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Part 2A of Form ADV: Firm Brochure

March 31, 2012

**This brochure provides information about the qualifications and business practices of Permit Capital, LLC. If you have any questions about the contents of this brochure, please contact us at 610-941-5006. 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 Permit Capital, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Registration with the SEC does not imply a certain level of skill or training.

March 31, 2012

**Item 2: Material Changes**

Below is a summary of the material changes made to our brochure since our last annual update.

- In Item 4 (Advisory Business), we have provided information as to the sub-advisors that have been retained to provide discretionary or non-discretionary sub-advisory services. See page 2 of this brochure.
- In Item 6 (Performance-Based Fees and Side-By-Side Management), we have updated disclosures regarding our trade allocation policy, particular for Permit Capital Mortgage Fund, L.P. See page 9 of this brochure.
- In Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), we have provided additional risk factor information regarding an investment in Permit Capital Mortgage Fund, L.P. See page 15 of this brochure.
- Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading), we have updated our disclosures regarding our Code of Ethics and permitted personal trading by the founder of LL Funds, LLC, the sub-advisor of Permit Capital Mortgage Fund, L.P. See page 21 of this brochure.
- Item 15 (Custody), we have updated our disclosures to remove the statement that we obtain surprise examinations of certain of the funds we manage. Since the funds we manage deliver audited financial statements to their investors, such funds do not have to be the subject surprise examinations for purposes of the custody rule of the Investment Advisers Act of 1940. See page 24 of this brochure.

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#### **Item 4:           Advisory Business**

##### **A.           General Description of Advisory Firm**

Founded in 2002, Permit Capital, LLC, a Delaware limited liability company ("Permit Capital" or "we"), is an independent investment advisory firm that structures and manages private investment funds. Permit Capital was originally formed to invest the financial assets of its founders, their families and close associates through privately held limited partnerships.

Each of the following individuals owns 25% or more of Permit Capital and they are our principal owners: Richard B. Worley, Peter C. Morse and Stephen F. Esser.

##### **B.           Description of Advisory Services**

Our sole business consists of managing private investment funds on a discretionary basis. We offer three different types of investment programs for our fund clients:

- (i) direct investment programs where we invest in public and/or privately held securities;
- (ii) fund-of-funds investment programs where we invest in funds ("Underlying Investment Funds") managed by investment advisors and managers who are not affiliated with us ("Third Party Managers"); and
- (iii) investment programs that pursue a combination of direct investments and fund-of-funds investments.

Currently, we provide investment advice only to the following private investment funds. In this brochure, we may refer to them individually as a "Permit Fund" or collectively as the "Permit Funds".

- (i) Permit Capital Fund, L.P. ("Capital Fund") and its feeder fund, Permit Capital Cayman Fund, Ltd. ("Capital Cayman Fund")
- (ii) Permit Capital International Fund, L.P. ("International Fund")
- (iii) Permit Capital Equity Fund, L.P. ("Equity Fund")
- (iv) Permit Capital Telecom Fund, L.P. ("Telecom Fund")
- (v) Permit Capital Enterprise Fund, L.P. ("Enterprise Fund")
- (vi) Permit Capital Private Equity Fund, L.P. ("Private Equity Fund")
- (vii) Permit Capital Mortgage Fund, L.P. ("Mortgage Fund")

Each of the Permit Funds (other than the Capital Cayman Fund) has been formed as a Delaware limited partnership. The Private Equity Fund and the Mortgage Fund are series limited partnerships. Each series of the Private Equity Fund and the Mortgage Fund is considered to be a separate Permit Fund, having its own investment strategy and group of investors and owns its own portfolio of securities. The Capital Cayman Fund is a Cayman Islands company.

From time to time, we may provide investment advice to newly formed private investment funds or newly formed series of existing Permit Funds.

We do not offer customized services for the Permit Funds or any investor in the Permit Funds. Instead, we manage the assets of the Permit Funds in accordance with the investment strategies and restrictions (if any) of the Permit Funds as set forth in their limited partnership agreements and

confidential private placement memoranda. We also do not offer wrap fee programs or manage individual client accounts. Investors purchase limited partnership interests in the Permit Funds and investments are made at the Permit Fund level, not for individual investors in the Permit Funds.

From time to time, we will engage other investment managers as sub-advisers (on a discretionary or non-discretionary basis) to assist us in the management of the Permit Funds or to identify and research investment opportunities for the Permit Funds. From time to time, we will engage other investment managers to assist us in the management of the Permit Funds. Currently, the Permit Funds have the following investment management/sub-advisory arrangements.

Mortgage Fund: Permit Capital is the investment adviser to each series of the Mortgage Fund. The Mortgage Fund and Permit Capital have retained LL Funds, LLC ("LL Funds"), an SEC registered investment adviser based in West Conshohocken, Pennsylvania, to serve as the sub-advisor for the Mortgage Fund. LL Funds is responsible implementing the investment strategy for each series of the Mortgage Fund under the oversight of Permit Capital.

Equity Fund: The Equity Fund has retained Permit Capital, Gardner Russo & Gardner ("Gardner Russo") and SASCO Capital, Inc. ("SACSO") to manage its assets. The Equity Fund's general partner, in consultation with Permit Capital, identifies the specific assets that are to be managed by Gardner Russo & Gardner, SASCO Capital, Inc. and Permit Capital. Gardner Russo and SASCO have discretionary authority for investment decisions with respect to assets of the Equity Fund allocated to them for management. Gardner Russo is based in Lancaster, Pennsylvania and SASCO is based in Fairfield, Connecticut. Both firms are SEC registered investment advisers.

Fund of Funds: With respect to Capital Fund, Equity Fund and International Fund, Permit Capital has retained the services of Permit Capital Advisors, LLC ("PCA"), an SEC registered investment adviser based in West Conshohocken, Pennsylvania. PCA provides non-discretionary sub-advisory services to Permit Capital. This means that PCA helps us identify and research investment opportunities for these Permit Funds and assists us in monitoring investments identified by PCA and in which these Permit Funds are invested. However, we will make all investment decisions with respect to investment opportunities identified by PCA for such Permit Funds.

### ***C. Assets Under Management***

As of December 31, 2011, Permit Capital managed \$1,075,142,439 on a discretionary basis. We do not manage any accounts on a non-discretionary basis.

## **Item 5: Fees and Compensation**

### ***A. Advisory Fees and Compensation***

As compensation for our investment advisory services, each Permit Fund pays Permit Capital a management fee. All management fees are payable in arrears on a monthly or quarterly basis, depending on the terms of the governing agreements of the Permit Fund. We do not require the Permit Funds to pay our management fee in advance. The method of management fee calculation varies by fund and is described in the fee schedules listed under Item 6 (Performance-Based Fees and Side-by-Side Management) on page 4.

We submit an invoice for our management fees to the third party administrator of the Permit Funds (other than the Telecom Fund and the Enterprise Fund). The third party administrator, on behalf of the Permit Funds, will then pay us our management fee. In the case of the Telecom Fund and the Enterprise Fund, we submit our management fee invoices for those funds to their prime broker who will then pay us the management fees owed by them.

The management fee is not negotiable. However, Permit Capital, in its sole discretion, may waive the management fee with respect to any Permit Fund or any investor of a Permit Fund, in whole or in part.

***B. Additional Fees and Expenses***

Generally, each Permit Fund bears all of its expenses (including, but not limited to, fees and expenses relating to organizational, offering, operating, fund administration, custody, audit, tax return preparation and legal counsel) other than management expenses such as salaries, benefits, and costs of office space and facilities. Investors in each Permit Fund are allocated their pro rata share of the “fund” expenses incurred by such Permit Fund. Each Permit Fund may also incur brokerage and other transaction costs. See Item 12 below (Brokerage Practices) on page 22 for additional information about these costs.

With respect to the sub-advisory services of the Mortgage Fund, Permit Capital pays a portion of its management fee from the Mortgage Fund to LL Funds for its sub-advisory services. With respect to the sub-advisory services of PCA to the Capital Fund, Equity Fund and International Fund, Permit Capital pays a portion of its management fee from such funds to PCA. In contrast, to the extent Gardner Russo or SACSO are allocated specific assets of the Equity Fund to manage, the Equity Fund shall bear the management fee charged by such firms. The management fee charged by Gardner Russo is 1% (on an annualized basis) of the Equity Fund’s assets under its management, which fees are payable quarterly in arrears. The management fee charged by SACSO is 1% (on an annualized basis) of the Equity Fund’s assets under its management, which fees are payable quarterly in arrears. The management fees charged by Gardner Russo or SACSO is in addition to the management fee charged by Permit Capital to the Equity Fund and its investors. See Item 6 (Performance-Based Fees and Side-by-Side Management) for a schedule of the management fees charged by Permit Capital to the Mortgage Fund, Capital Fund, Equity Fund and International Fund.

A Permit Fund which has fund-of-fund investments (a “Permit Fund-of-Funds”) incurs two level of fees. Such Permit Fund will incur expenses at the Permit Fund level and any expenses that the Underlying Investment Fund may charge. An Underlying Investment Fund may charge a Permit Fund management fees, performance fees and other fees and expenses relating to the operation of the Underlying Investment Fund.

Neither Permit Capital nor any of our supervised persons accepts compensation for the sale of securities (whether it is the sale of an interest in the Permit Fund or the sale of a security held by a Permit Fund).

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

**A. Performance-Based Fees**

Our affiliate, Permit Capital GP, L.P. ("Permit Capital GP"), is the general partner of each of the Permit Funds. Permit Capital GP, Inc., another affiliate of ours, serves as the general partner of Permit Capital GP.

Permit Capital GP is entitled to a performance fee from the Permit Funds as indicated below. Permit Capital GP, in its sole discretion, may waive the performance fee with respect to any Permit Fund or individual investor, in whole or in part.

Below is the fee schedule for each Permit Fund, including management fees and performance fees where applicable:

1. Capital Fund
  - (a) Management Fee: 0.0834% (1.00% annualized) of the positive capital account balances of each limited partner of the Capital Fund as of the last day of each calendar month. The management fee is payable monthly in arrears.
  - (b) Performance-Based Fee: None.
2. International Fund
  - (a) Management Fee: 0.0834% (1% annualized) of the positive capital account balances of each limited partner of the International Fund as of the last day of each calendar month. The management fee is payable monthly in arrears.
  - (b) Performance-Based Fee: None.
3. Equity Fund
  - (a) Management Fee: 0.0834% (1% annualized) of the positive capital account balances of each limited partner of the Equity Fund as of the last day of each calendar month. The management fee is payable monthly in arrears. Limited partners of the Equity Fund also must bear the management fees charged by Gardner Russo and SASCO, as described in Item 5 (Fees and Compensation) on page 3.
  - (b) Performance-Based Fee: None.
4. Telecom Fund
  - (a) Management Fee: 0.0834% (1% annualized) of the positive capital account balances of each limited partner of the Telecom Fund as of the last day of each calendar month. The management fee is payable monthly in arrears.

- (b) Performance-Based Fee: 10% of the net profits (including unrealized gains) of the limited partners, subject to a hurdle of 10%. The performance fee is subject to a loss carryforward provision and is distributed to Permit Capital GP on an annual basis.
- 5. Enterprise Fund
  - (a) Management Fee: 0.0834% (1% annualized) of the positive capital account balances of each limited partner of the Enterprise Fund as of the last day of each calendar month. The management fee is payable in arrears monthly.
  - (b) Performance-Based Fee: 20% of the net profits (including unrealized gains) of the limited partners, subject to a hurdle of 8%. The performance fee is subject to a loss carryforward provision and is distributed to Permit Capital GP on an annual basis.
- 6. Private Equity Fund
  - (a) Private Equity Fund – Series A
    - (i) Management Fee: 0.25% (1% annualized) of the aggregate amount of capital invested by the Series A investment pool as of the end of the calendar quarter. The management fee is payable quarterly in arrears.
    - (ii) Performance-Based Fee: None.
  - (b) Private Equity Fund – Series B
    - (i) Management Fee: 0.25% (1% annualized) of the aggregate amount of capital invested by the Series B investment pool as of the end of the calendar quarter. The management fee is payable quarterly in arrears.
    - (ii) Performance-Based Fee: 15% of the realized net profits of the limited partners. This is often referred to as a “carried interest.” Distributions of this carried interest to Permit Capital GP will depend on the amount of cash available for distribution.
  - (c) Private Equity Fund – Series B1
    - (i) Management Fee: 0.25% (1.00% annualized) of the aggregate amount of capital invested by the Series B1 investment pool as of the end of the calendar quarter. The management fee is payable quarterly in arrears.
    - (ii) Performance-Based Fee: 15% of the realized net profits of the limited partners. Distributions of this carried interest to Permit Capital GP will depend on the amount of cash available for distribution.

- (d) Private Equity Fund – Series C
  - (i) Management Fee: 0.25% (1.00% annualized) of the aggregate amount of capital invested by the Series C investment pool as of the end of the calendar quarter. The management fee is payable quarterly in arrears.
  - (ii) Performance-Based Fee: None.
- (e) Private Equity Fund – Series D
  - (i) Management Fee: 0.25% (1.00% annualized) of the aggregate amount of capital invested by the Series D investment pool as of the end of the calendar quarter. The management fee is payable quarterly in arrears.
  - (ii) Performance-Based Fee: None.
- (f) Private Equity Fund – Series F1
  - (i) Management Fee: 0.25% (1.00% annualized) of the aggregate amount of capital invested by the Series F1 investment pool as of the end of the calendar quarter. The management fee is payable quarterly in arrears.
  - (ii) Performance-Based Fee: 10% of the net realized profits of the limited partners. Distributions of this carried interest to Permit Capital GP will depend on the amount of cash available for distribution.

Both the performance fee and management fee will be paid only if and when the amount invested in the bridge loan provided to the sole portfolio company held by Series F1 is converted into equity securities of such portfolio company.
- (g) Private Equity Fund – Series G
  - (i) Management Fee: 0.25% (1.00% annualized) of the aggregate net asset value of the funds or portfolio companies in which the Series G investment pool is invested as of the end of the calendar quarter. The management fee is payable quarterly in arrears.
  - (ii) Performance-Based Fee: None.
- (h) Private Equity Fund – Series H
  - (i) Management Fee: 0.25% (1.00% annualized) of the amount of capital invested by the Series H investment pool as of the end of the calendar quarter. The management fee is payable quarterly in arrears.
  - (ii) Performance-Based Based-Fee: 15% of the net realized profits of the limited partners, subject to payment of an 8% annual compounded

return. Distributions of this carried interest to Permit Capital GP will depend on the amount of cash available for distribution.

7. Mortgage Fund

(a) Mortgage – Series A, Series B, Series C, Series D, Series E, Series F, Series G, Series H and Series II-A

- (i) Management Fee: 0.0834% (1.00% annualized) of each limited partner's capital commitment in respect of its investment in the applicable Mortgage Fund Series. The management fee will terminate upon the earlier of (i) five years, and (ii) the date on which the Mortgage Fund Series starts to distribute its "carried interest" with respect to such Mortgage Fund Series. The management fee is payable monthly in arrears.
- (ii) Performance-Based Fee: With respect to each Mortgage Fund Series, the performance-based fee charged to investors in such Mortgage Fund is 20% of any cash distributed to investors of such Mortgage Fund Series after they have received both a return of their capital contributions and an 8.00% annualized return on their capital contributions. Distributions of this carried interest to Permit Capital GP will depend on the amount of cash available for distribution.

(b) Mortgage Fund – Series J, Series K and Series II-B

- (i) Management Fee: 0.0834% (1.00% annualized) of each limited partner's called capital in respect of its investment in the applicable Mortgage Fund Series. The management fee is calculated on a called capital basis. With respect to any called capital, the management fee will be charged until the earlier of (i) fifth anniversary of the date the capital was called, and (ii) the date on which the Mortgage Fund Series starts to distribute its "carried interest" with respect to such Mortgage Fund Series. The management fee is payable monthly in arrears.
- (ii) Performance-Based Fee: With respect to each Mortgage Fund Series, the performance-based fee charged to investors in such Mortgage Fund is a "carried interest" of 20% of any cash distributed to investors of such Mortgage Fund Series after they have received both a return of their capital contributions and an 8.00% annualized return on their capital contributions. Distributions of this carried interest to Permit Capital GP will depend on the amount of cash available for distribution.

**B. *Potential Conflicts of Interest with Performance-Based Fees and Side-By-Side Management***

**1. Performance-Based Fees**

The performance-based fees described above may create an incentive for our investment professionals to recommend or approve more speculative investments on behalf of the Permit Funds than would be the case in the absence of this arrangement. In addition, the performance-based fee, if made, could result in allocations to Permit Capital GP which are greater than fees normally paid to other investment managers for similar services.

Generally, if two or more Permit Funds have the same investment strategy, we will charge all of the Permit Funds with the same investment strategy a performance fee or no performance fee at all. We believe this avoids any potential conflict of interest in having one fund perform more favorably than another fund based on performance fee considerations.

**2. Side-By-Side Management**

Our clients may have similar investment objectives and we may pursue similar investment strategies for multiple clients at the same time. In addition, we may give advice or take action with respect to one client's account that differs from the advice given with respect to another client. As a result of the foregoing, we may have conflicts of interest in allocating investments among our clients and in effecting transactions for the our clients. We will ensure at all times that there is a fair allocation of investment opportunities among our clients. In the event of any potential conflicts of interest due to any other investment, we will act in the manner which they in good faith believe to be in the best interests of our clients.

**(a) Allocation of Investment Opportunities – Generally**

To the extent a particular investment is suitable for more than one client, such investment will generally be allocated among our clients for which such investment is suitable on a pro rata basis based on their respective amounts of capital available for investment ("Investable Capital") or in some other manner which we determine is fair and equitable under the circumstances to all clients.

For purposes of allocating investment opportunities on a pro rata basis based on Investable Capital, the Investable Capital of a client which is a pooled investment vehicle (i.e., a Permit Fund) means the aggregate amount of the capital commitments that such pooled investment vehicle may call for investment in new securities in accordance with its governance agreement. In making such determination, capital which is reserved for investment in pre-existing investments or reserved for current or future obligations of a pooled investment vehicle will be excluded. To the extent that a pooled investment vehicle has called all of its capital commitments, the portion of the capital contributions which has not been invested and is not otherwise committed to another investment will be such pooled investment vehicle's Investable Capital, provided that such pooled investment vehicle's investment period has not expired. For any client which is not a pooled investment vehicle, Investable Capital means the amount of liquid assets of such client that is available for investment by the Firm on a discretionary basis.

(b) Allocation of Investment Opportunities – Mortgage Fund

With respect to the Mortgage Fund, we have adopted the following trade allocation policy.

Comparable Series. At no time will the Mortgage Fund have more than two Comparable Series conducting investment activities at the same time. Two Series will be considered “Comparable Series” of each other if (i) their investment strategies are substantially similar, and (ii) they pursue investments in securities with anticipated yield expectations that are substantially similar. For ease of reference, with respect to any two Comparable Series, we refer to the Comparable Series with the earliest designation date as the “First Comparable Series” and the Comparable Series with the latest designation date as the “Second Comparable Series”.

Allocation of Investments between Comparable Series and Other Accounts. A Series may have separately managed accounts and personal accounts of the Management Parties that invest on a side-by-side basis with such Series (each, a “Parallel Investor”). A particular investment may be suitable for two Comparable Series and their respective Parallel Investors (the “Subject Investment”). The Management Company and the Sub-Advisor will ensure that Subject Investments are allocated among the Comparable Series and their respective Parallel Investors in a fair and equitable manner. The term “Management Parties” means Permit Capital, any sub-advisor to the Mortgage Fund and their respective members, officers, employees, and affiliates.

Generally, a Subject Investment will be allocated in the following manner.

- 75% of the Subject Investment will initially be allocated to the First Comparable Series and its Parallel Investors. This portion of the Subject Investment will be further allocated among the First Comparable Series and its Parallel Investors on a pro rata basis based on their respective amounts of Investable Capital. If any account among the First Comparable Series and its Parallel Investors is not able to purchase or, as further provided below, Permit Capital and/or the sub-advisor to the Mortgage Fund determine it is not suitable for such account to purchase, the full amount of the Subject Investment allocated to it, the portion of the Subject Investment that has not been purchased by the First Comparable Series and its Parallel Investors (the “Excess Investment Allocation”) shall be reallocated to the Second Comparable Series and its Parallel Investors.
- 25% of the Subject Investment will initially be allocated to the Second Comparable Series and its Parallel Investors. This portion of the Subject Investment along with the Excess Investment Allocation will be further allocated among the Second Comparable Series and its Parallel Investors on a pro rata basis, based on their respective amounts of Investable Capital.
- If the Second Comparable Series and its Parallel Investors are not able to purchase the full amount of the Subject Investment allocated to them (including the Excess Investment Allocation), Permit Capital and/or the sub-advisor to the Mortgage Fund may reallocate the portion of the Subject Investment that has not been purchased by the Second Comparable Series and its Parallel Investors among any of their clients (including any of the First Comparable Series and its Parallel Investors) in a fair and equitable manner as the Permit Capital and/or the sub-advisor to the Mortgage Fund may reasonably determine.

Notwithstanding the foregoing allocation policies, Permit Capital and/or the sub-advisor to the Mortgage Fund, in their reasonable discretion, may determine that another allocation method for a Subject Investment would be more fair and equitable to the Comparable Series and their respective Parallel Investors in light of client circumstances (including, the Comparable Series and the Parallel Investors) and the terms and size of the Subject Investment. In such case, Permit Capital and/or the sub-advisor to the Mortgage Fund, as applicable, may allocate the Subject Investment in such fair and equitable manner as they may determine in their reasonable discretion.

**Item 7:           Types of Clients**

Our only clients are the Permit Funds. Each of the Permit Funds has a minimum investment amount that is listed below. Permit Capital GP, in its sole discretion, may waive the minimum investment amount.

- Capital Fund: \$2,000,000
- International Fund: \$500,000
- Telecom Fund: \$500,000
- Enterprise Fund: \$500,000
- Equity Fund: \$500,000
- Private Equity Fund: \$500,000 (for each Series in the Private Equity Fund)
- Mortgage Fund: \$1,000,000 (for Series A and Series B of the Mortgage Fund) and \$5,000,000 (for each other Series of the Mortgage Fund)

Prospective investors of the Permit Funds must meet certain qualification requirements that are set forth in the offering materials and subscription agreements for the Permit Funds. These qualifications include income and net worth minimums along with prior investment experience and financial sophistication.

**Item 8:           Methods of Analysis, Investment Strategies and Risk of Loss**

***A.           Methods of Analysis and Investment Strategies and Material Risks***

We follow an investing philosophy which seeks to identify securities trading at a discount to intrinsic value. Our investment approach is bottom-up and focused on the valuation of the securities of individual companies. We adjust the portfolio of the Permit Funds by reacting to opportunities presented by the marketplace as prices diverge from its assessment of value. Our assessment of investment value is based on its own fundamental research as well as numerous sources of publicly available information. We do not establish fixed guidelines regarding diversification of investments. Portfolio holdings may be concentrated in those securities and financial instruments that we believe offer the best opportunity for capital appreciation at that time.

In managing the investment portfolio of the Permit Funds, we may pursue investments directly in issuers or fund-of-fund investments. We do not attempt to set or meet any specific portfolio turnover rate, since we believe turnover is incidental to transactions undertaken in an attempt to achieve the investment objective. We do not intend turn over investment portfolios frequently. Instead, we typically hold most investments until we, in our sole discretion, determine that such investment no longer meets the investment criteria or profile of a Permit Fund.

## **B. Material Risks**

Below is a summary of the investment strategies we currently pursue employ for the Permit Funds and the material risks involved with these investment strategies.

An investment in securities (including the interests offered by the Permit Funds) involves a high degree of risks, including a risk of loss of investment. We urge investors in the Permit Funds to rely on their own examination of the Permit Funds and their investment strategies and offering terms, including the merits and risks involved.

*The risks described in this brochure are not meant to be an exhaustive listing of all potential risks associated with our investment strategies, an investment in the Permit Funds, or the securities held by the Permit Funds. We encourage all investors to review the offering materials of the Permit Funds carefully and consult with their professional advisers before deciding whether or not to invest in any of the Permit Funds.*

### **1. Capital Fund and the Capital Cayman Fund**

- (a) Investment Strategies. The Capital Fund is an absolute return fund-of-hedge funds that invests in hedge funds advised by Third Party Managers. The Capital Fund may be invested in hedge funds with domestic and international exposures and which employ any of the following strategies: credit, derivatives, convertibles, long-short (market-neutral), and event-driven. As previously mentioned, we may use PCA to assist us in identifying and researching fund-of-fund investment opportunities for the Capital Fund, but all investment decisions for the Capital Fund are made by Permit Capital.

Investors may invest directly in the Capital Fund or through its Cayman Islands feeder entity, the Capital Cayman Fund. The sole investment of the Capital Cayman Fund is its investment in the Capital Fund.

- (b) Material Risks. See the risk factors listed under the heading “Other Material Risks”. In particular, see the risk factors relating to Fund-of-Funds Structure, Dependence on Third Party Managers, and Illiquid Investments.

### **2. Equity Fund**

- (a) Investment Strategies. The Equity Fund is a fund-of-funds that invests in traditional long-term equity funds and/or equity-oriented hedge funds managed by Third Party Managers. As previously mentioned, Permit GP, in consultation with Permit Capital, identifies the specific assets of the Equity Funds that are to be managed by Gardner Russo, SASCO and Permit Capital. In addition, we may use PCA to assist us in identifying and researching fund-of-fund investment opportunities for the Equity Fund.
- (b) Material Risks. See the additional risk factors listed under the heading “Other Material Risks”. In particular, see the risk factors relating to Fund-of-Funds Structure, Dependence on Third Party Managers, and Illiquid Investments.

3. International Fund

(a) Investment Strategies. The International Fund is a fund-of-funds that seeks long-term capital appreciation. The International Fund pursues its investment objective through the ownership of Underlying Investment Funds that are traditional long-term equity funds and/or equity-oriented hedge funds managed by Third Party Managers. Through its fund-of-fund investments, the International Fund may invest in both U.S. and international-based investment funds that invest in the public (and sometimes private) securities of issuers whose operations are located outside of the United States. The International Fund may also invest directly in the securities of such issuers. As previously mentioned, we may use PCA to assist us in identifying and researching fund-of-fund investment opportunities for the International Fund, but all investment decisions for the International Fund are made by Permit Capital.

(b) Material Risks.

Non-U.S. Investments. The portfolios of the Underlying Investment Funds in which the International Fund will invest will consist of the securities of non-US companies (i.e., foreign portfolio companies). Many of these companies, not only have operations located outside of the United States, but also issue securities that are not listed nor traded on an exchange located within the United States. Investing in such non-U.S. securities involves considerations and possible risks and expenses not typically involved in investing in securities listed and traded on a U.S. exchange, including risks relating to (i) currency exchange matters, including fluctuations in the rates of exchange and costs associated with currency conversion; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and varying degrees of government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital; and (iv) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. In addition, the laws and regulations of foreign countries may impose restrictions that do not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S.

See also the additional risk factors listed under the heading “Other Material Risks”. In particular, see the risk factors relating to Fund-of-Funds Structure, Dependence on Third Party Managers, and Illiquid Investments below under the heading “Other Material Risks”.

4. Private Equity Fund

(a) Investment Strategies. The Private Equity Fund is a “series-based” investment vehicle. Each Series of the Private Equity Fund owns its own pool of securities and may concentrate its investments in a particular company, industry or sector. Certain Series of the Private Equity Fund are fund-of-fund investment vehicles that invest in private equity funds managed by Third Party Managers. Other Series of the Private Equity Fund make private equity investments directly in operating companies and hold such investments on a long-term basis.

(b) Material Risks.

Minority Positions. A Series of the Private Equity Fund that makes direct investments may be making investments in amounts that are insufficient to give the Private Equity Fund a controlling interest in such investments. In such case, the Private Equity Fund will not have sufficient voting power to control the decisions of these issuers and will be contractually bound to actions undertaken by the controlling shareholders. Thus, the Private Equity Fund may not be able to control its disposition of the investment.

Maturity of Investments. We expect that investments made by the Private Equity Fund and the Underlying Investment Funds in which the Private Equity Fund is invested may take several years to mature. Accordingly, there can be no assurance as to when or if distributions of the proceeds from the disposition of an investment will be made.

See also the additional risk factors listed under the heading “Other Material Risks”. In particular, see the risk factors relating to Fund-of-Funds Structure, Dependence on Third Party Managers, and Illiquid Investments below under the heading “Other Material Risks”.

5. Enterprise Fund

(a) Investment Strategies. The Enterprise Fund is a long-oriented fund consisting of public securities trading at a discount to intrinsic value. The Enterprise Fund may invest in any type or quality of the equity or debt securities, or assets, of an issuer. The Enterprise Fund employs a concentrated portfolio strategy.

(b) Material Risks. The Enterprise Fund has no diversification requirements and invests in a highly concentrated portfolio of securities. See risk factor relating to No Diversification and Concentration of Investments below under the heading “Other Material Risks”. See also the additional risk factors listed under the heading “Other Material Risks”.

6. Telecom Fund

(a) Investment Strategies. The Telecom Fund invests primarily in debt, equity and equity-related securities of companies in the telecommunications sector, and in related industries engaged in the creation, transmission and management of information services. The Telecom Fund may invest in any type or quality of equity or debt securities or other assets. In addition, the Telecom Fund may sell short securities, take hedged positions and invest in derivative securities of any type to implement its investment strategies. The Partnership may use leverage in implementing its investment program, including by borrowing against its securities on margin from brokers and dealers.

(b) Material Risks.

Limited Investments and Concentration. The Telecom Fund has no diversification requirements and may invest in a highly concentrated portfolio of securities, which may at times be limited to a single security. See risk factor relating No Diversification and Concentration of Investments below under the heading “Other Material Risks”.

Leverage and Financing Risk. The Telecom Fund may use leverage in an effort to achieve a higher rate of return. Accordingly, the Telecom Fund may pledge its securities to a lender in order to borrow additional funds for investment purposes. The Telecom Fund may also leverage its investment return with options, short sales and other derivative instruments. While leverage presents opportunities for increasing the Telecom Fund’s total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Telecom Fund would be magnified to the extent the Telecom Fund is leveraged. The cumulative effect of the use of leverage by the Telecom Fund in a market that moves adversely to the Telecom Fund’s investments could result in a substantial loss to the Telecom Fund which would be greater than if the Telecom Fund was not leveraged.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to the Telecom Fund. For example, should the securities pledged to brokers to secure the Telecom Fund’s margin accounts decline in value, the Telecom Fund could be subject to a “margin call,” pursuant to which the Telecom Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Telecom Fund’s assets, the Telecom Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

See also the additional risk factors listed under the heading “Other Material Risks”.

## 7. Mortgage Fund

- (a) Investment Strategies. The Mortgage Fund is a “series-based” investment vehicle. The investment objective of each Series of the Mortgage Fund (each, a “Mortgage Fund Series”) is to invest in fixed income securities, with particular emphasis on mortgage-backed securities, in order to generate attractive, risk-adjusted, absolute returns. Each Mortgage Fund Series owns its own pool of securities. In furtherance of this strategy, we may pursue investments in mortgage-backed securities that are issued by both government sponsored agencies and non-agency issuers, collateralized mortgage obligations. We do not establish or follow fixed guidelines regarding diversification of investments. Given our investment strategy focus, each Mortgage Fund Series managed by us generally will have a concentrated portfolio of securities. We do not attempt to set or meet any specific portfolio turnover rate. We do not intend to turn over investment portfolios frequently. Instead, we typically hold most investments until we determine, in our sole discretion, that such investment no longer meets the investment criteria for the Mortgage Fund.

LL Funds has been retained as the sub-advisor for the Mortgage Fund and is responsible implementing the investment strategy for each Mortgage Fund Series.

- (b) Material Risks.

Limited Investments and Concentration. Each Mortgage Fund Series will have a limited number of investments and each Mortgage Fund Series may be concentrated in mortgage-backed securities. As a consequence, a Mortgage Fund Series’ returns as a whole may be adversely affected by the unfavorable performance of a single investment. See risk factor relating No Diversification and Concentration of Investments below under the heading “Other Material Risks”. See also the additional risk factors listed thereunder.

Mortgage-Backed Securities. Mortgage-backed securities are securities that represent direct or indirect participation in, or are collateralized by and payable from, mortgage loans secured by real property or instruments derived from such loans. Mortgage-backed securities include various types of securities such as government stripped mortgage-backed securities, adjustable rate mortgage-backed securities, and collateralized mortgage obligations. Generally, mortgage-backed securities represent interests in pools of mortgage loans assembled for sale to investors by various governmental agencies and private issuers, such as commercial banks, savings and loan institutions, and mortgage bankers. The average maturity of pass-through pools of mortgage-backed securities in which a Mortgage Fund Series may invest varies with the maturities of the underlying mortgage instruments. In addition, a pool’s average maturity may be shortened by unscheduled payments on the underlying mortgages. Factors affecting mortgage prepayments include the level of interest rates, general economic and social conditions, the location of the mortgaged property, and the age of the mortgage. Because prepayment rates of individual mortgage pools vary widely, the average life of a particular pool cannot be predicted accurately.

Mortgage-backed securities are often subject to more rapid repayment than their stated maturity date would indicate as a result of the pass-through of prepayments of principal on the underlying loans. Many factors influence prepayment tendencies, including general economic conditions; the level of prevailing interest rates; the availability of alternative financing; the applicability of prepayment charges; homeowner mobility; and due on sale clauses. Prepayments of principal by mortgagors or mortgage foreclosures shorten the term of the mortgage pool underlying the mortgage-backed security. The values of mortgage-backed securities vary with changes in market interest rates generally and the differentials in yields among various kinds of U.S. government securities, mortgage-backed securities, and asset-backed securities. In periods of rising interest rates, the rate of prepayment tends to decrease, thereby lengthening the average life of a pool of mortgages supporting a mortgage-backed security. Conversely, in periods of falling interest rates, the rate of prepayment tends to increase thereby shortening the average life of such a pool. While a Mortgage Fund Series may benefit from prepayments because the bonds owned by the Mortgage Fund Series then receive significant cash, the prepayments shorten the life of the pay-outs in respect of interest attributable to the Mortgage Fund Series' bonds and if prepayments are less than taken into account in the pricing of the bonds, the Partnership's bonds may decline in value.

Investments in Interest Only Loans. Investments for a Mortgage Fund in loans may be selected when the borrower is not required to pay any principal on the borrower's loan during an interest-only period but thereafter is required to make monthly payments sufficient to amortize the loan over its remaining term. These loans are sometimes referred to as interest-only loans. Interest-only loans have only recently been originated in significant volumes. As a result, the long-term performance characteristics of interest-only loans are largely unknown. Because interest-only loans initially require only the payment of interest, a borrower may be able to borrow a larger amount than would have been the case for a fully amortizing mortgage loan. Interest-only loans may have risks and payment characteristics that are not present with fully amortizing mortgage loans. For example, if an interest-only loan defaults, the severity of loss may be greater due to the larger unpaid principal balance.

Investments May Be Rated Below Investment Grade or Unrated. Loans acquired for a Mortgage Fund Series may be rated below investment-grade or unrated but of comparable credit quality. These loans are expected to have greater credit and liquidity risk than more highly rated loans. In addition, many borrowers of these loans are expected to be highly leveraged, which creates increased risks that their operations might not generate sufficient cash flow to service their debt obligations. To the extent that these borrowers are unable to refinance their debt at maturity, or to make scheduled interest payments on their indebtedness, they may be forced to seek bankruptcy protection or may have an involuntary bankruptcy commenced against them, which would reduce the value of the debt of those borrowers held by a Mortgage Fund Series. Loans that are rated below investment grade or unrated also may have less liquidity and experience greater fluctuations in price than highly rated investments.

Actual Default Rates May Be Higher than Historical or Expected Default Rates. The historical performance of the types of assets that Mortgage Fund Series may be invested is not necessarily indicative of their future performance. Should increases in default

rates or decreases in recovery rates occur with respect to the types of assets that a Mortgage Fund Series owns, the actual default rates with respect to the assets in the Mortgage Fund Series' portfolio may be significantly greater than, or the actual recovery rates with respect to the assets in the Mortgage Fund Series' portfolio may be significantly less than, the hypothetical default rates and recovery rates that such Mortgage Fund Series used in purchasing these assets. If this were to occur, any debt issued by special purpose vehicles or alternative instruments used to finance these assets may be impaired and any subordinated debt and equity interests that the Mortgage Fund Series' portfolio holds in any such vehicles may not receive distributions.

Credit Ratings of Assets Are Not Guarantees. Credit ratings of assets and securities that a Mortgage Fund Series may hold represent the rating agencies' opinions regarding the credit quality of those assets and securities and are not a guarantee of future performance. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings may not fully reflect the true risks of holding an asset. In addition, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. The credit ratings of the assets a Mortgage Fund Series purchases also may change over time.

The availability of financing for certain real estate sectors has been substantially reduced or eliminated in the past several years, including the residential mortgage sector and the home builders sector, as well as the financial sector. This has significantly impaired the realizable value of, and returns on, some of a Mortgage Fund Series' investments, and their ability to finance those investments at acceptable rates, or at all. A Mortgage Fund Series may hold investments in companies whose businesses have or will have exposure, directly or indirectly, to the residential mortgage sector or homebuilder sector. Moreover, a Mortgage Fund Series also may hold investment grade and non-investment grade mortgage-backed securities representing interests in pools of residential mortgage loans, some of which may be characterized as subprime loans. While we will properly record the carrying value of all of their investments, third parties may value these investments differently than we do which may further affect the value of, and a Mortgage Fund Series' cost of financing, these investments.

If a Mortgage Fund Series directly or indirectly invests in residential mortgage loans and are thereby exposed to changes in the value of residential mortgage loans, the value of a Mortgage Fund Series' investment in those companies may be temporarily or permanently impaired by movements in the market for residential mortgage loans or securities backed by such loans.

To the extent credit market conditions adversely affect other investments in a Mortgage Fund Series' portfolio, this could result in material asset impairment of, and loss of revenue and cash flow from, these investments.

Maturity of Investments. We expect that investments held in a Mortgage Fund Series' portfolio may take several years to mature. Accordingly, there can be no assurance as to when or if distributions of the proceeds from repayment of mortgage loans or the

disposition of an investment will be made. To the extent a Mortgage Fund Series invests in 40 year loans instead of the traditional 30 year loan, that Mortgage Fund Series' yield may be adversely affected. Furthermore, limitations on resale of these investments could prevent a successful sale thereof, delay sales at times that may be the most opportune or reduce the amount of proceeds that might otherwise be realizable.

Delinquency, Foreclosure and Loss. Residential mortgage loans are typically secured by single-family residential property and are subject to risks of delinquency and foreclosure and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, acts of God, terrorism, social unrest and civil disturbances, may impair borrowers' abilities to repay their loans. The ability of a borrower to repay these loans or other financial assets is dependent upon the income or assets of these borrowers. The ability to repay may be adversely affected by the borrower's amount of debt related to value of the asset (e.g. high loan to value ratio may have a greater effect on the delinquency, foreclosure, bankruptcy and loss experience of mortgage loans). No assurances can be given that the values of the related mortgaged properties have remained or will remain at the levels in effect on the dates of origination of the related mortgage loans.

Commercial mortgage loans are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income producing property can be affected by, among other things, tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

In the event of any default under a mortgage loan held directly by a Mortgage Fund Series, the Mortgage Fund Series will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan. In the event of bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Subprime Mortgage Loans. Mortgage Fund Series may be invested in mortgage-backed securities backed by collateral pools of subprime residential mortgage loans. “Subprime” mortgage loans refers to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Due to economic conditions, including increased interest rates and lower home prices, as well as aggressive lending practices, subprime mortgage loans have in recent periods experienced increased rates of delinquency, foreclosure, bankruptcy and loss, and they are likely to continue to experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of the higher delinquency rates and losses associated with subprime mortgage loans, the performance of mortgage-backed securities backed by subprime mortgage loans in which a Mortgage Fund Series may invest could be correspondingly adversely affected, which could adversely impact the Mortgage Fund Series’ results of operations, financial condition and business.

Interest Rates. Mortgage Fund Series may be invested in real estate-related assets indirectly by purchasing mortgage-backed securities backed by real estate-related assets. Under a normal yield curve, an investment in these assets will decline in value if long-term interest rates increase. Declines in market value may ultimately reduce earnings or result in losses to Mortgage Fund Series. A significant risk associated with these investments is the risk that both long-term and short-term interest rates will increase significantly. If long-term rates were to increase significantly, the market value of these investments would decline, and the duration and weighted average life of the investments would increase. Mortgage Fund Series could realize a loss if these assets were sold. Market values of investments may decline without any general increase in interest rates for a number of reasons, such as increases in defaults, increases in voluntary prepayments for those investments that are subject to prepayment risk and widening of credit spreads.

**C. Other Material Risks**

**1. Material Risks Applicable to All Permit Funds.**

In addition to the foregoing material risks that relate to specific investment strategies of the Permit Funds, the following material risks apply to all Permit Funds.

Inadequate Return. There can be no assurance that the return of any Permit Fund’s investments will commensurate with the risk of investment therein.

Unspecified Investments. Investors must rely on the ability of Permit Capital and its investment professionals to identify and make investments consistent with the investment strategies of the Permit Funds. Investors will not participate in the making of any investment decisions nor will they have the opportunity to evaluate personally the relevant economic, financial and other information used by Permit Capital in its selection, monitoring and disposition of investments.

Illiquid Investments. We anticipate that a substantial portion or all of each Permit Fund's investments will consist of securities for which there is no public market and/or that are subject to restrictions on resale because they were acquired from the issuer in "private placement" transactions or because such restrictions were imposed as a condition of such Permit Fund's purchase. Limitations on resale of these investments could prevent a successful sale thereof, delay sales at times that may be the most opportune or reduce the amount of proceeds that might otherwise be realizable.

No Diversification and Concentration of Investments. None of the Permit Funds are subject to any diversification requirements. A Permit Fund's investments may be concentrated in a single or small number of issuers. Because there are diversification requirements for any Permit Fund, a Permit Fund's portfolio may at times be intentionally over weighted in a single industry, issuer, or class of security. Consequently, a decline in the value of a single security held by a Permit Fund may have a greater impact on the net asset value of that Permit Fund than on the net asset value of a diversified fund. A Permit Fund will be highly sensitive to changes in the market price of its portfolio securities because it invests more of its assets in a smaller number of industries or issuers than a diversified fund and the gains or losses on a single security will have a greater impact on the Permit Fund. Generally, the volatility of a Permit Fund's investment portfolio will increase as its diversification decreases.

## 2. Material Risks Applicable to Permit Fund-of-Funds.

In addition to the foregoing, the following material risks apply to all Permit Fund-of-Funds.

Fund-of-Funds Structure. The cost of investing in Permit Fund-of-Funds will generally be higher than investing directly in other private investment funds (i.e., the Underlying Investment Funds). Investors in a Permit Fund-of-Funds will indirectly bear fees and expenses charged by the Underlying Investment Funds in which the Permit Fund-of-Funds invests in addition to its direct fees and expenses. The use of a fund-of-funds structure could affect the timing, amount and character of distributions to investors in the Permit Fund-of-Funds International Fund and therefore may increase the amount of taxes payable by them.

Dependence on Third Party Managers. The assets of a Permit Fund-of-Funds are primarily in Underlying Investment Funds managed by Third Party Managers who are unrelated to Permit Capital. We will not have an active role in the day-to-day management of the Underlying Investment Funds in which a Permit Fund-of-Funds invests. As a consequence, a Permit Fund-of-Funds generally will not have the opportunity to evaluate the specific investments in companies made by an Underlying Investment Fund before they are made, and the performance of a Permit Fund-of-Funds will be highly reliant upon the performance of these unrelated Third Party Managers. This lack of control over the Third Party Managers could adversely affect the profitability of a Permit Fund-of-Funds.

***D. Recommendation of Particular Securities***

We do not recommend primarily any particular type of security for our clients.

**Item 9: Disciplinary Information**

Neither Permit Capital nor any of its management personnel has been the subject of any legal or disciplinary action to be reported under this Item 9.

**Item 10: Other Financial Industry Activities and Affiliations**

Permit Capital's sole business is providing investment management services to the Permit Funds. The Permit Funds and their general partner, Permit Capital GP, are related persons of Permit Capital. See Item 6 (Performance-Based Fees and Side-By-Side Management) on page 4 for information regarding the compensation to Permit Capital GP and potential conflicts of interests relating to Permit Capital and Permit Capital GP.

LL Funds is an investment adviser registered with the SEC and is the sub adviser of the Mortgage Fund. While Permit Capital has no ownership interest in LL Funds, we view LL Funds as a related person because of the material economic benefits they derive from our sub-advisory agreement with LL Funds. The sub-advisory agreement sets forth the terms of LL Funds engagement as sub-adviser to the Mortgage Fund, their most significant client currently, and each Firm's rights to the management fee and Carried Interest distributable by the Mortgage Fund Series.

With the exception of LL Funds, Gardner Russo, SASCO and PCA, we have not retained any investment adviser for our clients. See Item 1 for additional information on these firms.

We do not recommend or select other investment advisers for our clients for which we receive compensation.

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

We have adopted a Code of Ethics ("Code") that emphasizes the responsibility of each of our employees to conduct themselves with high ethical standards and to conduct their business with integrity, honesty, openness and trust. Our employees are to place the interest of our clients first and foremost. Compliance with the Code is a condition of employment, and serious violation with the Code or related policies may result in dismissal.

Generally, when a Permit Fund has an open investment period and we are actively making investment decisions for the acquisition of securities for that client, employees of the Firm and Permit Capital are not permitted to trade in the same securities for their own accounts that are being acquired for such client. This policy also applies to LL Funds and its principles, subject to the following exception.

The founder of LL Funds holds securities (the "Grandfathered Securities") that are similar to the securities held by certain series of the Mortgage Fund. The Grandfathered Securities were acquired by the founder prior to LL Funds' appointment as the sub-adviser to the Mortgage Fund. We will allow the founder to dispose of the Grandfathered Securities at any time. A conflict could arise if market or other conditions or events trigger the founder's need to trade a Grandfathered Security which may be

concurrent with Permit Capital or LL Funds' desire to dispose of or hold the same security for their respective clients.

The Code contains policies and procedures designed to prevent and detect such conflicts of interest. Our policy (as well as LL Fund's policy) is that client transactions generally will be executed first. In some instances, we and/or LL Funds may determine that it is in the best interests of our respective clients that dispositions of their securities are aggregated with the disposition of Grandfathered Securities.

All employees must obtain pre-clearance for their personal security transactions and must provide duplicate copies of their statements to our Chief Compliance Officer. Trading requests will generally be denied if we are trading the same or related security or if an open order for that security exists.

We do not recommend to clients, or buy or sell for client accounts, securities in which we have a material financial interest. We note, however, that principles of Permit Capital have an interest in the performance-based compensation payable or distributable by the Permit Funds to Permit Capital GP. In addition, principles of LL Funds through their direct or indirect ownership of Permit Capital GP have an interest in the performance-based compensation distributable by the Mortgage Fund Series to Permit Capital GP.

See Item 6 (Performance-Based Fees and Side-By-Side Management) on page 4 for additional information regarding potential conflicts of interests relating to Permit Capital, Permit Capital GP and LL Funds.

## **Item 12: Brokerage Practices**

### ***A. Research and Soft Dollar Benefits***

We are authorized to determine the broker or dealer to be used for each securities transaction for our clients. In selecting brokers or dealers to execute transactions, we do not need to solicit competitive bids and we do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates, thus we may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits investment managers such as the Firm to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be an expense to our clients or as otherwise described below, we will use our best efforts, but are not obligated, to limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Currently, we use "soft dollars" to obtain research reports (including market research), financial newsletters and data services (including services providing market data, company financial data and economic data) from brokerage firms with whom we place trades. In addition, we may receive (but currently do not receive) from such firms services and software related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians), and services required by the SEC or a self-regulatory organization such as

comparison services, electronic confirms or trade affirmations. These research and brokerage services are within the Section 28(e) safe harbor.

In some instances, we may receive a product or service that may be used only partially for functions within Section 28(e) (e.g. an order management system). In such instances, we will allocate, in good faith, the relative proportion of a product or service used to assist us in carrying out our investment decision making responsibilities and the relative proportion used for administrative or other purposes outside of Section 28(e). The proportion of the product or service attributable to assisting the Firm in carrying out our investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside of Section 28(e) will be paid for by from our own resources.

Research and brokerage services obtained by the use of commissions arising from the portfolio transactions of a client may be used by us in our other investment activities and thus, a specific client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Although we will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. Our receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services create a potential conflict of interest between us and our clients.

In selecting brokers and negotiating commission rates, we will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers.

***B. Brokerage for Client Referrals and Directed Brokerage***

We do not select or recommend broker-dealers on the basis of whether they provide us or any of our related persons with referrals. In addition, we do not recommend, request or require that a client direct us to execute transactions through a specific broker-dealer.

However, we may hire separate independent trading firms in order to obtain better prices and/or execution, and such trading firms will be paid through additional commissions to be borne by the clients for whom such arrangements were made.

***C. Aggregation of Purchase and Sales of Securities***

We may, but are not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts managed by us. Clients participating in aggregated trades will be allocated securities on a pro rata basis based on their relative Investable Capital. See Item 6.B. (Performance-Based Fees and Side-by-Side Management) on page 8 for additional information on allocation of investment opportunities.

**Item 13: Review of Accounts**

The portfolio managers of each Permit Fund continuously reviews each fund's portfolio.

Investors in the Permit Funds receive quarterly account statements from the respective Permit Fund's administrator. In addition, current investors of the Enterprise Fund receive a quarterly letter from the portfolio manager describing the previous quarter's performance drivers. Investors in the Mortgage Fund receive a monthly review letter from the Fund's sub advisor, LL Funds. Investors in the Capital Fund, Equity Fund and International Fund, each of which is a fund-of-funds, receive monthly a performance summary chart.

**Item 14: Client Referrals and Other Compensation**

We currently do not compensate, directly or indirectly, any person who is not a supervised person for client referrals.

**Item 15: Custody**

As general partner of the Permit Funds, the Permit Capital GP (along with its general partner, Permit Capital GP, Inc.) is deemed to have custody of the assets of the Permit Funds. Permit Capital GP and Permit Capital GP, Inc. are related persons of Permit Capital and since they are deemed to have custody of the assets of the Permit Funds, we also are deemed to have custody of those assets. Nevertheless, the assets of the Permit Funds are held by qualified custodians as described below.

Qualified Custodians. Except for the Telecom Fund and the Enterprise Fund, The Bank of New York Mellon maintains the assets held by all Permit Funds in segregated custodial accounts. Convergen Prime Services LLC and J.P. Morgan Clearing Corp. maintain the assets held by the Telecom Fund and the Enterprise Fund in segregated custodial accounts. A portion of the Equity Fund's assets are held by Comerica Bank. The Bank of New York Mellon, Comerica Bank, Convergen Prime Services LLC and J.P. Morgan Clearing Corp. are qualified custodians.

Audited Financial Statements and Audit by PCAOB Accounting Firm. Each Permit Fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and are audited by Ernst & Young LLP ("E&Y"). E&Y is an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

Upon liquidation, each Permit Fund will undertake a final audit in accordance with GAAP and distribute its audited financial statements to all limited partners promptly after the completion of such audit.

Delivery of Audited Financial Statements. With respect to each Permit Fund that is a direct investment fund, Permit Capital distributes to the investors of such Permit Fund the audited financial statements to such Permit Fund within 120 days after the fiscal year end of such Permit Fund. With respect to each Permit Fund that is a fund-of-funds, Permit Capital distributes to the investors of such Permit Fund the audited financial statements to such Fund within 180 days after the fiscal year end of such Permit Fund.

**Item 16: Investment Discretion**

We have discretionary authority to manage the Permit Funds, subject to the investment strategies and restrictions (if any) that are detailed in each Permit Fund's limited partnership agreement and Confidential Private Placement Memorandum. The discretionary authority to manage client assets is derived from investment advisory agreements with the Permit Funds.

**Item 17: Voting Client Securities**

We have discretion to vote the proxies of our clients, and will vote those proxies in the best interest of our client and in accordance with any written policies and procedures that are communicated to us.

- Generally, we will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.
- Generally, we will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.
- For other proposals, we will determine whether a proposal is in the best interests of our clients.

Potential conflicts of interest between the interests of Permit Capital and our clients are examined by our Chief Compliance Officer. This examination will include a review of the relationship of Permit Capital and its affiliates with the issuer of each security and any of the issuer's affiliates to determine if the issuer is a client of ours or an affiliate of ours or has some other relationship with us.

If a material conflict exists, we will determine whether voting in accordance with the voting guidelines and factors described above is in the best interests of our clients. We will also determine whether it is appropriate to disclose the conflict to the affected clients and give the clients the opportunity to vote their proxies themselves.

Clients may receive a copy of Permit Capital's Proxy Voting Policy and or receive information on how proxies have been voted by contacting our Chief Compliance Officer, Paul A. Frick, at 610-941-5006 or [Paul.Frick@PermitCap.com](mailto:Paul.Frick@PermitCap.com).

**Item 18: Financial Information**

Permit Capital does not require or solicit advance payment of fees. We are not subject to any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to the Permit Funds. We have never been the subject of any bankruptcy petition.