

PALLAS INVESTMENT PARTNERS, L.P.

555 MISSION STREET, 17TH FLOOR
SAN FRANCISCO, CA 94105
415-954-5400

Form ADV Part 2A Brochure

March 28, 2012

This brochure provides information about the qualifications and business practices of PALLAS INVESTMENT PARTNERS, L.P. ("Pallas"). If you have any questions about the contents of this brochure, please contact us at (415) 954-5400. 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.

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

We refer to ourselves as a registered investment adviser. This means that we are registered as an investment adviser under the Investment Advisers Act of 1940, as amended. However, registration does not imply a certain level of skill or training.

Item 2. - Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This brochure is updated as of March 28, 2012. The last update to this brochure was on April 13, 2011.

As of November 29, 2011, Huachen Chen was added as a limited partner of Pallas Advisers, LLC, the General Partner of Pallas Investment Partners, L.P. He also became a Managing Member of Pallas Investments, LLC, the general partner of the investment companies managed by Pallas Investment Partners, L.P.

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Item 4. - Advisory Business

Pallas Investment Partners, L.P. is an investment advisory firm which has been in operation since 2000 either directly or through its predecessors.

As of December 31, 2011, Pallas had \$13.8 million in discretionary assets under management. This amount reflects our total assets under management.

Pallas is actively engaged in providing discretionary investment management services to the following investment companies exempt from registration under the Investment Company Act of 1940: Pallas Investments II, L.P. ("Pallas II"), Pallas Global Technology Hedge Fund, L.P. ("Pallas Tech") and CP21 L.P. ("CP21") (collectively, "Private Funds"). In the future, Pallas may from time-to-time provide investment management services to other exempt investment companies, to registered investment companies and to individually managed separate accounts. For the avoidance of doubt, "Funds," refers to exempt and registered investment companies, including the Private Funds, that may from time-to-time may be managed by Pallas; "Purchasers" refers to the holders of interests or shares in Funds; and "Client(s)" generally refers to individually managed separate accounts. In certain instances, where the context so indicates, Clients also is intended to refer to Funds. The elements of services may include one or more of the following:

- Establishing and/or assisting in the development and subsequent modification of appropriate investment objectives, guidelines, and restrictions;
- Determining an appropriate investment strategy, consistent with the investment objectives, guidelines, and restrictions established by the Client, and reviewing and modifying such strategy through meetings and consultations with the Client or its agents from time-to-time;
- Implementing the investment strategy through purchase and sale of securities and/or other financial instruments, the exercise of options, warrants, and subscription rights, and the investment and re-investment of cash balances;
- Providing information and instructions to the Custodian (or trustee) of the Client's account so that transactions for the account are settled in an accurate and timely manner, and reconciling its records with those of the custodian (or trustee) on a periodic basis;
- Monitoring the individual instruments held in the account so that the individual instruments and the overall portfolio remain consistent with the investment strategy for the account as well as the Client's investment objectives, guidelines and restrictions;
- Valuing securities and other financial instruments held in the portfolio;
- Evaluating proxy statements and proposed corporate actions, voting proxies and/or providing advice related to proxy voting and voting proxies; and
- Furnishing periodic reports concerning account activity and performance.

Pallas does not provide all of the services listed above to all clients.

All accounts are managed on a fully discretionary basis, subject to applicable investment objectives, guidelines, and restrictions. It is expected that all accounts will be charged an asset

based fee similar to those described above, with respect to the Private Funds. The amount of such fees and the payment periods may vary.

Pallas is controlled by its general partner, Pallas Advisers, LLC, which is owned by Walter Price and Huachen Chen. The general partner of Pallas Investments II, L.P., Pallas Global Technology Hedge Fund, L.P. and CP21 L.P. is Pallas Investments, LLC, a Delaware limited liability company (the "General Partner"). Mr. Price and Mr. Chen own a majority of the interests in the General Partner.

Pallas cannot guarantee or assure you that your investment objective(s) will be achieved. Pallas does not guarantee the future performance of any client's account or any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our overall management of any account. The investment decisions Pallas makes for client accounts are subject to various market, currency, economic, political and business risks, and the risk that investment decisions will not always be profitable. Many of these risks are discussed in Item 8 below, which you should review carefully before deciding to engage the services of Pallas.

Item 5. - Fees and Compensation

Each Private Fund pays Pallas an annual management fee equal to a percentage of its net assets payable in advance each fiscal quarter. Pallas II pays a fee at an annual rate of 1.25%. Pallas Tech and CP21 pay a fee at an annual rate of 1.5%. Each Purchaser in the Private Funds is assessed an annual special allocation, payable to the general partner, equal to 20% of the amount by which the portion of the Private Funds' profits exceed the prior high point.

Pallas' fees ordinarily are calculated by Pallas or its agent, based on Pallas' valuation of the assets in the Client's portfolio.

In the event of termination, any management fees paid in advance will be prorated as of the date of termination and the unearned portion will be returned to the Client.

Pallas' fees will be reduced by 25 basis points for any portion of a Purchaser's investment in the Private Funds that exceeds \$10 million at the time the management fee is calculated. In addition, a Purchaser that agrees in writing with the Private Funds to not withdraw any part of its capital account for more than one year will be subject to a reduced incentive fee. Moreover, Pallas may waive or reduce management fees for its employees and employees of its affiliates and any other Purchasers.

In addition, and to the extent permitted by law, Pallas may enter into performance-related fee arrangements, provided that all applicable regulatory requirements are met. The incentive fee arrangement described above for the Private Funds is one type of performance based fee. However, performance-related fee arrangements vary depending on the particular Client's needs and individual circumstances. Performance-related fees may create an incentive for Pallas to make investments that are riskier or more speculative than would be the case in the absence of a performance-related fee arrangement. In addition, under certain circumstances, Pallas may receive compensation under a performance-related fee arrangement that is larger than it otherwise might receive under asset-based fee arrangements.

You may choose to be billed directly for fees, or may authorize us to directly deduct fees from your account. If we can deduct fees directly from your account, your custodian should send a quarterly statement directly to you, showing transactions in the account, including our fees. We will receive paper or electronic copies of the custodian's statements. We urge you to carefully review these statements, where applicable, and compare the official custodial records to any account statements we may send to you.

Holdings in a client's account may include securities of investment companies or other collective investment vehicles that we advise. Those investment companies or collective investment vehicles charge a separate management fee, as disclosed in their relevant governing or offering documents. See Item 10 below for more information on these accounts.

Besides our fees, you will pay fees and expenses of other service providers, including custodians, brokers, and other third parties. For example, to the extent that your assets are invested in a cash investment fund of your trustee or custodian, the trustee or custodian may also charge separate management or transactional fees. Fees and expenses also include custodial fees, sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions, including commissions. If you invest in a pooled investment vehicle, that vehicle or fund will charge internal management fees and other expenses, as disclosed in the fund's prospectus or offering memorandum. Although these charges, fees and commissions are in addition to our fee, they are paid to other parties, and we do not receive any portion of these amounts, except when invested in an investment company or collective investment vehicle we advise.

Item 6. - Performance-Based Fees and Side-by-Side Management

As noted in Item 5, Pallas may enter into performance-related fee arrangements. We manage accounts that pay a performance-related fee and accounts that pay asset-based fees. Performance-related fee arrangements vary depending on the particular client's needs and individual circumstances. Performance-related fees may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of a performance-related fee arrangement. They may also create an incentive for us to favor certain accounts over others. In addition, under certain circumstances, we may receive compensation under a performance-related fee arrangement that is larger than it otherwise might receive under asset-based fee arrangements.

Pallas has written compliance policies and procedures designed to mitigate or manage these conflicts of interest, including policies and procedures to seek fair and equitable allocation of investment opportunities (including IPOs) and trades (see Item 12 below) among all client accounts. Senior investment personnel review weekly performance reports on all of our client accounts, including those that pay performance-related fees and those that do not, and review the reports for, among other things, potential performance differences between these accounts. The reviews are part of the way we manage potential conflicts that could create incentives for our investment personnel to favor one account over another. There is no guarantee that any such policies or procedures will cover every situation in which a conflict of interest arises.

Item 7. - Types of Clients

Pallas may provide investment management and investment advisory services to, among others, investment companies, pension and profit-sharing plans, foundations, endowment funds, corporations, nuclear decommissioning trusts, individuals, insurance companies, partnerships, other business entities, trusts, collective investment vehicles, estates, charitable organizations, managed account/wrap fee programs, governmental entities, quasi-governmental entities, and supranational entities. Some of these entities may receive Pallas' services on a sub-advisory basis.

Private Fund Purchasers are subject to certain minimum investment requirements and certain other eligibility requirements relating to the various regulatory exemptions under which the Private Funds operate. It is expected that purchasers of other Funds will be subject to similar requirements and that private account clients will be subject to account minimums.

For individually managed accounts, Clients generally are required to enter into written investment management or investment advisory agreement prior to the establishment of the client's account.

Pallas will not enter into an investment management or investment advisory relationship with any prospective Client whose investment objectives, guidelines, and restrictions are deemed to be incompatible with Pallas' basic investment philosophy or strategies, or if he prospective client's investment objectives, guidelines, and restrictions are deemed to be unduly restrictive.

Item 8. - Methods of Analysis, Investment Strategies and Risk of Loss

For research for our equity investments, we rely on the comprehensive research provided and coordinated by RCM Capital Management LLC ("RCM"), San Francisco, and we use the local centers in Frankfurt, London and San Francisco depending on the area of the required research. In general, we seek for our clients the most favorable returns available on a risk-adjusted basis.

Equity Research

RCM maintains a research staff that monitors a broad universe of stocks for comparative purposes (the "Research Department"). It makes use of contacts at several levels within companies, and, where appropriate, with a company's competitors, end-users and suppliers. The Research Department's analysts follow a global universe of companies to determine whether they are good candidates for investment, and communicate recommended action on either the buy or the sell side to the appropriate portfolio management team. RCM may also receive proprietary research from, and provide proprietary research (including Grassrootssm Research Reports) to its affiliate, Caywood-Scholl, as well as Pallas and certain other investment management affiliates. (See Item 10)

Substantial emphasis is placed on the Research Department's own fundamental research. However, RCM also uses outside research in two ways. First, the opinions of a broad group of industry and company specialists are considered to supplement the analysis of RCM's research staff. As described in Item 12, this research information may be provided by brokers who execute portfolio transactions for RCM's clients. Second, "street" opinions and estimates on stocks, groups and economic data are monitored.

In addition to its fundamental traditional research activities, RCM utilizes research produced by Grassrootssm Research, a division within the Allianz Global Investors group of companies.. Grassrootssm Research augments our own traditional research methods by seeking to verify (or disprove) market information pertaining to various companies and/or industries and by identifying and analyzing marketplace trends. RCM believes that Grassrootssm Research provides a valuable complement to its traditional research methodology.

RCM maintains staff in its Grassrootssm Research unit. There are also freelance journalists and field force personnel located throughout the world, including Eastern and Western Europe, Asia, Australia, Latin America, as well as the United States who collect data and other information through interviews conducted with consumers, suppliers, service providers, trade sources, polls, government agencies, etc. The journalists prepare research reports which the Grassrootssm employees then edit and finalize. The freelance journalist and field force personnel typically work as independent contractors for, and are compensated by, broker-dealers who provide research services to RCM in exchange for commissions generated by RCM's clients. (See response to Item 12 below.)

RCM also may utilize from time to time the research services of doctors representing medical specialties likely to be affected by medical, technological and economic developments in medicine, health care and related areas. These doctors may serve as independent contractors for a broker-dealer, which compensates them for the services they provide. (See response to Item 12 below.)

RCM also maintains a quantitative analytics department who contributes to the overall investment efforts of the firm. Their main focus is to provide risk and performance analyses of portfolios to assist in future investment decisions.

Short and Medium Duration Research

RCM's fixed income investment management services are concentrated in the construction and maintenance of short to medium duration portfolios. RCM typically emphasizes holding high quality credits due to the capital preservation mandate dictated by most of RCM's fixed income clients. For taxable portfolios, investments include municipal securities and other securities issued by the United States government or agencies thereof. For portfolios not subject to tax, investments include corporate bonds, municipal bonds (particularly taxable municipals), and other securities issued by the United States government or agencies thereof. RCM uses proprietary research for both credit analysis and quantitative bond analysis. The research effort is focused on adding value from the following components of portfolio structure: duration, yield curve, fixed income sector selection, and individual security selection. Rigorous risk management strategies are included in all aspects of the portfolio management process.

INVESTMENT STRATEGIES

Pallas manages the Private Funds. Each of the Private Funds invests primarily in a broad range of stocks, including stocks of technology companies, health science companies, and companies that take advantage of, use, and provide support and services to the Internet.

The Private Funds will invest primarily in public companies, but may also invest in securities for which there is no public market or that are not freely tradable ("Private Securities"). Any such investments will be made through a "side-pocket" investment pool – that is, Pallas will maintain a separate pool of assets consisting solely of all such investment in private companies. Purchasers will be given the option of whether to participate in the side-pocket investment pool.

Purchasers participating in the side-pocket investment pool who redeem some or all of their interests will receive distributions of any allocable proceeds from the pool if, when and as Pallas is able to liquidate sufficient securities in the pool (such as pursuant to a public offering by acquisition of an issuer whose securities are held in the pool) to make such distributions.

Pallas expects that future investment strategies for other Funds and Clients will be similar, although Pallas may engage from time-to-time in other types of equity based strategies.

Types of Investments:

Pallas provides investment management and investment advisory services with respect to a broad range of equity instruments and a more limited range of fixed-income instruments. Some of these instruments include, but are not limited to, exchange-traded and over-the-counter securities; foreign securities; American Depositary Receipts and similar depositary instruments; securities issued by investment companies (and similar foreign issuers); privately placed securities in public or private entities; securities that are eligible for resale pursuant to SEC Rule 144A; commercial paper; securities issued by the United States and foreign governments and municipalities; currency exchange transactions; purchase of when-issued and delayed delivery securities; purchase and sale of options contracts with respect to interest rates, securities, and financial indexes; forward currency contracts and swap and related cap, floor and collar transactions with respect to interest rates; and other derivative instruments. Particular clients may receive investment management or investment advisory services with respect to one or more of the foregoing categories of instruments.

Pallas may also buy and sell, among other things, interest rate futures contracts, options on interest rate futures contracts, and options on fixed income securities for the purpose of hedging against changes in the value of securities positions due to anticipated changes in interest rates. Pallas may engage in foreign currency exchange transactions by means of buying or selling foreign currencies on a spot basis, enter into foreign currency forward contracts, and buy and sell foreign currency options or foreign currency futures, and Pallas may enter into foreign currency exchange transactions for the purpose of hedging against foreign currency exchange risk. Pallas may enter into foreign currency forward contracts and buy and sell foreign currency forward contracts and buy and sell foreign currencies or foreign currency options for purposes of increasing exposure to a particular foreign currency or to shift exposure to foreign currency fluctuations from one country to another. Pallas may enter into swap agreements for purposes of attempting to obtain a particular investment return at a lower cost than a direct investment in an instrument. Further, Pallas may purchase and sell securities on a when-issued or delayed delivery basis, sell securities short, enter into forward commitments to purchase securities and lend securities to brokers, dealers and other financial institutions to earn income.

INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT CLIENTS SHOULD BE PREPARED TO BEAR.

General. The value of your account changes with the value of its investments. Many factors can affect those values. Your account may be subject to additional risks other than those described below because the types of investments in your account can change over time. There is no guarantee that we will be able to achieve your investment objective. It is possible to lose money by investing.

Common Stocks and Other Equity Securities. Common stock represents an ownership interest in a company. Common stock may take the form of shares in a corporation, membership interests in a limited liability company, limited partnership interests, or other forms of ownership interests. The value of a company's stock may fall as a result of factors directly relating to that company, such as decisions made by its management or lower demand for the company's products or services. A stock's value may also fall because of factors affecting not just the company, but also companies in the same industry or sector, or in a number of different industries or sectors, such as increases in production costs. The value of a company's stock may also be affected by changes in financial markets that are relatively unrelated to the company or its industry, such as changes in interest rates or currency exchange rates or adverse circumstances involving the credit markets. In addition, a company's stock generally pays dividends only after the company invests in its own business and makes required payments to holders of its bonds, other debt and preferred stock. For this reason, the value of a company's stock will usually react more strongly than its bonds, other debt and preferred stock to actual or perceived changes in the company's financial condition or prospects.

Stocks of smaller companies may be more vulnerable to adverse developments than those of larger companies. Stocks of companies that we believe are fast-growing may trade at a higher multiple of current earnings than other stocks. The value of these stocks may be more sensitive to changes in current or expected earnings than the values of other stocks. Seeking earnings growth may result in significant investments in sectors that may be subject to greater volatility than other sectors of the economy.

Companies that we believe are undergoing positive change and whose stock we believe is undervalued by the market may have experienced adverse business developments or may be subject to special risks that have caused their stocks to be out of favor. If our assessment of a company's earnings growth or other prospects is wrong, or if our judgment of how other investors will value the company is wrong, then the price of the company's stock may fall or may not approach the value that we have placed on it.

Different types of equity securities provide different voting and dividend rights and priority in the event of the bankruptcy and/ or insolvency of the issuer. In addition to common stocks, equity securities include, without limitation, preferred stocks, convertible securities and warrants. Equity securities other than common stocks are subject to many of the same risks as common stocks, although possibly to different degrees. We may invest in, and gain exposure to, common stocks and other equity securities through purchasing depositary receipts.

Equity-related instruments are securities and other instruments, including derivatives such as equity-linked securities, whose investment results are intended to correspond generally to the performance of one or more specified equity securities or of a specified equity index or analogous "basket" of equity securities. To the extent that an account invests in equity-related instruments whose return corresponds to the performance of a non-U.S. securities index or one or more non-U.S. equity securities, investing in these equity-related instruments will involve risks similar to the risks of investing in non-U.S. securities. In addition, a client's account bears the risk that the issuer of an equity-related instrument may default on its obligations under the instrument. Equity-related instruments are often used for many of the same purposes as, and share many of the same risks with, other derivative instruments such as swap agreements, participation notes and zero-strike warrants and options, as discussed below. Equity-related instruments may be considered illiquid.

Credit Risk. Client accounts may be subject to credit risk. This is the risk that the account could lose money if the issuer or the guarantor of a fixed income security (including a security purchased with securities lending cash collateral, if your account engages in securities lending), or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling, or is perceived (whether by market participants, ratings agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings.

Currency Risk. Client accounts may invest directly in foreign (non-U.S.) currencies and in securities that trade in, or receive revenues in, foreign (non-U.S.) currencies, and are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or non-U.S. governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the U.S. or abroad. As a result, investments in foreign currency-denominated securities may reduce the return of your account.

Derivatives Risk. Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. We discuss below some of the types of derivatives that client accounts may use. Client accounts may (but are not required to) use derivatives as part of a strategy designed to reduce exposure to other risks, such as risks associated with changes in interest rates or currency risk. Client accounts may also use derivatives for leverage, which increases opportunities for gain but also involves greater risk of loss due to leveraging risk, and to gain exposure to issuers, indices, sectors, currencies and/or geographic regions. A client account's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments, and the use of certain derivatives may subject an account to the potential for unlimited loss. To the extent an account writes call options on individual securities that it does not hold in its portfolio ("naked" call options), it is subject to the risk that a liquid market for the underlying security may not exist at the time an option is exercised or when the account otherwise seeks to close out an option position; naked call options have speculative characteristics and the potential for unlimited loss. Derivatives also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation, and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. In addition, an account's use of derivatives may increase or accelerate the amount of taxes payable by the account holder. By investing in a derivative instrument, an account could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that we will engage in these transactions to reduce exposure to other risks when that would be beneficial or that, if used, these strategies will be successful.

Finally, federal legislation has been recently enacted in the U.S. that provides for new clearing, margin, reporting and registration requirements for participants in the derivatives market. While the ultimate impact is not yet clear, these changes could restrict and/or impose significant costs or other burdens upon an account's participation in derivatives transactions.

Examples of derivative instruments that we may buy, sell or otherwise utilize include, among others, option contracts, futures contracts, options on futures contracts, forward contracts,

warrants and swap agreements, including swap agreements with respect to securities indexes. An account may purchase and sell (write) call and put options on securities, securities indexes and foreign currencies. An account may purchase and sell futures contracts and options thereon with respect to securities, securities indexes, interest rates and foreign currencies.

The following provides further discussion of risks relating to derivative instruments that we may use, subject to any restrictions applicable to a particular account.

- *Management Risk.* Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.
- *Counterparty Credit Risk.* The use of a derivative instrument involves the risk that a loss may be sustained as a result of the failure of another party to the contract (usually referred to as a “counterparty”) to make required payments or otherwise comply with the contract’s terms.
- *Liquidity Risk.* Liquidity risk exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.
- *Leveraging Risk.* Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. When an account uses derivatives for leverage, investments will tend to be more volatile, resulting in larger gains or losses in response to market changes. Leveraging risk may be especially applicable to accounts that may write uncovered (or “naked”) options.
- *Basis Risk.* Basis risk is the risk that the value of a derivative instrument does not react in parallel with the value of the underlying security.
- *Lack of Availability.* Because the markets for certain derivative instruments (including markets located in non-U.S. countries) are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances for risk management or other purposes. Upon the expiration of a particular contract, we may wish to retain an account’s position in the derivative instrument by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. There is no assurance that we will engage in derivatives transactions at any time or from time to time. An account’s ability to use derivatives may also be limited by certain regulatory and tax considerations.

- **Market and Other Risks.** Like most other investments, derivative instruments are subject to the risk that the market value of the instrument will change in a way detrimental to the account's interest. If we incorrectly forecast the values of securities, currencies or interest rates or other economic factors in using derivatives, the account might have been in a better position if we had not entered into the transaction at all. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or result in losses by offsetting favorable price movements in other investments. The account may also have to buy or sell a security at a disadvantageous time or price.

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular privately negotiated derivatives, are complex and illiquid and thus often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the account. Also, the value of derivatives may not correlate perfectly, or at all, with the value of the assets, reference rates or indexes they are designed to closely track. In addition, our use of derivatives may accelerate and/or increase the amount of taxes payable. Derivative instruments are also subject to the risk of ambiguous documentation.

There are significant differences between the securities and derivatives markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve the intended result. A decision as to whether, when and how to use derivatives involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In addition, derivatives strategies that are successful under certain market conditions may be less successful or unsuccessful under other market conditions.

Emerging Markets Risk. Client accounts that invest in non-U.S. securities may experience more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. issuers or securities that trade exclusively in U.S. markets. Non-U.S. investment risk may be particularly high to the extent that the account invests in emerging market securities, that is, securities of issuers tied economically to countries with developing economies. See "Non-US Investment Risk" below. These securities may present market, credit, currency, liquidity, legal, political, technical and other risks different from, or greater than, the risks of investing in developed countries. In addition, the risks associated with investing in a narrowly-defined geographic area are generally more pronounced with respect to investments in emerging market countries. An account may also be subject to Emerging Markets Risk if it invests in derivatives or other securities or instruments whose value or returns are related to the value or returns of emerging market securities.

Focused Investment Risk. Focusing an account's investments in a small number of issuers, industries, foreign currencies or regions increases risk. If an account invests a significant portion of its assets in a relatively small number of issuers, it may have more risk because changes in the value of a single security or the impact of a single economic, political or regulatory occurrence may have a greater adverse impact on the account's value. Some of those issuers also may present substantial credit or other risks. In addition, the account may be subject to increased risk to the extent it focuses its investments in securities denominated in a particular foreign currency or in a narrowly-defined geographic area outside the United States. Similarly, if the account focuses its investments in a certain type of issuer, it will be particularly vulnerable to events affecting that type of issuer. Also, the account may have greater risk to the

extent it invests a substantial portion of its assets in a group of related industries (or “sectors”). The industries comprising any particular sector and investments in a particular foreign currency or in a narrowly-defined geographic area outside the United States may share common characteristics, are often subject to similar business risks and regulatory burdens, and react similarly to economic, market, political or other developments. An account may from time to time invest a substantial portion of its assets in certain sectors, and during these periods will be subject to a greater extent to the risks associated with these sectors.

Industry Concentration. Market conditions, interest rates, and economic, regulatory or financial developments could significantly affect a single industry or a group of related industries, and the securities of companies in that industry or group of industries could react similarly to these or other developments. See “Focused Investment Risk” above.

- *Eco-Sectors Related Risk.* To the extent an account focuses its investments in companies that have exposure, directly or indirectly, to one or more of the EcoEnergy, Pollution Control and Clean Water sectors that comprise the Eco-Sectors, events or factors affecting companies in the Eco-Sectors will have a greater effect on, and may more adversely affect, the account than they would with respect to an account that is more diversified among a number of unrelated sectors and industries. Companies in the Eco-Sectors may be particularly susceptible to factors such as environmental protection regulatory actions, other international political and economic developments, changes in government subsidy levels, environmental conservation practices, changes in taxation and other government regulations, and increased costs associated with compliance with environmental or other regulations. There are substantial differences between the environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the Eco-Sectors include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the Eco-Sectors. The Eco-Sectors, on the whole, are newly developing and strongly influenced by technological changes. The Eco-Sectors can be significantly affected by the level and volatility of technological change in industries focusing on energy, pollution and environmental control. In particular, technological advances can render an existing product, which may account for a substantial portion of a company's revenue, obsolete. Product development efforts in the Eco-Sectors may not result in viable commercial products, and companies in the Eco-Sectors typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the Eco-Sectors are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the Eco-Sectors tends to be considerably more volatile than that of companies in more established sectors and industries. Each of the sectors that comprise the Eco-Sectors is susceptible to particular risks. Companies in the EcoEnergy sector may be adversely affected by substantial and/or abrupt variations in the use or prices of oil and other fossil fuels. Changes in energy conservation practices and the demand for renewable energy may also significantly impact the EcoEnergy sector. Companies in the Pollution Control sector are particularly susceptible to changes in regulatory controls on, and international treaties with respect to, the production or containment of pollutants. Changes in market practices and regulatory conditions

surrounding recycling and other waste management techniques may significantly affect the demand for products and services of companies in the Pollution Control sector. Scientific developments, such as breakthroughs in the remediation of global warming or changing sentiments about the deleterious effects of pollution, may also affect practices with respect to pollution control, which could in turn impact companies in the Pollution Control sector. Companies in the Clean Water sector are susceptible to changes in investment in water purification technology globally, and a slackening in the pace of new infrastructure projects in developing or developed countries may constrain such companies' abilities to grow in global markets. Other reductions in demand for clean water, such as significant decreases in world population or increased availability of potable water in arid regions, may reduce demand for products and services provided by companies in the Clean Water sector. To the extent an account invests in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors, the account may be subject to focused investment risk. See "Focused Investment Risk" above. See also "Non-U.S. Investment Risk" and "Emerging Markets Risk."

- *Natural Resources.* Funds that concentrate their investments in companies in the natural resources industries (including, but not limited to, the industry sub-sectors involving cyclical commodities, energy, paper and forest products, precious metals and utilities) will be subject to the risks particularly affecting natural resources companies. The natural resources industries can be significantly affected by events relating to international political and economic developments, energy conservation, the success of exploration projects, commodity prices, and tax and other government regulations. The cyclical industries can be significantly affected by general economic trends, including employment, economic growth, interest rates, changes in consumer sentiment and spending, commodity prices, legislation, government regulation and spending, import controls and worldwide competition. For example, commodity price declines and unit volume reductions resulting from an over-supply of materials used in cyclical industries can adversely affect those industries. Furthermore, a company in the cyclical industries can be subject to liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control. The energy industry can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels caused by events relating to international politics, energy conservation, the success of exploration projects, and tax and other government regulations. The paper and forest products industry can be significantly affected by the health of the economy, worldwide production capacity and interest rates, which can affect product pricing, costs and operating margins. These variables can also affect the level of industry and consumer capital spending for paper and forest products. The utilities industry can be significantly affected by government regulation, financing difficulties, supply and demand of services or fuel, and natural resource conservation. The precious metals industry can be significantly affected by unpredictable monetary and political policies such as currency devaluations or revaluations, economic and social conditions within a country, trade imbalances, or trade or currency restrictions between countries. These factors may cause substantial price fluctuations for precious metals over short periods of time. The prices of precious metals, however, are less subject to local and company-specific factors than securities of individual companies. As a result, precious metals may be more or less volatile in price than securities of companies engaged in precious-metals related businesses.

- *Technology Sector.* Funds that concentrate their investments in the technology sector will be subject to risks particular to that sector such as the risks of short product cycles of equipment, products and services, accelerated rates of product change and development, competition from new and existing companies, significant losses and/or limited earnings, security price volatility, limited operating histories and management experience, patent and other intellectual property considerations. Technology companies are also affected by the risk that new equipment, products and services will not be commercially successful, or will become rapidly obsolete.
- *Water-Related Risk.* To the extent an account focuses its investments in companies that are substantially engaged in water-related activities, events or factors affecting the sector consisting of companies engaged in such activities (the “water-related resource sector”) will have a greater effect on, and may more adversely affect, the account than they would with respect to an account that is more diversified among a number of unrelated sectors and industries. Companies in the water-related resource sector may be significantly affected by events relating to international political and economic developments, water conservation, the success of exploration projects, commodity prices and tax and other government regulations. There are substantial differences between the water-related, environmental and other regulatory practices and policies in various jurisdictions, and any given regulatory agency may make major shifts in policy from time to time. Other economic and market developments that may significantly affect companies in the water-related resource sector include, without limitation, inflation, rising interest rates, fluctuations in commodity prices, raw material costs and other operating costs, and competition from new entrants into the sector. Companies in the water-related resource sector are susceptible to changes in investment in water purification technology globally, and a slackening in the pace of new infrastructure projects in developing or developed countries may constrain such companies’ ability to grow in global markets. Other reductions in demand for clean water, such as significant decreases in world population or increased availability of potable water in arid regions, may reduce demand for certain products and services provided by companies in the water-related resource sector. While the water-related resource sector includes established and mature companies, portions of the sector are newly developing and strongly influenced by technological changes. The sector can be significantly affected by the level and volatility of technological change in industries focusing on the quality or availability of or demand for potable and non-potable water. In particular, technological advances can render an existing product, which may account for a substantial portion of a company’s revenue, obsolete. Product development efforts by companies in the sector that are focused on developing newer technologies may not result in viable commercial products, and such companies in the sector typically bear high research and development costs, which can limit their ability to maintain operations during periods of organizational growth or instability. Many companies in the sector are in the early stages of operation and may have limited operating histories and smaller market capitalizations on average than companies in other sectors. As a result of these and other factors, the value of investments in companies in the water-related resource sector tends to be considerably more volatile than that of companies in more established sectors and industries. To the extent an account invests in companies that may share common characteristics, are often subject to similar business risks and regulatory burdens, and whose securities may react similarly to various events and other factors, the

account may be subject to focused investment risk. See “Focused Investment Risk” above. See also “Non-U.S. Investment Risk” and “Emerging Markets Risk.”

- **Wellness-Related Sector.** Funds that concentrate their investments in the wellness-related sector will be subject to risks particular to that sector, including those of the following related industries. The healthcare industry can be significantly affected by government regulation and reimbursement levels, changes in government subsidies, government approval of products and services that could have a significant effect on price and availability and rising costs of medical products and services. Changes in government and private payment systems, such as increased use of managed-care arrangements also affect the volatility of the industry. A healthcare company's valuation is often based largely on potential and actual performance of a limited number of products. The biotechnology industry can be significantly affected by rapid obsolescence of products, intense competition, patent expirations, risks associated with new regulations and changes to existing regulations. Other risks include dramatic fluctuation of economic prospects and share prices of biotechnology companies due to changes in the regulatory or competitive environments and lengthy application processes and testing procedures for products. The medical equipment, systems and delivery industry is significantly affected by patent considerations, rapid technological change and obsolescence, extensive government regulation and government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure and an emphasis on outpatient services. The healthy-lifestyle industry can be significantly affected by the potential and actual performance of a limited number of products and services.

IPO Risk. Client accounts may purchase securities in initial public offerings (“IPOs”). These securities are subject to many of the same risks as investing in companies with smaller market capitalizations and often to a heightened degree. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in IPOs may be highly volatile. At any particular time or from time to time, an account may not be able to invest in securities issued in IPOs, or invest to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be made available to the account. See Item 12 below for a discussion of our policies concerning IPOs and secondary offerings. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Similarly, as the number of portfolios to which IPO securities are allocated increases, the number of securities issued to the account may decrease. The investment performance of an account during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when the account is able to do so. In addition, as an account increases in size, the impact of IPOs on its performance will generally decrease.

Issuer Risk. The value of a security may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the values of its assets.

Leveraging Risk. Leverage, including borrowing, will cause the value of an account to be more volatile than if the account did not use leverage. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the account's portfolio securities. We may engage in transactions or purchase instruments that give rise to forms of leverage. These

transactions and instruments may include, among others, the use of reverse repurchase agreements and other borrowings, the investment of collateral from loans of portfolio securities, or the use of when-issued, delayed-delivery or forward commitment transactions. The use of derivatives and short sales may also involve leverage. The use of leverage may cause an account to liquidate portfolio positions when it would not be advantageous to do so in order to satisfy its obligations. Certain types of leveraging transactions, such as short sales that are not “against the box,” could theoretically be subject to unlimited losses in cases where the account, for any reason, is unable to close out the transaction. In addition, to the extent an account borrows money, interest costs on these borrowings may not be recovered by any appreciation of the securities purchased with the borrowed amounts and could exceed the account’s investment returns, resulting in greater losses.

Liquidity Risk. Client accounts may be subject to liquidity risk. Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the account from selling these illiquid securities at an advantageous time or price, or possibly requiring the account to dispose of other investments at unfavorable times or prices in order to satisfy its obligations. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions independent of any specific adverse changes in the conditions of a particular issuer. In these cases, the account, due to the difficulty in purchasing and selling securities or instruments, may be unable to achieve its desired level of exposure to a certain issuer or sector. To the extent that the account invests in securities of companies with smaller market capitalizations, non-U.S. securities, Rule 144A securities, derivatives or securities with substantial market and/or credit risk, it will tend to have the greatest exposure to liquidity risk.

Management Risk. Client accounts may be subject to management risk because they are actively managed investment portfolios. We will apply investment techniques and risk analyses in making investment decisions for an account, but there can be no guarantee that these will produce the desired results. An account is also subject to the risk that deficiencies in our internal systems or controls or those of another service provider will cause losses for the account or hinder operations. For example, trading delays or errors (both human and systemic) could prevent the account from purchasing a security expected to appreciate in value. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to us in connection with managing the account and may also adversely affect the ability of an account to achieve its investment objective.

Market Risk. The market price of securities owned by an account may go up or down, sometimes rapidly or unpredictably. Where an account intends to invest substantially in common stocks and/or other equity securities, a principal risk of investing is that the investments in the portfolio will decline in value due to factors affecting securities markets generally or particular industries or sectors represented in those markets. The values of securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, adverse changes to credit markets or adverse investor sentiment generally. They may also decline due to factors that disproportionately affect a particular industry, group of related industries or sector, such as labor shortages or increased production costs and competitive conditions within an industry or sector. The market price of fixed income securities, as well as equity securities and other types of investments, may decline due to changes in interest rates or other factors affecting the applicable markets generally. Equity securities generally have greater price volatility than fixed income securities. During a general downturn in securities markets, multiple asset classes may decline in value simultaneously.

Non-U.S. Investment Risk. Where an account invests primarily in foreign (non-U.S.) securities, it may experience more rapid and extreme changes in value than portfolios that invest exclusively in securities of U.S. issuers or securities that trade exclusively in U.S. markets. The securities markets of many non-U.S. countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of non-U.S. securities are often not subject to the same degree of regulation as U.S. issuers. Reporting, accounting and auditing standards of non-U.S. countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, market disruption, political changes, security suspensions or diplomatic developments could adversely affect an account's investments in a non-U.S. country. In the event of nationalization, expropriation or other confiscation, an account could lose its entire investment in non-U.S. securities. To the extent that an account invests a significant portion of its assets in a particular currency or geographic area, the account will generally have more exposure to regional economic risks, including weather emergencies and natural disasters, associated with non-U.S. investments. For example, if an account invests a substantial amount in particular countries, the account may be subject to increased risks due to political, economic, social or regulatory events in those countries. Adverse developments in certain regions can also adversely affect securities of other countries whose economies appear to be unrelated. In addition, an account's investments in non-U.S. securities may be subject to withholding and other taxes imposed by countries outside the U.S., which could reduce the return on an investment.

Other Fund Risks. To the extent a client account invests primarily in mutual funds or other investment vehicles, the risks associated with the account will be closely related to the risks associated with the securities and other investments held by the mutual fund or investment vehicle, which will be described in the fund's or vehicle's prospectus or offering document. The ability of a client account to achieve its investment objective will depend upon the ability of the funds or other vehicles to achieve their investment objectives. The value of a client's account, when investing in funds or vehicles, will fluctuate in response to changes in the net asset values of the funds or vehicles in which it invests. The extent to which the investment performance and risks associated with a client account correlate to those of a particular fund or vehicle will depend upon the extent to which the account's assets are allocated from time to time for investment in a fund or vehicle, which will vary.

Smaller Company Risk. The general risks associated with investing in equity securities and liquidity risk are particularly pronounced for securities of companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities and their values may fluctuate more sharply than other securities. They may also trade in the over-the-counter market or on a regional exchange, or may otherwise have limited liquidity. Companies with medium-sized market capitalizations also have substantial exposure to these risks.

Turnover Risk. A change in the securities held by an account is known as "portfolio turnover." Higher portfolio turnover involves correspondingly greater expenses to the account, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. These sales may also result in realization of taxable capital gains, including short-term capital gains, and may adversely impact the account's after-tax returns. The trading costs and tax effects associated with portfolio turnover may adversely affect the account's performance.

The foregoing is only a summary of certain risks of investing in the securities and instruments that we use. Specialized mandates may have particular risks not described above, and you should have a full understanding of the risks applicable to your account before engaging our services.

Item 9. - Disciplinary History

This item requires Pallas to disclose any legal or disciplinary events material to a client's or prospective client's evaluation of Pallas's business or the integrity of Pallas's management. Pallas has no information to report for this item.

Item 10. - Other Financial Industry Activities and Affiliations

Pallas is controlled by its general partner, Pallas Advisers, LLC, which is majority owned by Walter Price and Huachen Chen. The Private Funds are affiliates of Pallas as is Pallas Investments LLC. The general partner of Pallas Investments II, L.P., Pallas Global Technology Hedge Fund, L.P., and CP21 L.P. is Pallas Investments, LLC, a Delaware limited liability company (the "General Partner"). Mr. Price and Mr. Chen own a majority of the interests in the General Partner.

Pallas is an affiliate of RCM Capital Management LLC ("RCM"), a registered investment adviser. RCM is part of Allianz Global Investors. Allianz Global Investors is the marketing name for a global asset management business that operates through affiliated entities throughout the world. Those affiliated entities include Allianz Global Investors Distributors LLC, an SEC-registered broker-dealer and the following SEC-registered investment advisers: Allianz Global Investors Europe GmbH, Allianz Global Investors Capital LLC, Allianz Global Investors Fund Management LLC, Allianz Global Investors Managed Accounts LLC, Allianz Global Investors Solutions LLC, Caywood-Scholl Capital Management LLC, NFJ Investment Group LLC and RCM Asia Pacific Limited.

Through its affiliation with RCM, Pallas is affiliated to the following SEC-registered broker-dealers: Allianz Global Investors Distributors LLC and PIMCO Investments LLC. Pallas is also related, through its affiliation with RCM, to the following SEC-registered investment advisers: Allianz Global Investors Europe GmbH, Allianz Global Investors Capital LLC, Allianz Global Investors Fund Management LLC, Allianz Global Investors Managed Accounts LLC, Allianz Global Investors Solutions LLC, Caywood-Scholl Capital Management LLC, NFJ Investment Group LLC, Pacific Investment Management Company LLC, and RCM Asia Pacific Limited.

In addition, Pallas through its affiliation with RCM is related through common ownership or otherwise to a number of foreign investment advisers including: ADIG Fondsvertrieb AG and Allianz Treuhand GmbH, each a Munich-based investment adviser regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht; Allianz Global Investors Kapitalanlagegesellschaft mbH, a Frankfurt-based investment adviser regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht; Allianz Global Investors Capital Limited, Allianz Global Investors (UK) Ltd., RCM (UK) Ltd., and PIMCO Europe Ltd., each a London-based investment adviser regulated by the Financial Services Authority; Allianz Global Investors France S.A., a Paris-based investment adviser regulated by the Autorité des Marchés Financiers; Allianz Global Investors Ireland Ltd., and PIMCO Global Advisors (Ireland) Limited, each a Dublin-based investment adviser regulated by the Irish Financial Services Regulatory Authority; Allianz Global Investors Luxembourg S.A., and PIMCO Luxembourg IV S.A., each a Luxembourg-based investment adviser regulated by the Commission de Surveillance du

Secteur Financier ; Allianz Global Investors Italia SGR S.p.A., a Milan-based investment adviser regulated by the Commissione Nazionale per le Società e la Borsa; Allianz Global Investors Hong Kong Ltd., and PIMCO Asia Limited, each a Hong Kong-based investment adviser regulated by the Hong Kong Securities and Futures Commission; RCM Asia Pacific Limited, a Hong Kong-based investment adviser regulated by the Securities and Futures Commission and the Korea Financial Services Commission of South Korea; RCM Japan Co. Ltd., and PIMCO Japan Ltd., each a Tokyo-based investment adviser regulated by the Japanese Financial Services Authority; Allianz Global Investors Korea Ltd., a Seoul-based investment adviser regulated by the Korea Financial Services Commission of South Korea; Allianz Global Investors Singapore Ltd., and PIMCO Asia Pte Ltd., each a Singapore-based investment adviser regulated by the Monetary Authority of Singapore; Allianz Global Investors Taiwan Ltd., a Taipei-based investment adviser regulated by the Taiwan Securities and Futures Bureau; RCM Capital Management PTY Ltd., and PIMCO Australia Pty Ltd., each a Sydney-based investment adviser regulated by the Australian Securities and Investments Commission; Allianz Global Investors Nominee Services Ltd., a Grand Cayman (Cayman Islands)-based investment adviser regulated by the Cayman Islands Monetary Authority; and PIMCO Canada Corp., a Toronto, Canada based investment adviser regulated by the Ontario Securities Commission.

Walter Price and Huachen Chen (“Portfolio Managers”) manage equity portfolios on behalf of RCM and will continue to act as portfolio managers for certain RCM funds. Other investment vehicles and certain client accounts managed by RCM including, among others, the Allianz RCM Technology Fund, a series of the Allianz Funds, a no load open-end management company. Certain other employees of Pallas also may be employees of RCM. RCM and Pallas also share common facilities and systems.

Pallas may act as investment adviser to one or more of Pallas’ affiliates, and may serve as sub-adviser for accounts of Clients as to which one or more of Pallas’ affiliates serve as investment manager or investment adviser. Pallas also may share employees with or provide other services, such as administrative services to Pallas’ affiliates. Similarly, Pallas may receive services, including but not limited to investment advisory services, or administrative services, from one or more Pallas’ affiliates such as RCM. RCM coordinates its activities with certain other Allianz investment management businesses. These businesses include Kapitalanlagegesellschaft mbH, Pallas Investment Partners, L.P., Caywood-Scholl Capital Management LLC, RCM (UK) Ltd., RCM Japan Co. Ltd., RCM Asia Pacific Limited, and RCM Capital Management PTY Ltd. (collectively, the “Allianz Advisory Affiliates”). Each of the Allianz Advisory Affiliates is directly or indirectly a wholly-owned subsidiary of AGI.

In addition, Pallas acquires investment information and research services from broker-dealers. One or more of Pallas’ affiliates such as RCM or one of the Allianz Advisory Affiliates also may acquire similar research information from broker-dealers. Pallas and Pallas’ affiliates expect to share such research, and will use any such shared research for the benefit of their Clients.

RCM and Pallas share common employees, facilities, and systems. Pallas may act as investment adviser to one or more of RCM’s affiliates, and may serve as sub-adviser for accounts or clients for which RCM or one of its affiliates serves as investment manager or investment adviser. RCM also may provide other services, including but not limited to investment advisory services or administrative services, to Pallas.

In addition, trades entered into by Pallas on behalf of Pallas’ clients are executed through RCM’s equity trading desk, and trades by Pallas on behalf of Pallas’ clients (including the Private Funds) are aggregated with trades by RCM on behalf of RCM’s clients. All trades on

behalf of Pallas' clients that are executed through RCM's equity trading desk will be executed pursuant to procedures designed to ensure that all clients of both RCM and Pallas (including the Private Funds) are treated fairly and equitably over time. (See Item 12 below.)

The General Partner and/or Pallas receive a participation in the profits of the Private Funds. Mr. Price and Mr. Chen have also invested personally in one or more of the Private Funds. As a result, Mr. Price and Mr. Chen have a conflict of interest with respect to the management of the Private Funds and the other accounts that they manage, and they may have an incentive to favor the Private Funds over other accounts that they manage. RCM has adopted procedures reasonably designed to ensure that Mr. Price and Mr. Chen meet their fiduciary obligations to all clients for whom they act as portfolio managers and treat all such clients fairly and equitably over time.

To the extent permissible under all appropriate laws, Pallas may, from time to time, execute brokerage transactions through, or have investment advisory relationships with, any of the Pallas' affiliates. Pallas will not execute brokerage transactions through any of the Pallas' affiliates that are engaged in the brokerage business without the consent of the clients involved in such transactions. In addition, Pallas and Pallas' affiliates do not act as principal in connection with transactions of Pallas' business.

Item 11. - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

CODE OF ETHICS

Pallas has adopted a Code of Ethics ("Code") pursuant to Rule 204A under the Advisers Act. Pallas's officers, employees, and associated persons (collectively, "Employees") are required to follow the Code, which sets out standards of conduct and helps Pallas detect and prevent potential conflicts of interest. The Code covers personal securities transactions of all Employees and their family members (as defined in the Code), which includes most persons sharing the same household as the Employee. Although the Code permits employees to trade in securities for their own accounts, Employees are required to follow the Code, which contains preclearance procedures, reporting requirements, and other provisions that restrict trading by Employees. In some circumstances, Employees may trade in securities for their own accounts that are recommended to and/or purchased by our Clients. In these circumstances, there is a possibility that the Employee may benefit from market activity within a Client account.

Employee trading is monitored for compliance with the Code. Any Employee who violates the Code may be subject to remedial actions, including, but not limited to: profit disgorgement, censure, demotion, suspension, or dismissal. Employees are also required to promptly report any violation of the Code of which they become aware. The Code is available upon request. Employees are required to annually certify compliance with the Code.

Pallas will provide clients and prospective clients with a copy of the Code upon request. To receive a copy of our Code of Ethics, please contact your relationship manager.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

If permitted by a particular client's investment objectives, guidelines, and restrictions, and applicable law and regulations, Pallas may purchase securities for Client accounts during the

existence of an underwriting or other public or private offering of such securities involving Pallas or an affiliate of Pallas as a manager, underwriter, or placement agent.

Consistent with its duty to seek to obtain best execution and with the consent of the Clients involved, Pallas may from time to time effect securities transactions for its Client accounts through an affiliate of Pallas acting as broker or agent. (See also response to 12)

Pallas' affiliates provide a variety of investment banking, commercial banking, brokerage and other services to a broad range of clients, including issuers of securities that Pallas may recommend for purchase or sale by clients. In the course of providing these services, Pallas' affiliates may come into possession of material, non-public information. However, such material, non-public information ordinarily will not be disclosed to Pallas or its employees. Therefore, such material, non-public information will not be used in making investment decisions for the portfolios of Pallas' clients. Moreover, Pallas' affiliates have installed procedures intended to prevent the sharing of material, non-public information concerning issuers by its investment banking, commercial banking, brokerage, investment management and other operations.

Pallas believes that the nature and range of clients to whom Pallas' affiliates render investment banking, commercial banking, brokerage and other services is such that it would be inadvisable to exclude these companies from a Client's portfolio solely on the basis of their relationship with Pallas' affiliates. Accordingly, except to the extent prohibited by law, Pallas will not as a matter of policy, refrain from initiating purchases or sales of any security as to which Pallas' affiliates provide investment banking, commercial banking, brokerage or other services, or as to which Pallas' affiliates possess material, non-public information. As a result, subject to each client's investment objectives, guidelines and restrictions, it is likely that Client holdings will, from time to time, include the securities of issuers for whom Pallas' affiliates provide investment banking, commercial banking, brokerage and other services.

Pallas also may purchase or sell for one or more Client portfolios the securities of companies in which an affiliate of Pallas makes a market, or in which Pallas, its affiliates or any of their employees have positions.

To meet applicable regulatory requirements, there may be periods during which Pallas may not be permitted to recommend or effect certain types of transactions in the securities of companies for which Pallas or an affiliate of Pallas is performing investment banking, commercial banking, brokerage or other services. This may result in Pallas being unable to recommend or effect transactions at a time when it might otherwise be advisable to do so.

All of the transactions described above involve the potential for conflict of interest between Pallas or Pallas' affiliates and Clients of Pallas. The Investment Advisors Act of 1940, and ERISA impose certain requirements designed to decrease the possibility of conflict of interest between an investment adviser and its Clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. In other cases, transactions may be prohibited. Pallas seeks to ensure that potential or actual conflicts of interest are appropriately resolved, taking into consideration the overriding best interests of the Client.

PERSONAL TRADING

Pallas permits its employees to engage in personal securities transactions, and to purchase and sell securities that may be held or may be suitable for investment by Client accounts. Personal

securities transactions may raise potential conflicts of interest with the interests of Pallas' Clients. Accordingly, Pallas has adopted a Code of Ethics which is designed to mitigate conflicts of interest and the potential appearance of impropriety in an employee's personal actions. This Code of Ethics tracks RCM's Code of Ethics.

The Code of Ethics requires, among other things, advance approval of any purchases or sales of securities by its employees. The Code of Ethics does not require advance approval for investment in certain securities issued by the U.S. Government or certain foreign governments, bankers' acceptances, bank certificates of deposit, commercial paper, shares of registered open-end investment companies, and certain other types of investment vehicles.

In order to ensure compliance with the pre-trading authorization requirement, each Pallas employee is required to instruct each broker-dealer with whom he or she maintains an account to send directly to Pallas a duplicate copy of all transactions confirmations generated by that broker-dealer for that employee's account. These confirmations or other relevant records are then cross-checked against the pre-trading authorization forms submitted by that employee.

Pallas' Code of Ethics restricts the purchase and sale by its personnel (and certain entities in which its personnel may have a beneficial interest) for their own accounts of securities which have been or are being considered for purchase for Client accounts. Except under certain limited circumstances, personnel are not to engage in a transaction in the same security while an order for a client's account is pending or within a certain period of time before and after execution of the transaction in that security on behalf of the Client. The applicable time period will vary, depending on the employee's job responsibilities.

Pallas may perform investment management and investment advisory services for various clients, some of whom may have differing investment objectives, guidelines, and restrictions. As a result, Pallas may give advice and take action in the performance of its duties for a particular Client that may differ from the advice given, or the timing or nature of action taken, with respect to other Clients. A particular security may be bought or sold for only one or only a small number of Clients, or in different amounts and at different times for more than one but less than all Clients. In some cases, Pallas may cause one or more accounts to buy or sell a security from or to a broker-dealer, and soon thereafter may engage in the opposite transaction for one or more other accounts from that or another broker-dealer. Pallas has adopted procedures that it believes are reasonably designed to obtain the best price and execution for the transactions by each account.

Pallas may, from time-to-time, buy or sell securities for its own investment account, and Pallas' employees may do so, either individually or as a group (such as through an investment partnership). Likewise, Pallas' affiliates may buy and sell securities for their own accounts, may underwrite securities, and may act as market maker with respect to certain securities. Pallas does not prohibit any of its employees from purchasing or selling for their own accounts securities that may be recommended to or held by Pallas' Clients, subject to the Code of Ethics. Similarly, Pallas' affiliates may purchase, hold, or sell securities that are recommended for purchase or sale in Pallas' client accounts. Pallas' affiliates and their employees are not subject to Pallas' Code of Ethics, and therefore may be purchasing or selling a security at the same time that Pallas is purchasing or selling that security on behalf of one or more Clients.

Pallas' affiliates also may have adopted procedures designed to mitigate conflicts of interest and the potential appearance of impropriety in employee personal trading. The nature and timing of

actions taken by one or more of Pallas' employees or by one or more of Pallas' affiliates, either for their own accounts or for the accounts of Clients, may differ from the nature and timing of actions taken by Pallas for client accounts. Because, under the Code of Ethics, Pallas' employees cannot trade for their own accounts at the same time as Pallas' Clients. Pallas' employees will not likely purchase and sell at prices that are different than Pallas' Clients.

Clients of Pallas should be aware that Pallas and/or Pallas' affiliates may maintain various types of financial or other relationships with financial or other institutions, entities, or persons.

The Portfolio Managers will invest a substantial amount of his money in the Private Funds. In addition, he will receive, either directly through Pallas or through the general partner of the Private Funds, a portion of the incentive fee paid by the Private Funds. These factors mean that the Portfolio Managers will have a substantial direct interest in the Fund's performance which could lead to certain conflicts of interest. For example, the direct interest in the incentive fees creates an incentive to make riskier investment that may produce a higher return.

The Portfolio Managers also may have an interest in buying investment opportunities of limited availability for the Private Funds, rather than other Client accounts.

Item 12. - BROKERAGE PRACTICES

The Private Funds do and other Clients ordinarily give Pallas full discretionary authority over assets under management, subject to any limitations or prohibitions that may be imposed by each Client in its investment objectives, guidelines, and restrictions, or in instructions otherwise provided to Pallas by the Client. For accounts over which Pallas has full discretionary authority, Pallas has the power to determine (without consultation with the Client) which securities are bought and sold, when such purchases and sales are made, and the total amount of such purchases and sales. In addition, for discretionary accounts, Pallas ordinarily determines the broker to be used and the commission rates at which transactions for client accounts will be effected, with the objective of attaining the best available price and most favorable execution ("best execution") for each transaction. A number of trades are made on a net basis where the client buys securities directly from a dealer, or sells them directly to a dealer. This is the typical practice in the over-the-counter market for equity securities, and for most debt securities. In such transactions, there is no direct commission charged, but the dealer receives a "spread" which is the equivalent for a commission for engaging in the transaction.

Pallas will place orders for trades through RCM's trading desk. In order to accomplish this, Pallas may delegate trading authority to RCM, or alternatively to certain members of RCM's trading desk may be duly employed by Pallas. References herein to "Pallas" with respect to trading activities should be understood to mean either Pallas or RCM as the case may be.

Pallas may give RCM authority to aggregate sale and purchase orders of securities held by the Private Funds and/or other accounts with similar orders being made simultaneously by RCM and other advisory affiliates if, in Pallas' reasonable judgment, such aggregate is reasonable likely to result in an overall economic benefit to the Private Funds and the other accounts, in the aggregate, based on an evaluation that sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the Private Funds will be effected simultaneously with the purchase or sale of like securities for other accounts. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the

average price of all securities purchased or sold in such transactions may be determined and the Private Funds may be charged or credited, as the case may be, the average transaction price. As a result, however, the price may be less favorable to the Private Funds than it would be if similar transactions were not being executed concurrently for other accounts.

In selecting a broker or dealer for each specific transaction, Pallas uses its best judgment to choose the broker or dealer most capable of providing the services necessary to obtain the best execution of that transaction. In seeking the best execution of each transaction, Pallas evaluates a wide range of criteria, including, any or all of the following: the broker's commission rate, promptness, reliability and quality of executions, trading expertise, positioning and distribution capabilities, back office efficiency, ability to handle difficult trades, knowledge of other buyers and sellers, ability to provide Pallas with market-related information, confidentiality, capital strength and financial stability, prior performance and responsiveness, and other factors affecting the overall benefit received in the transaction.

When circumstances relating to a proposed transaction indicate that a particular broker or dealer is in position to obtain the best execution, the order is placed with that broker or dealer. This may or may not be a broker or dealer that has provided investment information and research services to Pallas.

Subject to the requirement of seeking best execution, Pallas may, in circumstances in which two or more brokers or dealers are in a position to offer comparable price and execution, give preference to a broker dealer that has provided investment information and research services to Pallas. In so doing, Pallas may effect securities transactions which result in paying an amount of commission in excess of the amount of commission another broker would have charged. In selecting such broker or dealer, Pallas will make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage services and research and investment information received, viewed in terms of either the specific transaction of Pallas' overall responsibility to the account for which it exercises investment discretion. Pallas regularly evaluated all commissions paid in order to ensure that the commission represents reasonable compensation for the brokerage and research services provided by such brokers.

Pallas uses investment information and research services that it receives from broker-dealers to evaluate securities and to formulate investment recommendations. Such information and services are used by Pallas as part of its investment process to enhance portfolio return and to reduce trading costs, and are helpful to Pallas in serving its Clients. Among other things, Pallas may receive research reports, oral advice, or data from the brokers or dealers regarding particular companies, industries, or general market or economic conditions. Such investment information and research services may also include, among other things, investment information concerning pertinent federal and state legislative and regulatory developments and other developments that could affect the value of companies in which Pallas has invested or may consider investing; attendance at meetings with corporate management personnel, industry experts, economic, government personnel, academicians, and other financial analysts and journalists; consultation with scientific and technical experts concerning viability and market potential of an issuer's products and services; comparative issuer performance and evaluation and technical measurement services; subscription to publications that provide investment-related information; accounting and tax law interpretations; economic advice; quotation equipment and services; execution measurement services; market-related and survey data concerning the products and services of an issuer and its competitors or concerning a particular industry used to enhance Pallas' ability to analyze an issuer's financial condition and prospects'

information from doctors concerning medical, technical and economic developments in medicine, health care and related areas; and other services provided by recognized experts on investment matters of particular interest to Pallas. In addition, services may include the use of or be delivered by computer systems whose hardware and/or software components may be provided to Pallas as part of the services. As noted earlier, Pallas shares research information that it receives with RCM and the Allianz Advisory Affiliates, and RCM and the Allianz Advisory Affiliates share research that they receive with Pallas.

In any case in which information and other services can be used for both research and non-research purposes, Pallas makes an appropriate good faith allocation of those uses and pays directly for that portion of the services to be used for non-research purposes. This allocation can create a potential conflict of interest.

The investment information and research services that Pallas receives from brokers or dealers is used by Pallas' research analysts and portfolio managers to formulate recommendations for the purchase or sale of securities. These recommendations, as well as Pallas' analysis and the investment information and research services used to formulate recommendations, may be made available to Pallas' affiliates and all of Pallas' Clients (including foreign clients of Pallas' affiliates) and is used by Pallas in servicing all of its Clients, and it is recognized that a particular account may be charged a commission paid to a broker or dealer who supplied research services not utilized by such account.

Pallas has not made and will not make commitments to place orders with any particular broker or dealer or group of broker or dealers, other than pursuant to Client direction.

Pallas does endeavor to direct sufficient orders to brokers or dealers to ensure the continued receipt of research services that Pallas believes are useful. A substantial portion of brokerage commissions are paid to brokers and dealers who supply investment information and research services to Pallas.

As stated above, Pallas will place trades through RCM's trading desk. In many cases, portfolio transactions may be executed in an aggregated transaction as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by Pallas, RCM and/or other Allianz Advisory Affiliates.

Pallas believes that aggregation of transactions may enable it, on average and over time, to obtain enhanced execution and lower brokerage commissions (although there is no certainty that such objectives will be achieved). Coordination of transactions among the clients of Pallas, RCM and other Allianz Advisory Affiliates may have similar results. In addition, Pallas believes that coordination of such transactions is an effective means of preventing transactions for the clients of each of Pallas, RCM and other affiliates from affecting purchase and sales prices of securities in which each may be effecting transactions, especially securities with respect to which they have mutual access to or have shared research information or recommendations.

Although executing portfolio transactions in an aggregated transaction potentially could be either advantageous or disadvantageous to any one or more particular accounts, aggregated transactions will be effected only when Pallas believes that to do so will be in the best interest of the affected accounts, and Pallas is not obligated to aggregate orders into larger transactions. These orders generally will be averaged as to price. When such aggregated or coordinated transactions occur, the objective will be to allocate the executions in a manner which is deemed

fair and equitable to each of the accounts involved over time. In making such allocation decisions, Pallas, RCM and other Allianz Advisory Affiliates adhere to all applicable legal and regulatory requirements and will use their business judgment and will consider, among other things, any or all of the following: each client's objectives, guidelines and restrictions, the size and structure of each client's order, the amount of investment funds available in each client's account, the amount already committed by each Client to that or similar investment, and the size and structure of each Client's portfolio.

Although Pallas will use its best efforts to be fair and equitable to all Clients, there can be no assurance that any particular investment will be proportionately allocated among Clients according to any particular or predetermined standard of criteria.

Because each Client has its own investment guidelines, objectives, and restrictions, a particular security may be bought for one or more Clients at a time when one or more Clients are selling the same security. In such cases, when Pallas believes it is appropriate and in accordance with applicable law and regulations, Pallas may effect third party agency cross transactions between two or more accounts. Pallas believes that such transactions can benefit both accounts by effecting a transfer of securities from one account to another at a greatly reduced cost.

Pallas may purchase securities that are not listed on a national securities exchange but that are traded in the over-the-counter market, and may also purchase listed securities in the third market (over-the-counter trades of exchange-listed securities) or fourth market (Direct trades of securities between institutional investors without intermediation of a broker-dealer). Where transactions are executed in the over-the-counter market or third market, Pallas will seek to deal with the primary market-makers but when necessary in order to obtain the best price and execution, it will utilize the services of others. In all cases, Pallas will attempt to secure best execution.

Pallas will also place orders with brokerage firms pursuant to direction received from Clients ("directed brokerage"). Directed brokerage is typically arranged by a Client as a method whereby the brokerage commissions serve as compensation to the broker for the Client and the broker. Alternatively, the Client may seek to negotiate a particular commission rate with that broker, or may use the direction of brokerage to accomplish unrelated objectives (e.g., the direction of brokerage to minority-owned brokerage firms, or to brokerage firms located in the same geographic area as the Client). Clients that direct brokerage may ask Pallas to ensure that they continue to receive best execution of each transaction, or they may negotiate commission rates themselves. In addition, with respect to Clients that are ERISA plans, by law, any direction by the plan sponsor must be in the best interests of, and for the exclusive benefit of, the plan participants, in order to procure goods and services on behalf of the plan for which the plan otherwise would be obligated to pay.

When a Client asks Pallas to direct trades to a particular broker-dealer, Pallas ordinarily will seek to fulfill that request, subject to best execution of each transaction. However, Pallas may not be in a position to negotiate commission rates or spreads, or to select brokers or dealer on the basis of best price and execution. Moreover, the Client may lose the possible advantage which non-designating Clients can derive from aggregation of orders for several Clients as a single transaction for the purchase or sale of a particular security. As a result, directed brokerage transactions may result in higher commissions, greater spreads, or less favorable net prices than would be the case if Pallas were authorized to choose the brokers or dealers

through which to execute transactions for the Client's account. In addition, accounts that direct brokerage may not be able to participate in certain allocations of new issues.

Pallas will use two methods to satisfy Client requests for directed brokerage. First, Pallas may execute the trade on behalf of that Client with the broker-dealer selected by the Client, which may or may not be the broker-dealer used by Pallas for other trades in the same security during that period. Alternatively, Pallas may use a "step-out" trade mechanism. A "step-out" trade occurs when the executing broker-dealers agrees to "step-out" a portion of a bunched execution, and that "stepped-out" portion is cleared through the Client directed broker-dealer. The Client is assessed a commission only by the broker-dealer who clears the transaction. The executing broker-dealer receives compensation in the form of commission from the portion of the bunched execution that was not "stepped-out" to other brokers. "Step-out" trades will be executed to conform to the rules of the applicable exchange on which the trade occurs.

The use of "step-out" trades can, in some circumstances, help ensure that Clients that seek to direct brokerage are not disadvantaged by the inability to participate in aggregated executions. However, "step-out" trades are an accommodation by the executing broker-dealer, and "step-out" trades will not be available in all circumstances to satisfy requests for directed brokerage.

Pallas does not enter agreements with, or make commitments to, broker-dealers that would bind Pallas to compensate broker-dealers directly or indirectly for Client referrals. However, except in the case of ERISA accounts and registered investment companies, when one or more broker-dealer is considered by Pallas to be capable of providing best execution with respect to a particular portfolio transaction, Pallas may select a broker-dealer in recognition of the broker-dealer's past referral of the particular Client for whom the transactions is being executed, or of other Clients, or in recognition of possible future referrals from the broker-dealer. This may create a conflict of interest. In doing so, unless otherwise specifically disclosed to the Client, Pallas will not pay higher commissions, concessions, or mark-ups than would otherwise be obtainable from broker-dealers that do not provide Client referrals to Pallas.

Item 13. - REVIEW OF ACCOUNTS

The Portfolio Managers have authority over all trading decisions for the Private Funds. The individual portfolio manager for any other account will retain the ultimate authority over individual buy and sell decisions for that account. Reports analyzing differences in the composition of each portfolio under management are prepared on a daily basis, and are analyzed periodically.

Each portfolio manager reviews each account that he or she manages on a regular basis. In addition, all securities held in Client portfolios are monitored continuously in order to determine whether changes are warranted.

Investment decisions are made both on the basis of a "top down" and "bottom up" analysis. Top down analysis draws on the assessments of the portfolio manager concerning such areas as the political climate, economic conditions and forecasts, investment themes, popularity and business cycle and technical analysis in order to develop strategy. Bottom up, security oriented analysis draws on research valuation screens to determine which sectors, industries, stock or bonds offer the most attractive risk-adjusted returns.

Reports to Clients

Purchasers of Private Funds and other Funds will receive periodic reports from the Funds. For private account Clients, confirmations of transactions will be issued on the day following execution to the broker and the Client's custodian bank. These reports are expected to contain a complete breakdown of each transaction including principal amount, commission, taxes, etc. Transactions, cash positions, and market values will be reconciled with the records of the Client's custodian or trustee, as the case may be, on a monthly basis. Any significant differences will be reported to management and resolved in an appropriate manner. Reports which detail reconciling items will be made available, upon request, to the Client and the custodian.

Pallas will issue comprehensive quarterly reports along with computerized appraisals, transaction summaries and performance data.

Item 14. - Client Referrals and Other Compensation

Pallas may have arrangements where it receives some economic benefit from a non-client, such as a broker-dealer, in connection with giving advice to Clients. (See Item 6 above) Pallas will also enter into performance-related fee arrangements. (See Item 6 above)

Pallas may, from time to time, compensate solicitors with respect to solicitation activities in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940 (the "Advisers Act"). Consequently, persons introducing new Clients to Pallas may receive a portion of the management fee generated by the account. The portion of the fee paid and the length of time for which such fee is paid will vary on a case by case basis. Such compensation arrangement will be disclosed to Pallas Clients at the time of solicitation or referral as required by applicable law and regulations.

Item 15. - Custody

Pallas may have custody of some client's accounts solely because the client authorizes us to deduct our fees directly from its accounts otherwise held by a qualified custodian. We do not take physical possession of client funds or securities. Clients who request or permit the direct deduction of our fees from their accounts should receive statements, at least quarterly, directly from the broker-dealer, bank or other qualified custodian that holds or maintains the client's investment assets. In these cases, we urge you to carefully review those statements, where applicable, and compare those official custodial records to the account statements we may send to you.

Item 16. - Investment Discretion

All accounts are managed on a fully discretionary basis, subject to applicable investment objectives, guidelines, and restrictions. For individually managed accounts, Clients generally are required to enter into written investment management or investment advisory agreement prior to the establishment of the client's account. See also Item 4 above.

Item 17. - Voting Client Securities

Pallas typically votes proxies as part of its discretionary authority to manage accounts, unless our client has explicitly reserved the authority for itself. In cases where we have voting

authority, we intend to vote such proxies in a manner consistent with the best interest of our clients. Proxy voting proposals are voted with regard to enhancing shareholder wealth and voting power.

Pallas has adopted written Proxy Voting Guidelines and Procedures (the “Proxy Guidelines”) that are reasonably designed to ensure that we are voting in the best interest of our clients. The term “clients” generally refers to individually managed separate accounts and investment companies exempt from registration under the Investment Company Act of 1940 (“Private Funds”). In the case of Private Funds, Pallas will vote proxies in the best interest of the Private Funds and not in the interest of the individual investors of the Private Funds. The Proxy Guidelines summarize our position on various issues, including issues of corporate governance and corporate actions, and give general indication as to how we will vote shares on such issues. The Proxy Guidelines do not include all potential voting issues and for that reason, there may be instances when we may not vote proxies in strict adherence to the Proxy Guidelines. In situations where the Proxy Guidelines do not give clear guidance on an issue, our Proxy Coordinator will, at his or her discretion, consult Walter Price and Huachen Chen or Legal Counsel for a final vote decision. To the extent that the Proxy Guidelines do not cover potential voting issues or a case arises of a material conflict between our interest and those of a client with respect to proxy voting, our Proxy Coordinator in consultation with Walter Price and Huachen Chen will make a final vote decision. Deviation from the Proxy Guidelines will be documented and maintained in accordance with Rule 204-2 under the Investment Advisers Act of 1940.

In accordance with the Proxy Guidelines, Pallas may review various criteria associated with voting proxies and evaluate the expected benefit to our clients when making an overall determination on how or whether to vote a proxy. In addition, we may refrain from voting under certain circumstances. These circumstances may include, but are not limited to: 1) proxy statements and ballots being written in a foreign language, 2) untimely notice of a shareholder meeting, 3) requirements to vote proxies in person, 4) restrictions on foreigner’s ability to exercise votes, 5) requirements to provide local agents with power of attorney to facilitate the voting instructions. Such proxies are voted on a best-efforts basis.

Proxy voting in certain countries requires “share blocking.” To vote proxies in such countries, shareholders must deposit their shares shortly before the date of the meeting with a designated depository and the shares are then restricted from being sold until the meeting has taken place and the shares are returned to the shareholders’ custodian banks. Absent compelling reasons, Pallas believes the benefit to its clients of exercising voting rights does not outweigh the effects of not being able to sell the shares. Therefore, if share blocking is required Pallas generally abstains from voting.

Pallas will not be able to vote securities on loan under securities lending arrangements into which our clients have entered. However, under rare circumstances, for voting issues that may have a significant impact on the investment, and if the client holds a sufficient number of shares to have a material impact on the vote, we may request that clients recall securities that are on loan if we determine that the benefit of voting outweighs the costs and lost revenue to the client and the administrative burden of retrieving the securities.

Conflicts of Interest

Pallas may have conflicts of interest that can affect how we vote our clients’ proxies. For example, Pallas or an affiliate may manage a pension plan whose management is sponsoring a proxy proposal. In the example, failure to vote in favor of management may harm our or our affiliate’s relationship with the company. Given the value of the relationship to us or our affiliate

a material conflict of interest may exist in this example even in the absence of efforts by management to persuade us how to vote. The Proxy Guidelines are designed to prevent material conflicts of interest from affecting the manner in which we vote our clients' proxies. In order to ensure that all material conflicts of interest are addressed appropriately while carrying out our obligation to vote proxies, the Proxy Coordinator in consultation with Walter Price and Huachen Chen is responsible for addressing how Pallas resolves such material conflicts of interest with our clients.

To obtain a copy of the Proxy Guidelines or to obtain information on how your account's securities were voted, please contact Justin Barnes.

Item 18. - Financial Information

Pallas does not require or solicit prepayment of any fees in advance. Pallas does not have financial commitment that may impair its ability to meet contractual and fiduciary commitments to clients, and Pallas has not been the subject of a bankruptcy petition in the past.

Item 19. - Privacy Notice

Privacy Notice

To Our Customers:

We value our customers and appreciate the trust you have placed in us. We understand that as our customers, you provide us with certain non-public personal information in the course of doing business with us and entrust us to protect its privacy. "Non-public personal information" is generally identifiable financial information about you. For example, it includes information regarding your social security number, account balance, bank account information and account transaction history. This notice describes how we handle your personal information and the important steps we take to protect your privacy. We have sent this notice to comply with the privacy regulations of the Securities and Exchange Commission.

Information We Collect About You:

To provide you with the highest quality of service, we collect and maintain certain non-public personal information about you. This information includes information we receive from you to open an account and provide you with investment advice, including information you provide on applications or other forms (such information may include your name, address, telephone number, taxpayer identification number and certain financial information); information about your transactions; and information we generate to service your account (such as trade tickets and account statements).

Our Privacy Policies and Practices:

We do not disclose non-public personal information to non-affiliated third parties, except for our everyday business purposes, such as processing transactions for your account, or as allowed by applicable law or regulation. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as settlement and accounting, performance measurement, transfer agency, custody, brokerage or administration. These companies may have access to your non-public personal information, but are permitted to use the information solely to provide the specific service or as otherwise permitted by law. We may also provide your non-public personal information to your brokerage or financial advisory firm or consultant.

We do reserve the right to disclose or report personal information to non-affiliated third parties in limited circumstances where we believe in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect our rights or property, or upon reasonable request by any mutual fund in which you have chosen to invest. In addition, we may disclose information about you or your accounts to a non-affiliated third party at your request or if you consent in writing to the disclosure.

We may share your information with our affiliates in connection with their everyday business purposes, such as servicing your account, but our affiliates may not use this information to market products or services to you except in conformance with applicable laws or regulations. The information we share includes information about our experiences and transactions with you and may include, for example, your participation in our investment funds, your ownership of certain types of accounts (such as IRAs), or other data about your transactions or accounts. Our affiliates, in turn, are not permitted to share client information with non-affiliated entities, except as required or permitted by law.

Access to your non-public personal information is restricted to those persons who need access to that information to provide products or services to you. We maintain strict physical, electronic and procedural safeguards to protect unauthorized use of this information. We take seriously our commitment to protect your privacy and adhere to the policies and practices outlined above for both current and former customers.