

March 15, 2012

Form ADV Part 2

Perseus Realty Partners, LLC (“PRP”)

1750 H Street, NW

Suite 500

Washington, DC 20006

202-741-8400 Phone

202-741-8401 Fax

[www.prprei.com](http://www.prprei.com)



PRP is a registered investment advisor with the United States Securities and Exchange Commission (“SEC”). This registration does not imply a certain level of skill or training.

**This brochure provides information about the qualifications and business practices of PRP. If you have any questions about the contents of this brochure, please contact us at 202-741-8400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

Additional information about PRP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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### **Item 3.           Advisory Business**

PRP is a real estate investment management firm founded in 2005. PRP's President and Chief Investment Officer, Paul Dougherty, has been managing the organizations' portfolio investments since the firm's inception. PRP is owned by Dougherty Realty Company, LLC

PRP provides real estate investment management services and investment advice to clients and other investors of real estate holdings. PRP's advice is limited to those types of investments. PRP manages two investment limited partnerships (each a "Fund" and together, the "Funds") which invest in individual commercial real estate buildings, residential developments, commercial warehouse facilities as well as an assisted living and dementia care facility and management company. PRP generally takes a majority ownership position in limited liability companies which own the individual buildings. Individual investments are generally managed by local operating partners that specialize in the particular class of real estate and who have minority ownership positions in the specific limited liability companies. PRP maintains overall control of the individual properties by virtue of the majority ownership of the particular limited liability company. The Funds are privately offered investment vehicles exempt from registration as investment companies under the Investment Act of 1940, as amended. PRP related entities serve as the general partner of the Funds. PRP has no direct ownership interest in the general partners of the Funds, but certain members and employees have direct or profit-sharing ownership interests. PRP manages each Fund in accordance with its stated investment strategy as described in the individual Fund's offering documents. Contributions and withdrawals from the Funds are subject to the terms and conditions set forth in the respective limited partnership agreements of each Fund (individually the "LP Agreement" and collectively the "LP Agreements"). Investors are admitted to the Funds at the discretion of PRP, and contributions are accepted solely at the discretion of PRP. As of December 31, 2011, PRP manages approximately \$300,000,000 of regulatory assets under management, all of which are managed on a discretionary basis. PRP does not manage assets on non-discretionary basis.

PRP does not offer specifically tailored investment advice to investors. Due to the specific nature of our advice, which is limited to real estate investments, our clients impose restrictions on investing in only real estate owned through direct ownership, limited partnerships or co-mingled funds.

#### **Item. 4            Fees and Compensation**

As our firm is an SEC registered adviser and this brochure is being delivered only to “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended, we are not required to describe our compensation received for advisory services; however, a summary of our fees is set forth below.

With respect to our client funds, our firm or one of our affiliates may receive (i) management fees based on a percentage of capital commitments or invested capital over a targeted rate of return, (ii) performance based compensation or “carried interest” payments of sales proceeds in excess of a targeted internal rate of return plus client capital contributions.

For client accounts separate from our Funds, we may receive (i) management fees based on the average monthly investment balance outstanding or market value, excluding the investment balances, if any, in our client funds (ii) an incentive fee of earnings subject to a loss recovery amount from preceding years; and (iii) acquisition or success fees based on a percentage of the purchase price of an asset and an additional percentage of capital improvement funding on a project as they occur.

We may individually negotiate the fees discussed above with each of our clients.

We deduct all compensation described above automatically from our client funds’ accounts pursuant to their governing documents. Our client funds typically pay these fees quarterly in arrears.

#### **Item. 5            Performance-Based Fees and Side-By-Side Management**

We also receive performance-based compensation or carried interest from investors in our Funds subject to a profit sharing obligation where a certain portion of net profits initially allocated to each investor is reallocated to an affiliate of PRP. This profit sharing obligation reallocates profits from the capital accounts of each relevant investor to the capital account of a PRP affiliate, based on overall profits and losses to the relevant Fund and subject to the limitations set forth in applicable Fund Limited Partnership Agreement. We receive a carried interest from our client funds when distributions occur to underlying investors. As a result, we do not receive carried interest on a regularly scheduled basis.

In connection with our advisory services, clients bear all of their own expenses (ordinary and extraordinary) along with its allocable share of the expenses of the relevant Fund. The expense arrangements are set out in the private offering materials for each client.

The Funds may from time to time engage in certain transactions with affiliates of PRP, including financing transactions for arranging or securing financing for Fund assets. Such financing activity is made on terms that are determined by the Advisory Committee of the respective Fund if applicable (based upon a good faith determination) to be market-based fees that are fair and reasonable as if such services were provided by unaffiliated third parties.

**Item 6.           Types of Clients**

All of our clients are private equity funds or separately managed accounts. Our client funds rely on certain exclusions from the definition of “Investment Company” in the Investment Company Act of 1940, as amended. Accordingly, none of our client funds are registered as investment companies with the SEC.

Our firm determines in its sole discretion any requirements for entering into an investment advisory contract with a client fund or otherwise opening or maintaining an account, including whether a private fund is large enough to implement its desired investment program.

We also provide investment advisory services to a separately managed account and may, in the future, agree to provide services to additional separately managed accounts. We decide whether to open a separately managed account and the minimum investment amount on a case by case basis depending on the qualification of the potential client and its investment objective.

## **Item 7. Methods of Analysis, Investment Strategies and Risk of Loss**

In managing our client funds, we employ methods of analysis and investment strategies suitable for each fund's investment objective.

### **Methods of Analysis**

With respect to each of our clients, we use our industry expertise and relationships with key players in the industry to evaluate and investigate the fundamentals of our investment prospects. We evaluate the national economic outlook relative to the various real estate debt and equity products that will be offered to our clients. We evaluate economic growth trends, employment trends, real estate supply/demand movements in interest rates and other factors to determine which real estate investment strategies are appropriate relative to each of our client's investment objectives.

. In addition, we analyze market and sub-market data on a macro level, including, among other things, rent and tenant allowance trends, sale comparables, capitalization rates, new construction activity, vacancy and absorption trends, tenant and industry concentrations.

Our firm evaluates individual real estate equity and debt investment opportunities, taking into account the above information as well as an assessment of the investment's overall competitive stature in the market and sub-market, project leases, project cost of operation, third-party reports including environmental and structural analysis, pre-and post-acquisition appraisals, sponsorship and our site inspections.

We also analyze and monitor real estate capital markets to determine financing strategies, as well as to continually assess the possibility of different investment exit strategies.

### **Investment Strategies**

We employ various investment strategies, including investing in commercial equity real estate and private real estate related instruments. Our firm, on behalf of our clients, invests in various classes of equity real estate, including, commercial, retail, apartment and residential real estate. These investments may be made either directly or through the use of limited partner or membership interests in joint venture entities.

We vary the investment programs within the real estate sector according to our clients' needs. Among all of our clients we may engage in any combination of the following:

- Investing in private real estate equity,
- Investing in mezzanine debt,
- Investing in corporate debt,
- Investing in non-performing loans,
- Investing in residential and commercial mortgages,
- Investing in preferred equity,
- Borrowing/leveraging, including short-term bridge loans (on an unsecured basis),
- Utilizing various hedging instruments, including credit default swaps, total rate of return swaps, and credit linked notes to mitigate capital market risks, and
- Investing in or with other partnerships and entities.

From time to time, we may need to make short-term investments on behalf of clients for cash management purposes that may include cash, short-term obligations of the United States of America, or fully guaranteed as to interest and principal by the United States of America, interest bearing accounts and/or certificates of deposit, repurchase agreements and commercial paper.

## **Risk of Loss**

Certain general risks associated with an investment in any client fund we advise include, but are not limited to:

- *Highly Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. Our clients compete for investments with other private equity investors, as well as companies, public equity markets, individuals, financial institutions and other investors. Additional funds with similar objectives may be formed in the future by other unrelated parties. It is possible that competition for appropriate investment opportunities may increase, and reduce the number of investment opportunities available to our clients and adversely affect the terms upon which investments can be made. There is no assurance that we will be able to locate, consummate and exit investments that satisfy our clients' rate of return objectives or realize upon their values, or that our clients will be able to invest fully their committed capital.
- *General Property Risk.* These risks include, but are not limited to:
  - general and local economic and social conditions;
  - the supply of, and demand for, properties of any particular type;
  - the financial resources of tenants and buyers and sellers of properties;
  - vandalism;
  - vacancies;
  - rent strikes;
  - environmental liabilities;
  - unforeseen liabilities and expenses due to changes in tax, zoning, building, environmental and other applicable laws;
  - rent control laws;
  - real property tax rates;
  - changes in interest rates;
  - governmental actions;
  - accelerated construction activity;
  - technical innovations that dramatically alter space requirements;
  - the risk of loss due to earthquake, flood, environmental contamination or other casualties and general liabilities, including the possibility of uninsured losses and liabilities due to unavailability, availability only at prohibitive cost or failure of any owner, operator or manager to purchase adequate insurance coverage; and
  - the availability of mortgage loans, any of which may render the sale of properties difficult or unattractive.

- *Government Regulation.* The real estate industry is extensively regulated and subject to frequent regulatory change. The adoption of new legislation or changes in existing laws or new interpretations of existing laws can have a significant impact on methods of doing business, costs of doing business and amounts of reimbursement from governmental and other agencies. The real estate industry is and will continue to be subject to varying degrees of regulation and licensing by federal and state regulatory authorities in various states and localities.
- *Risk of Limited Number of Investments.* We anticipate that our clients may participate in a limited number of investments. As a consequence, the aggregate return of our clients may be substantially adversely affected by the unfavorable performance of even a single investment.
- *Investments Longer than Term.* We, on behalf of a client fund, may make investments that may not be advantageously disposed of prior to the date the client fund will be dissolved, either by expiration of our client's term or otherwise.
- *Uncertainty of Financial Projections.* Our firm or our affiliates will generally evaluate potential investments on the basis of financial projections for these investments. Projections are only estimates of future results which rely on assumptions made at the time of the projections. There can be no assurance that we can attain these projected results, and actual results may vary significantly from the projections. In addition, general economic conditions, which are not predictable, can have a material adverse impact on the reliability of the projections. The following is a description of some important risks associated with the investment strategies that we employ.
- *Controlling Person Liability.* Our clients may hold controlling interests in some of their investments in real estate companies. The exercise of control over an entity can create additional risks of liability for environmental damage, failure to supervise management, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristics of business ownership may be ignored. If these liabilities were to arise, our clients might suffer significant losses.
- *Real Estate Investment.* The risks generally incidental to ownership and operation of income-producing real estate may affect our clients' investments. These include:
  - the illiquidity of real estate,
  - the possibility that cash generated from operations of a property will not be sufficient to meet fixed obligations,
  - the presence of undetected physical and other defects,
  - changes in economic conditions affecting real estate ownership directly or the demand for real estate,
  - the need for unanticipated expenditures in connection with environmental matters,
  - unavailability of certain types of insurance, and increases in insurance costs,
  - changes in tax rates and other operating expenses,
  - adverse changes in laws, governmental rules and fiscal policies, and
  - terrorism, acts of God, including earthquakes and fire (which may result in uninsured losses), environmental and waste hazards and other factors that are beyond our control.
- *Non-Controlled Investments.* We invest a substantial portion of our clients' assets in joint ventures formed for the purpose of investing in real estate. Our clients may have shared or limited control of some or all of these investments, which may involve risks not present in

other types of investments, such as the possibility that the other party may become bankrupt or have economic or business interests or goals inconsistent with our clients' interests or goals. Actions taken by these other parties may subject the investment to liabilities greater or different than those contemplated by the clients. It may also be more difficult for the clients to sell their interest in those investments. If one of our clients shares control over an investment with another party, deadlocks could result that could adversely affect the investment's returns or value. In particular, if the client has co-investment relationships with an operating partner, which may relate to multiple properties, that operating partner may have significant influence over the client's operations and business.

- *Leverage.* Our clients may employ leverage in connection with their investments and operations. The percentage of leverage used by each client will vary depending on the estimated stability of the cash flow of the properties it invests in, as well as on market conditions. To the extent that changes in market conditions cause the cost of financing to increase versus the income that can be received from investments may adversely impact client investment returns. While the use of leverage may enhance returns and increase the number of investments that we can make on behalf of any one client, it will also increase the risk of loss. As a client incurs indebtedness, it will become subject to the risks associated with debt financing, including the risks that available funds will be insufficient to meet required payments and that existing indebtedness will not be able to be refinanced or that the terms of that refinancing will not be as favorable as the terms of existing indebtedness. To the extent that a client or a joint venture is unable to meet required debt service payments, the client risks the loss of some or all of its assets.
- *Risks in Effecting Operating Improvements.* In some cases, the success of our clients' investment strategy will depend, in part, on the ability of our firm to restructure and effect improvements in the operations of an investment. The activity of identifying and implementing restructuring programs and operating improvements at real estate properties entails a high degree of uncertainty. We cannot give any assurance that we will be able to successfully identify and implement these restructuring programs and improvements.
- *Casualty Losses; Uninsurable Losses.* We may, prior to making an investment in a given real estate project on behalf of a client, obtain suitable comprehensive liability, fire and extended coverage insurance for the property of the types and in the amounts customarily obtained for similar properties. Some losses (for example, terrorism), however, may be either uninsurable or not economically insurable. Should an uninsured loss occur, a client could lose its investment in a property as well as the anticipated income from that property.
- *Investment in Distressed Assets.* We may make investments in underperforming or other distressed assets on behalf of our clients, utilizing leveraged capital structures. By their nature, these investments will involve a high degree of financial risk, and there can be no assurance that our clients' rate of return goals will be met or that there will be a return of capital. In addition, investments in properties operating in workout modes or under Chapter 11 of the United States Bankruptcy Code may be subject to additional potential liabilities that may exceed the value of a client's original investment. Under certain circumstances, payments to one of our client's and distributions by the client to its underlying investors may be reclaimed if a court later determines the payments or distributions to have been fraudulent conveyances or preferential payments.

*Environmental Risks.* Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of hazardous substances released on or in its property. Those laws often determine liability without considering whether the owner or operator knew of, or was responsible for, the release of those hazardous substances. The costs of removal or remediation may equal or exceed the value of the property, and the presence of those substances, or the failure to properly clean-up those substances may adversely affect the owner's ability to sell that real estate or to borrow using that real estate as collateral. An owner or operator of a facility may also be required to comply with various laws, ordinances and regulations regarding the handling, production, storage, use, discharge or disposal of regulated materials.

- *Liabilities on Sale.* In connection with the disposition of an investment on behalf of our clients, we may be required to make representations about the business and financial affairs of the investment typical of those made in connection with the sale of a business. We may also be required to indemnify the buyers of the investment for any inaccurate representations. These arrangements may result in contingent liabilities for which we may establish reserves or escrows. For that purpose, underlying investors in our client funds may be required to return amounts distributed to them to pay for obligations, including indemnity obligations.
- *REIT Securities and Real Estate Securities.* Our clients may invest in real estate investment trusts (REITs) and the securities of other companies primarily engaged in real estate activities, such as real estate development and management. Investment in REITs can have very similar risks to those described above relating to other real estate investments. Investments in REITs are also subject to special risks, such as restrictions on ownership and tax risks. In addition, many REITs have small-to-medium sized market capitalizations, which may be more volatile than prices of large-capitalization securities and thus an investment in such securities may be less liquid.
- *Investing in Loans Generally.* When investing in any type of loan, there is always the risk that a borrower made a material misrepresentation or omission in the process of obtaining the loan. This inaccuracy or incompleteness can adversely affect the valuation of the collateral underlying the loan and/or can adversely affect our clients' ability to perfect or effectuate a lien on the collateral securing the loan.
- *Distressed Mortgage Loans.* Our clients may purchase mortgage loans on which the borrowers are or were having trouble making payments. These mortgage loans may be in default or may have a greater than normal risk of future defaults, delinquencies, bankruptcies or losses due to fraud. Returns on investments in mortgage loans depend on a borrower's ability to make required payments and, if a borrower defaults, the ability of the loan's servicer to foreclose and liquidate the mortgage loan.
- *Mezzanine Loans.* Our clients may invest in mezzanine loans from time to time. Mezzanine loans are an option a company might utilize when its real estate is already being used to secure a primary loan, but the company has a need for a secondary loan. This type of loan is secured not by the real estate, but by the stock belonging to the company that owns the property. Companies generally use mezzanine loans when they have to raise a large amount of money for expansions or for other types of large expenditures. There are certain risks associated with investing in mezzanine loans. First, it is likely that our clients' mezzanine investments will be subordinate to the borrower's more senior debt, and if the borrower

defaults under the more senior loan, the lenders of the more senior loan will have preferential claims over those of our clients. In this case, the borrower's assets would first be used to repay the senior lender, so there is the risk that all or substantially all of the borrower's assets will be unavailable to repay our clients and other subordinate lenders. In addition, if our clients attempt to enforce a borrower's obligations, our clients could be subject to a borrower's claims of breach of contract or other unfair lending claims. If a borrower goes bankrupt, our clients also run the risk of being included in bankruptcy proceedings, which can be costly and lengthy. Lastly, there can be no assurance that a borrower will repay its mezzanine loans or that our clients will ultimately be able to collect on any of the collateral pledged for the loans.

- *Commercial Mortgage-Backed Securities.* Commercial mortgage-backed securities are interests in packages of mortgage loans that are backed by commercial property, such as apartments and retail shops. Typically, mortgage loans on commercial properties are structured so that a substantial portion of the loan principal is payable at maturity (rather than during the course of the loan term). Thus, repayment of the loan principal often depends on the future availability of real estate financing and/or the current value and salability of the real estate. If real estate financing is unavailable at that time or borrowers are unwilling to refinance or dispose of encumbered property to pay off the loans, the loans may default. Most commercial mortgage loans underlying mortgage-backed securities are nonrecourse obligations, which means that there is no recourse against the borrower's assets other than confiscating and selling the property (foreclosure). Foreclosure can be costly and delayed by litigation or bankruptcy. When considering factors such as the property's location, the legal status of title to the property, the property's physical condition and financial performance, environmental risks and governmental disclosure requirements of the property's condition, a third party may be unwilling to purchase the property at a foreclosure sale or pay a price sufficient to satisfy all of the borrower's obligations. In addition, the borrower may always retain any revenues from the underlying property or use the revenues to pay others, maintain insurance, pay taxes or pay maintenance costs. Such diverted revenue generally cannot be recovered without a court-appointed receiver to control cash flow related to the property.
- *Total Return Swaps.* A total return swap is a contract between two parties under which one party makes payments based on a set rate, while the other party makes payments based on an underlying asset's return. The underlying asset is usually an index or a loan or bond. Total return swaps allow the party receiving the return to benefit from an asset without actually having to own it. Risks associated with total return swaps include the risk that the obligor of the underlying asset will default on its obligations and any risks associated with owning the underlying asset.
- *Interest Rate Swaps.* An interest rate swap is a contract between two parties under which parties exchange interest rates on a principal amount. The principal amount is never exchanged but is used to calculate each party's interest payments. For example, A pays B a fixed rate of interest on the principal and B pays A a variable rate of interest on the principal. There is always the risk that interest rates will go in an unanticipated direction, which would negatively affect our clients' earnings. There is also the risk that the other party will default and be unable to complete the contract, which may result in losses to our clients.
- *Hedging Policies.* In connection with certain investments, our firm, on behalf of a client, or a client's portfolio companies may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, capital markets and currency exchange. While these

transactions may reduce certain risks, the transactions themselves may entail certain other risks. Thus, while a client may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, capital markets or currency exchange rates may result in a poorer overall performance for a client than if there had not been any hedging transactions.

- *Conflicts of Interest.* The Funds may from time to time engage in certain transactions with affiliates of PRP, including financing transactions for arranging or securing financing for Fund assets. Such financing activity may result in or have the appearance of a conflict of interest. Such financing activity is made on terms that are determined by PRP (or the Advisory Committee of the respective Fund if required by the Fund's LP Agreement), based upon a good faith determination, to be market-based fees that are fair and reasonable as if such services were provided by unaffiliated third parties. Additionally conflicts of interest may arise in areas such as allocating management time, services or functions between the Funds. Certain Management Fees are based on a percentage of net assets which is based on PRP's valuation estimate of real estate investments and a decrease in valuation would result in lower Management Fees paid to PRP.

**Item 8.           Disciplinary Information**

Neither our firm nor any management person has been involved in any criminal or civil action in a domestic, foreign or military court.

Neither our firm nor any management person has been subject to an administrative proceeding before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm nor any management person has been subject to self-regulatory proceeding.

**Item 9. Other Financial Industry Activities and Affiliations**

Neither PRP nor any of its management persons is registered as a broker-dealer, registered representative of a broker-dealer, futures commissions merchant, commodity trading advisor or associated person of any of the foregoing entities. Additionally, neither PRP nor any of its management persons has any relationship or arrangement that is material to its advisory business with any related persons required to be reported under this item.

**Item 10. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

PRP has adopted a Code of Ethics which sets forth the standards of professional conduct to which PRP requires all ‘supervised persons’ as defined in Rule 204A-1 of the Advisers Act, to adhere in accordance with our fiduciary obligations; governs the personal securities transactions of PRP’s “access persons” as defined in Rule 204A-1 of the Advisers Act and requires all supervised persons to report any violations of the Code to PRP’s Chief Compliance Officer. The Code of Ethics provides that PRP personnel conduct their activities in a manner that is not detrimental to the Funds or their investors. PRP does not preclude purchases of interests in the Funds by its employees.

PRP will provide a copy of the Code to any investor or potential investor upon request.

## **Item 11. Brokerage Practices**

Because we render advice to private equity funds, and investments are made on a negotiated basis, opportunities for trade executions are rare. On those rare occasions that our firm executes trades on behalf of its clients, our professionals must demonstrate compliance with broker selection, recordkeeping and other requirements related to trading, including “best execution,” as well as the separately managed account agreement or offering memorandum for a client fund, which sets forth investment objectives and guidelines in connection with managing the client’s account.

Research and Other Soft Dollar Benefits. We do not use client commissions to acquire brokerage and research services pursuant to soft dollar transactions.

Referrals in Selecting or Recommending Broker-Dealers. We do not receive referrals for clients from any broker-dealers. In limited circumstances, we may use a broker where a division or affiliate of the broker may have referred or may refer investors to our clients. We may be deemed to have a potential conflict of interest in receiving referrals in that we may have an incentive to select those brokers. In order to mitigate such a conflict, we focus on the criteria set forth above when selecting brokers.

Directed Brokerage. In limited cases, our clients may direct us to effect transactions through specific brokers. We will use those brokers when the best price and execution are not sacrificed; however, a client’s insistence on the use of one or more particular brokers can have a materially adverse effect on the quality of execution that is available to the client. Among other things, clients that direct our use of brokers may pay higher transaction costs, be excluded from aggregated orders and trade after our other clients have traded.

Aggregation of Trades. Policies and Procedures. Because we render advice to private equity funds, and investments are made on a negotiated basis, opportunities for trade aggregation do not exist.

## **Item 12.        Review of Accounts**

PRP, as managing general partner of the respective Fund, performs a quarterly review of client accounts. Each Fund is reviewed for compliance with adopted client investment policy and ensures that each Fund is in compliance with its LP Agreement. As part of this review, PRP verifies that income, loss, expenses, management fee, profit sharing obligation and other items are allocated appropriately. This review is performed by PRP's Chief Financial Officer.

Reports are provided on a quarterly basis to all investors and consist of an overview of each portfolio investment as well as financial results. In addition, PRP ensures that each Fund's Net Asset Value reflects current fair market valuations of all investments at the time of valuation. In accordance with each LP Agreement, PRP elects to value assets for which reliable market-based quotations are not readily available at the lower of cost or market value. PRP's Chief Financial Officer ("CFO") is responsible for: (i) implementing PRP's Valuation Policy, (ii) ensuring that all PRP employees involved with the pricing process adhere to the Valuation Policy; (iii) approving the valuation of all investments the PRP Partnerships hold at each pricing period; and (iv) overseeing the review of client accounts (as described above). PRP's Valuation Committee periodically reviews and assesses the continued accuracy and effectiveness of the Valuation Policy, recommending changes as appropriate.

The books and records of the PRP Partnerships are also subject to external verification. The financial statements of the PRP Partnerships are prepared and audited in conformity with accounting principles generally accepted in the United States of America ("GAAP") at each calendar year-end.

Investors in the PRP Partnerships are provided with quarterly written reports communicating information relating to capital account market value, PRP Partnership NAV, portfolio allocation, and performance. Regular reporting is provided at the capital account level, and at the partnership level. Investors receive various written reports on a quarterly and annual basis. Reports are distributed in hard copy or electronically, mainly through emails.

Report content may include, but is not limited to:

- Market value of an investor's partnership investment,
- Market value summary of the investments held by the PRP Partnerships,
- Fair market value disclosures (note that securities and assets with no readily available reliable market-based quotation are valued at the lower of cost or market value),
- Quarterly estimates of partnership-level performance,
- Cumulative and average annual returns of the PRP Partnerships over various periods,

PRP also provides investors with:

- Annual audited financial statements of the PRP Partnership,
- IRS Schedule K-1s reflecting each investor's pro-rata share of the applicable Fund's tax results.

**Item 13. Client Referrals and Other Compensation**

PRP from time to time may compensate persons or affiliates for client referrals. PRP does not benefit from someone who is not a client for providing investment advice or other advisory services to our clients.

**Item 14. Custody**

PRP is deemed to have custody of client funds in any circumstances under which (i) we actually possess the funds or securities or we are authorized to withdraw funds or securities from the Fund (for example to pay Management Fees) or (ii) we or a related person serves in a legal capacity, such as general partner, which affords us access to funds or securities of the Funds. For these reasons, PRP is subject to Rule 206(4)-2 of the Advisors Act. PRP has engaged a PCAOB-registered independent accounting firm to perform an annual audit and distributes audited financial statements prepared in accordance with Generally Accepted Accounting Principles to all investors within 120 days of the respective Fund's fiscal year end.

**Item 15. Investment Discretion**

Our firm has discretionary authority to manage our clients' accounts. in accordance to the investment strategy and program set forth in each of our client fund's private offering materials and/or separately managed account agreement. These documents cover matters such as the types and amounts of assets of which a client's portfolio will consist, portfolio allocation limitations and the degree of risk assumed by a client's portfolio.

Prior to providing investment advice to our managed account clients, we require each client to appoint us as agent and attorney-in-fact of its portfolio. This gives us complete discretionary authority to buy and sell any investment that we determine, subject to any limitations that may be imposed in the client's managed account agreement.

## **Item 16.        Voting Client Securities**

### Proxy Voting Policies and Procedures

We generally invest on behalf of our clients in companies that issue non-voting securities; therefore, we do not often receive proxies and are not called upon to vote proxies. However, if a company in which we invest on behalf of a client solicits proxies from its investors, we will vote its proxies according to our proxy voting policy. Our primary consideration in voting portfolio proxies in a manner that maximizes the economic interests of our clients.

In reviewing the proxy statements, we will identify any potential conflict of interests with the company. A conflict of interest may be presented in certain situations, for example, where we maintain a significant business relationship with the company, or where our firm and/or our personnel have significant personal or family ties to the company. Once identified, we will determine on a case-by-case basis if the conflict is material. If material, we will determine, in light of all the facts then currently available, the manner by which to proceed in the best interest of our client. This may, or may not, include abstention from voting the proxy. We will document our decision making process with respect to resolving material conflicts of interest. In limited situations, we may not have the authority to vote on certain clients' securities. In these cases, clients may contact us, at any time, with questions about a particular proxy solicitation.

**Item 17. Financial Information**

PRP does not receive any prepayment of fees six or more months in advance and does believe there is any financial condition that would impair its ability to meet its contractual commitments to clients.

**Item 18. Fee Schedules**

**Perseus Capital City Fund, L.P.**

Management Fee equal to 1.5% per annum of investor capital contributions used to fund the cost of, and remain in vested in, real estate portfolio investments, payable in arrears.

Carried Interest (Profit Sharing) equal to 20% of distributable cash after the return to investors of capital contributions plus an 8% preferred return.

**PRP II, L.P and PRP Investors II, L.P.**

Management Fee of 1.5% of the cost of net real estate assets under management minus write-downs and write-offs as of the first day for which the Management Fee is calculated, payable in arrears.

Carried Interest (Profit Sharing) equal to 20% of distributable cash after the return to investors of capital contributions plus a 9% preferred return.