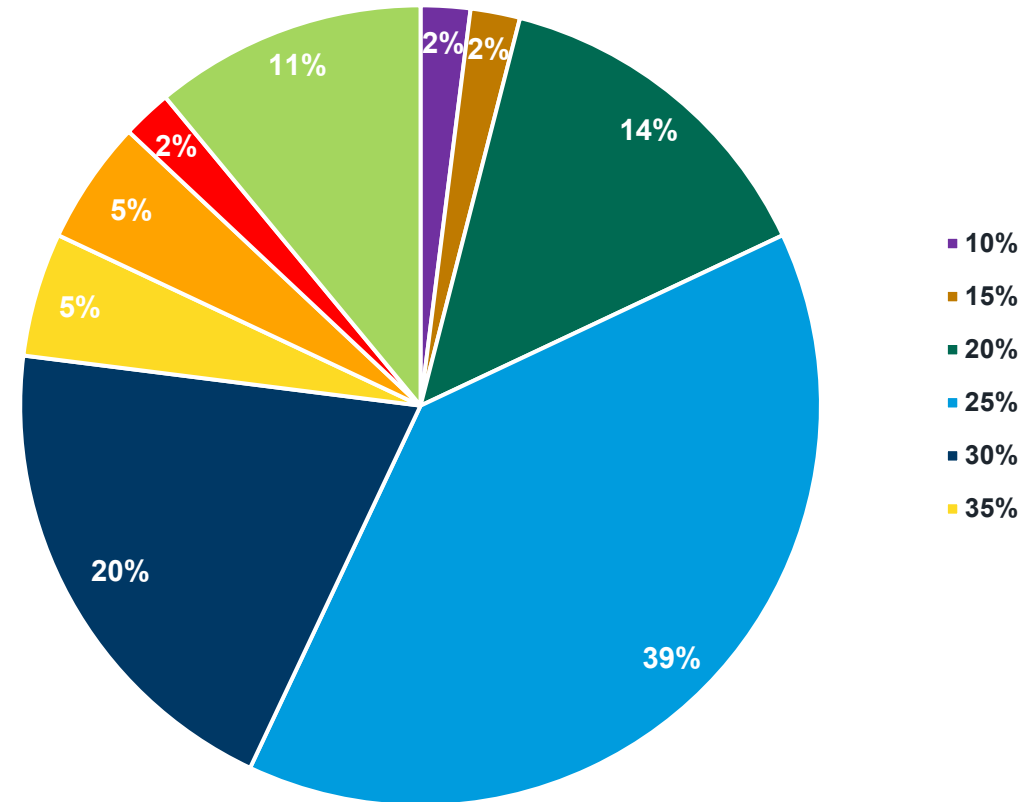
# Recycling

Many U.S. private equity funds feature broad recycling rights, meaning that, in addition to rights to recycle proceeds equal to fees and expenses, a fund may recycle proceeds from investments realized during the investment period, typically up to a cap on the aggregate amount that can be invested in portfolio investment as a percentage of commitments. As it relates to a cap on total investment, the market is broadly concentrated in the 120%-130% range. Some funds have more limited rights that restrict recycling to proceeds received from investments within 12 to 18 months of acquisition, or to only recycling recovered cost basis but not profits. We expect to see managers continuing to look for expanded recycling rights as part of the drive to narrow their gross/net IRR spread, but also as a means of providing additional liquidity and a quick solution to boost a fund's available capital. Many investors find added recycling capacity to be an attractive attribute. However, there are alternative methods of providing needed liquidity, such as borrowing facilities.



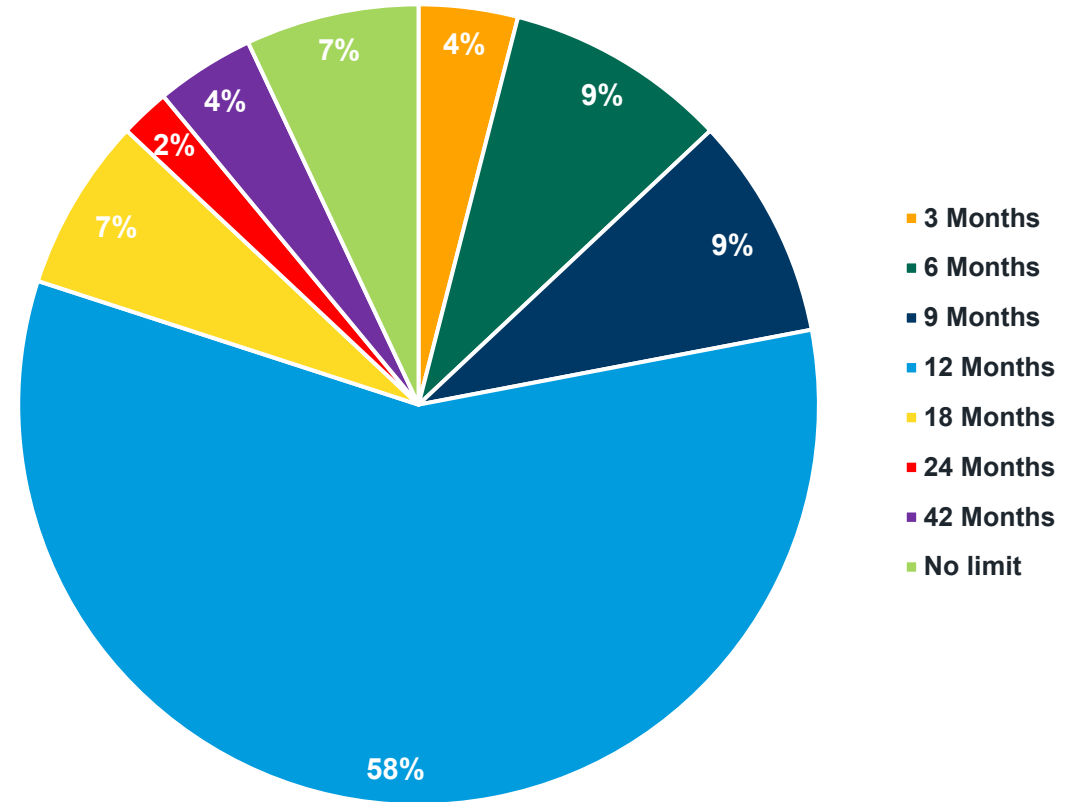
# Limits on Bridge Facilities and Other Fund-Level Borrowing (% of Commitments)

There continues to be significant focus on fund leverage by investors and managers. In the 2026 sample, the market is concentrated at 25% and 30% of commitments, with 39% of funds capped at 25% and 20% at 30%; 11% of funds do not state a limit. Compared with the prior survey, the center of gravity appears to have moved down from 30% toward 25%, although NAV and hybrid facilities continue to influence negotiations around borrowing flexibility.



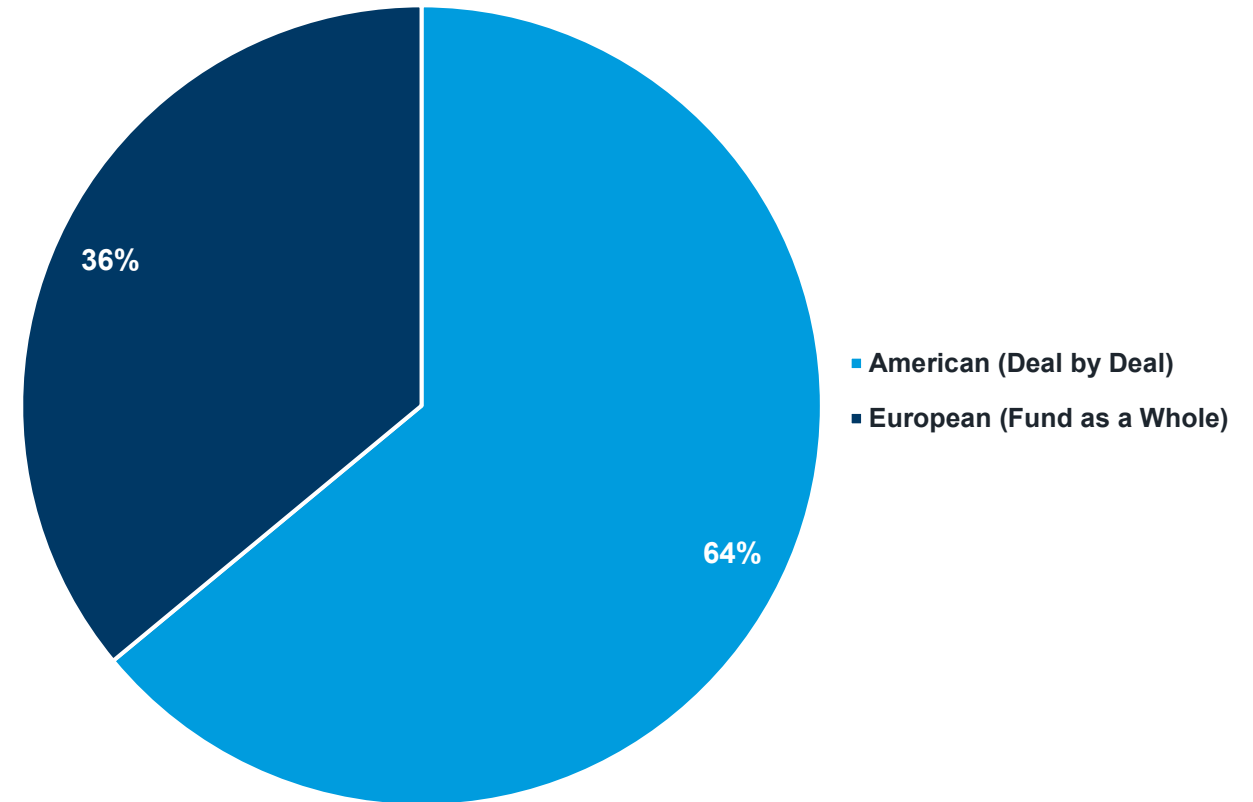
# Time Limits on Borrowing

The data continues to show that, although there is a range of approaches, the prevailing market position is to hold ordinary course borrowings to one year or shorter. A 12-month cap is clearly the most common time limitation on fund-level borrowing, appearing in 58% of the 2026 sample. Shorter limits of six or nine months are each seen in 9% of funds, while a small minority provide for longer periods or no limit.



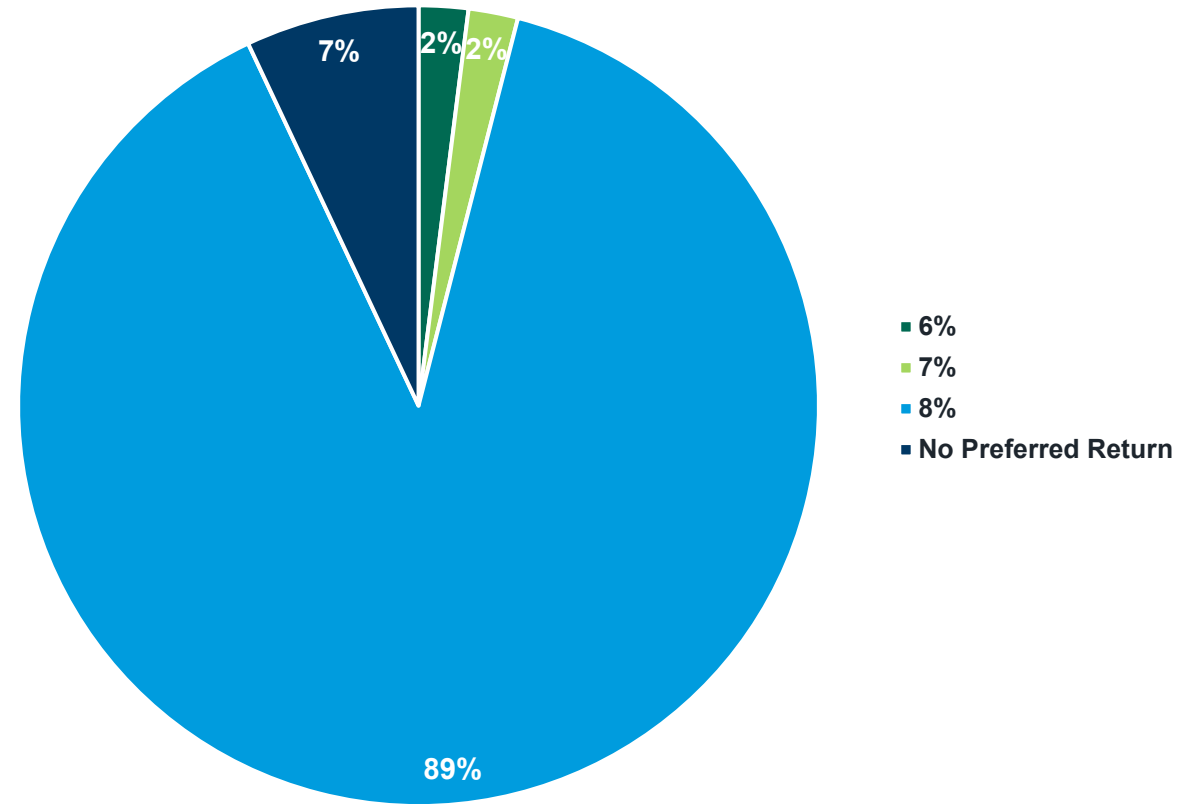
# Distribution Waterfall – Type of Waterfall

An American-style distribution model remains the prevailing standard, although by a somewhat smaller margin than in prior surveys. The deal-by-deal waterfall remains the dominant economic arrangement in U.S. buyout funds, with 64% of funds in the 2026 sample utilizing it versus 36% employing a whole-fund model.



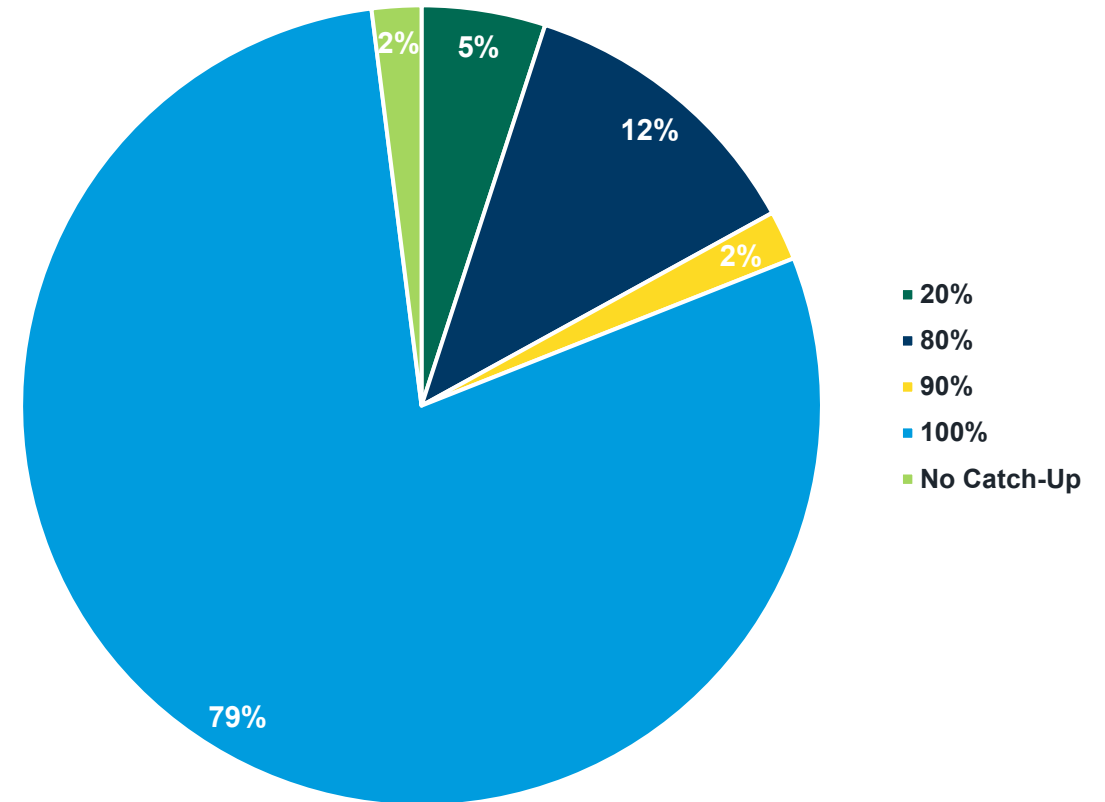
# Distribution Waterfall – Preferred Return (%)

The market standard preferred return remains at 8%, with 89% of funds in the 2026 sample applying that percentage. The remaining funds are split between 6%, 7% and no preferred return. As in prior years, funds with no preferred return component are more likely to feature a waterfall that prioritizes a full return of contributions.



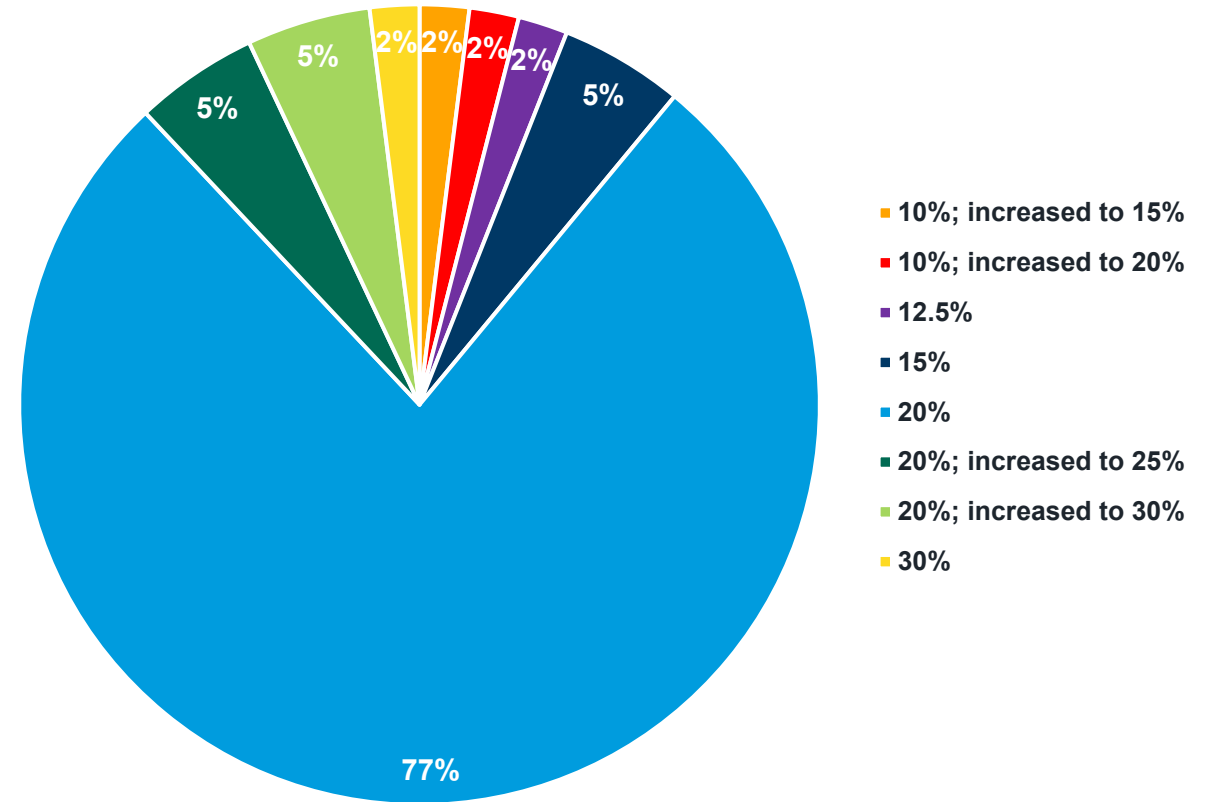
# Distribution Waterfall – Carried Interest Catch-Up (% after Preferred Return)

With 79% of funds falling into the category, a 100% catch-up of carried interest for the GP after the preferred return has been satisfied remains the most common structure. An 80/20 catch-up is the only alternative with meaningful representation, appearing in 12% of the sample.



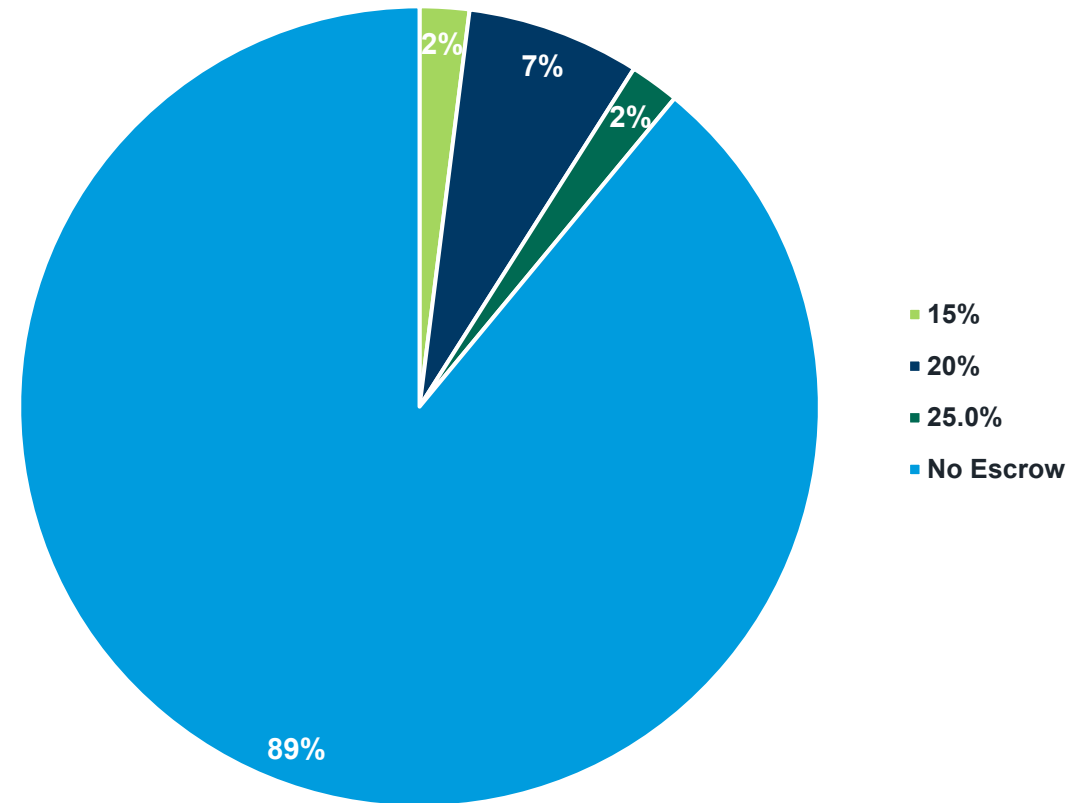
# Distribution waterfall – Carried Interest Percentage

The surveyed funds show that 20% carried interest continues to be the prevailing market standard, but with greater variation around the edges, reflecting market participants' willingness to deviate from the standard rate where circumstances support that outcome. The 2026 data shows more dispersion than in the prior survey, with a number of funds having 15%, 30%, 12.5% or ratcheted structures.



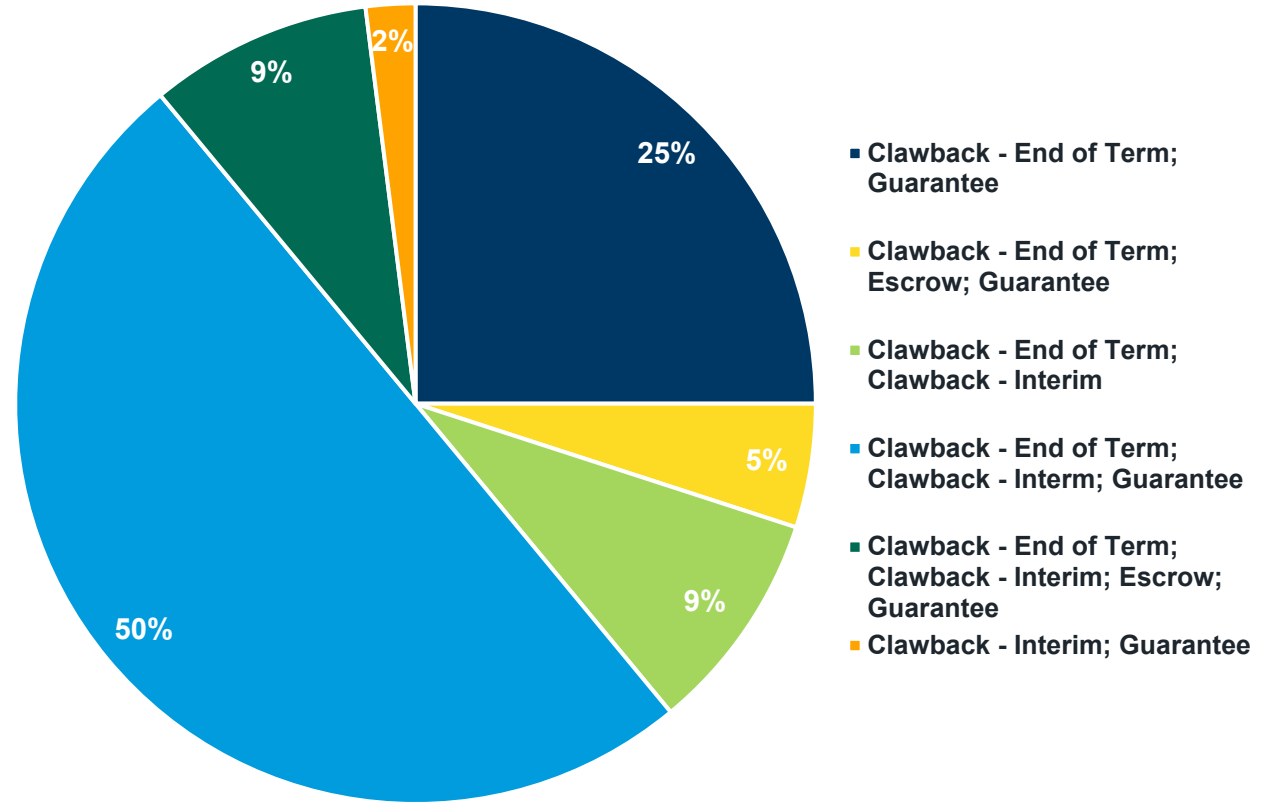
# Escrow

Our data supports the conclusion that escrow is a relatively uncommon protection in the U.S. private equity ecosystem, with managers and investors more often relying on clawback-related protections. Where an escrow is required, the levels observed are 15%, 20% and 25% of carried interest distributions.



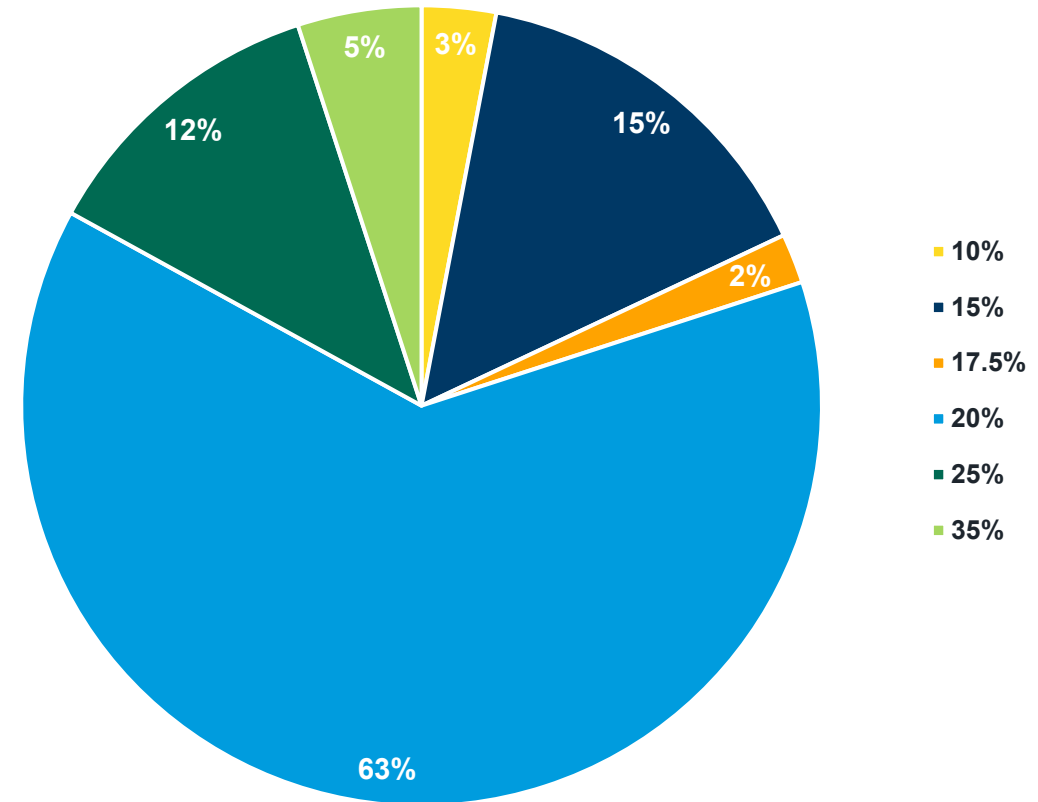
# GP Clawbacks

There is no single standard approach to GP clawback and related investor protections. In the 2026 sample, the most common structure (50%) combines an end-of-term clawback, an interim clawback and a guarantee, while a further 25% combine an end-of-term clawback with a guarantee only.



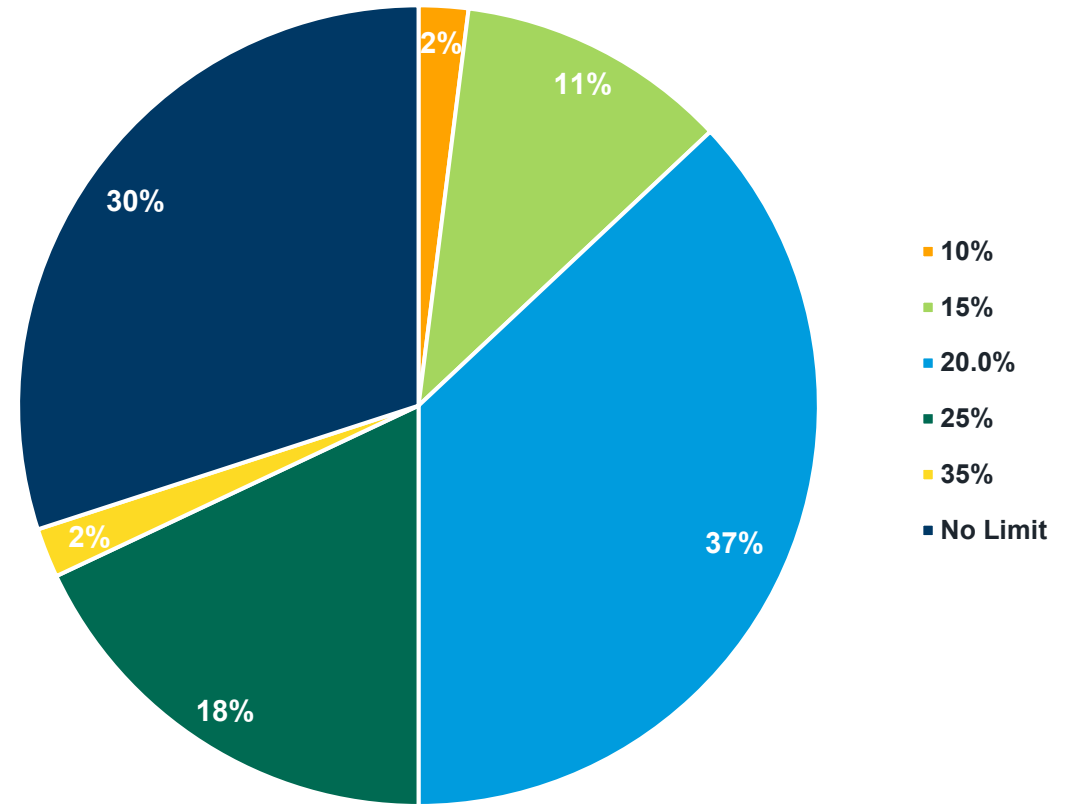
# Investment Restriction – Diversification Limit (% of Commitments)

Diversification limits remain concentrated around 20% of commitments, which applies to 63% of the 2026 sample. A further 15% of funds use a 15% limit and 12% use 25%. The ability to invest materially above 20% of commitments remains a minority position and is in most cases localized to smaller funds and specialist strategies.



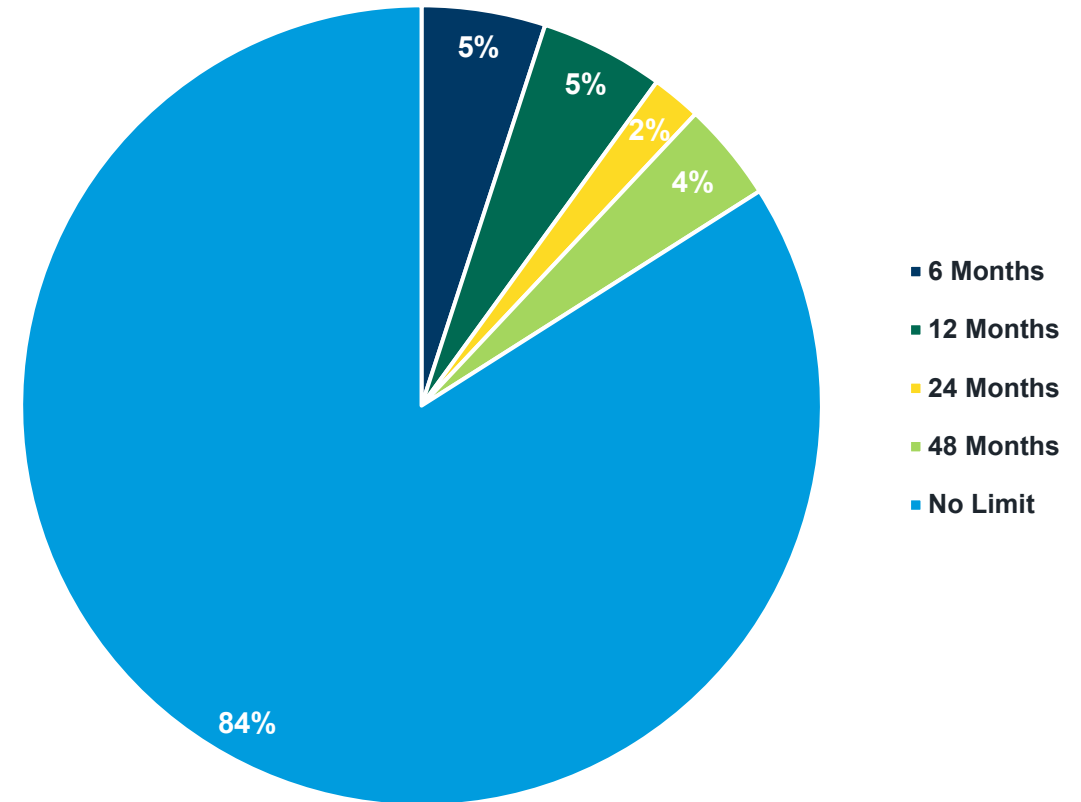
# Limit on Follow-On Investments Post-Investment Period (% of Commitments)

As in prior years, the agreed limitation generally remains closely linked to the intended investment strategy, with more active buy-and-build or growth-oriented strategies pushing for greater flexibility. A significant portion of funds in this sample operate without a stated cap on post-investment period follow-ons, with 30% falling in that category. Where a cap is stated, 20% and 25% of commitments are the most utilized limitations.



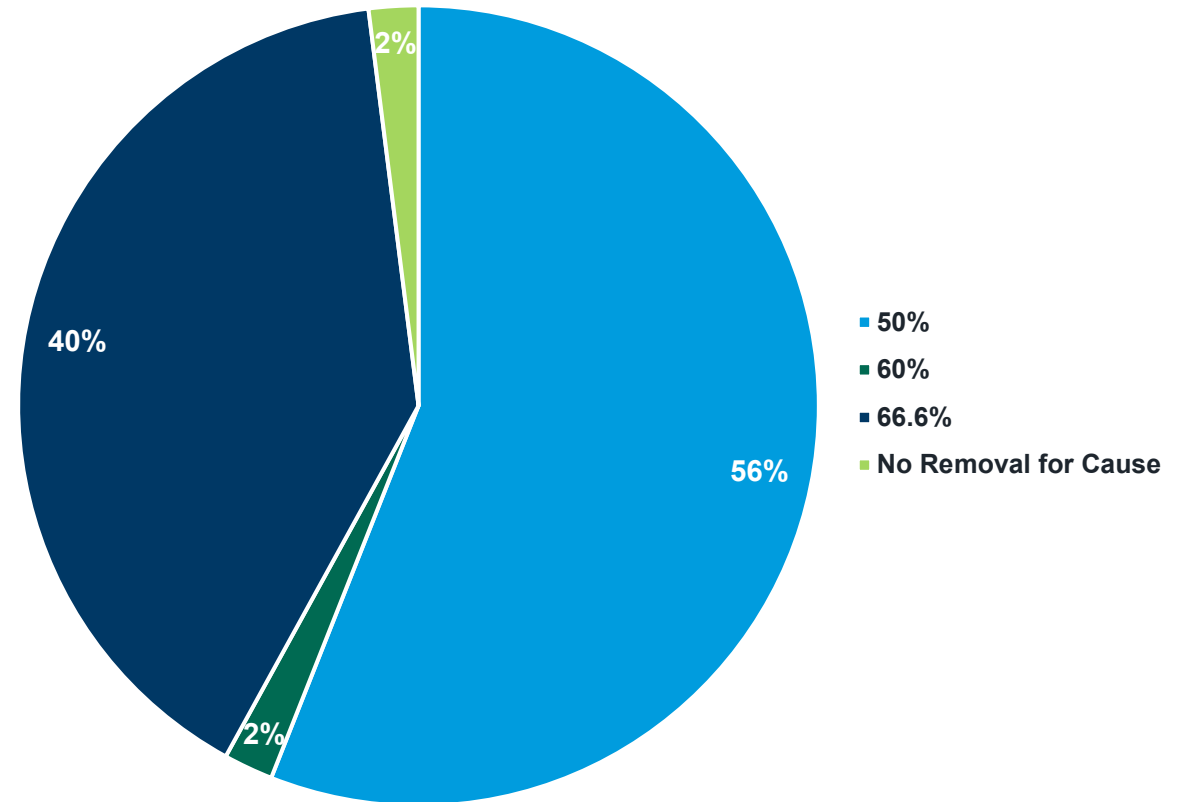
# Limit on Follow-On Investments Post Investment Period (Months Post Investment Period)

Time-based limits on follow-ons remain the exception rather than the rule. The overwhelming majority of sampled funds do not impose a time limit on follow-on investments after the investment period, with 84% stating no limit. The few funds that do impose a limit use a range of periods from six to 48 months.



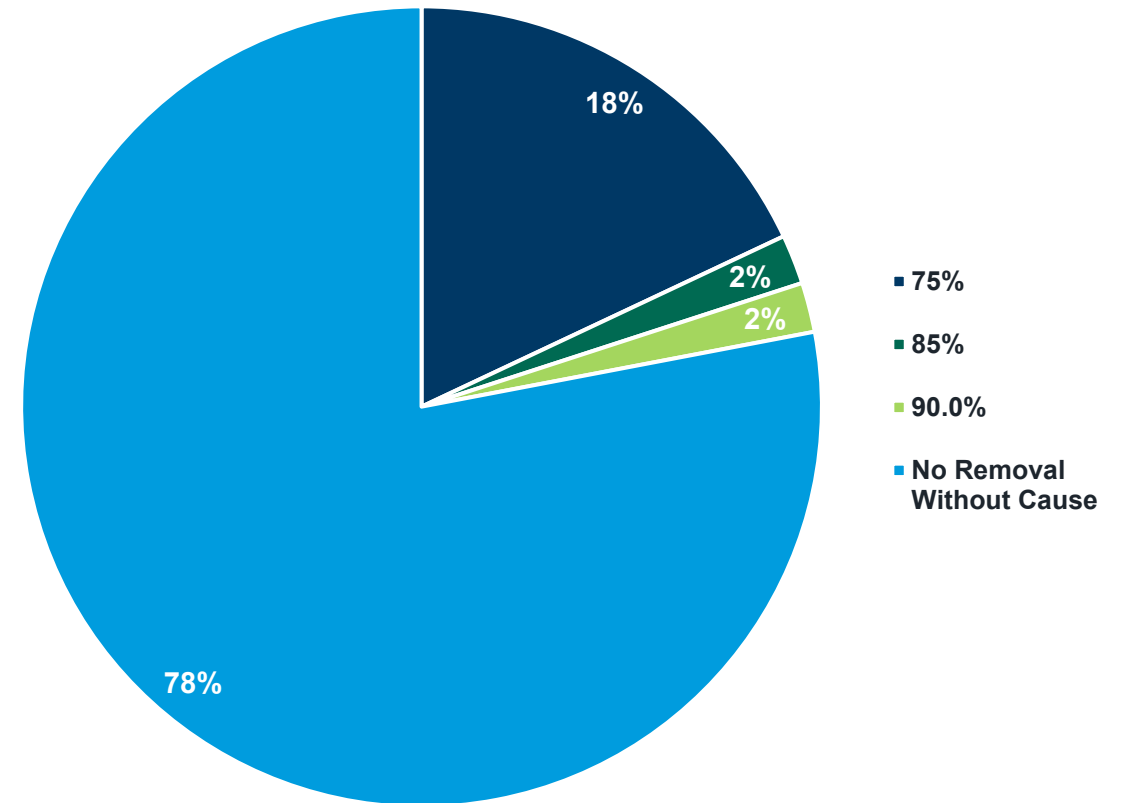
# GP 'For Cause' Removal – Investor Voting Threshold (% of Interests)

A simple majority is the most common voting threshold for GP removal for cause, applying in 56% of the 2026 sample, with two-thirds in interest required in another 40%. Only a single fund in the sample provides no removal right for cause. Compared with our prior survey, the data is more concentrated around clear market standards that are only slightly divergent.



# GP 'Without Cause' Removal – Investor Voting Threshold (% of Interests)

The U.S. buyout fund market remains biased against no-fault removal rights for LPs, with only 22% of the 2026 sample providing for such rights. Where such rights are present, the threshold is usually 75% in interest. Our data shows a growing market trend against no-fault removal rights.



# Key Contacts



**Ryan M. Carpenter**  
Partner

+1.617.526.9607

[rcarpenter@proskauer.com](mailto:rcarpenter@proskauer.com)

Ryan Carpenter is a partner in the Private Funds Group and co-leads the Firm's global buyout funds initiative. He represents and advises private investment fund sponsors operating buyout, growth equity, private credit, venture capital and other strategies on the spectrum of matters arising for their businesses, including fund formation, regulatory compliance, investment activities, co-investment programs, and the ongoing governance, maintenance and operation of their funds. In addition to his work with an array of market-leading fund sponsors, Ryan has counseled numerous emerging managers in relation to their formation and launch, including in connection with spin-outs, initial fund formation, seeding arrangements and related matters.

He has significant experience with the establishment and maintenance of general partner and management company entities, including operational considerations and the implementation of carried interest programs and separation arrangements. He provides guidance to fund managers at key inflection points in their growth and development, including in relation to minority stake transactions, firm restructurings, succession planning and strategic joint ventures.

Ryan also advises a range of institutional investors on the acquisition and disposition of private investment fund interests in the U.S. and abroad, both on a primary basis and in connection with portfolio sales and other secondary market transactions. He also represents private fund managers in connection with fund restructurings, continuation funds and other GP-led transactions.

Proskauer»

Proprietary & Confidential. For discussion purposes only. The information provided in this slide presentation is not intended to be, and shall not be construed to be, either the provision of legal advice or an offer to provide legal services, nor does it necessarily reflect the opinions of the Firm, our lawyers or our clients. No client-lawyer relationship between you and the Firm is or may be created by your access to or use of this presentation or any information contained in it. Rather, the content is intended as a general overview of the subject matter covered. Proskauer Rose LLP (Proskauer) is not obligated to provide updates on the information presented. Those viewing this presentation are encouraged to seek direct counsel on legal questions. © Proskauer Rose LLP. All Rights Reserved.