

Brochure
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Palladin Consumer Retail Partners, LLC and Palladin Capital Group, Inc. (collectively, “Palladin”). If you have any questions about the contents of this brochure, please contact George Aggouras, Chief Compliance Officer, at 617-585-3800 or gaggouras@palladincapital.com.

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 Palladin also is available on the SEC’s website at www.adviserinfo.sec.gov. Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

October 21, 2013

Item 2: Material Changes

Annual Update

There have been no material changes since Palladin's initial brochure dated December 1, 2012.

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Item 4: Advisory Business

A: Firm Description

Palladin Consumer Retail Partners, LLC, a Delaware limited liability company formed on March 16, 2012 and formerly known as Palladin Capital Group, LLC, and Palladin Capital Group, Inc., a Delaware corporation formed on August 13, 1997 (collectively, “Palladin”), are both wholly owned by Mark J. Schwartz.

B: Types of Advisory Services

Palladin currently provides investment advisory services on a discretionary basis only to private pooled investment vehicles not registered under the Investment Company Act of 1940, as amended (the “Funds”).

C: Tailored Services

Palladin can tailor its advisory services to the individual needs of clients. Under certain circumstances, clients may impose restrictions on investing in certain securities or types of securities.

D: Wrap Fee Programs

Palladin does not participate in any wrap fee programs.

E: Client Assets Under Management

As of October 1, 2013, Palladin had \$111,000,000 in regulatory assets under management on a discretionary basis. Palladin does not currently manage any assets on a non-discretionary basis.

Item 5: Fees and Compensation

A. Description

Since Palladin's brochure is delivered only to "qualified purchasers," as defined in Section 2(a)(51)(A) under the Investment Company Act of 1940, as amended, the information requested by Item 5A has not been provided.

B. Fee Billing

For Palladin Partners, LP, a Delaware limited partnership (the "Current Fund"), management fees are deducted in advance from the Current Fund's assets on a quarterly basis. Performance fees in the form of carried interest are paid to an affiliate of Palladin, Palladin Partners GP, LLC (the "General Partner"), through a waterfall provision after each partner in the Current Fund has been returned all capital contributions and received an annual preferred return compounded annually. Management fees are prorated for any period that is less than a full period. Palladin Capital Partners, LP, a Delaware limited partnership (the "Prior Fund"), is not charged any management fees. Performance fees in the form of carried interest are paid to an affiliate of Palladin, Palladin Investments LLC, a Delaware limited liability company, through a waterfall provision after each partner in the Prior Fund has been returned all capital contribution and received an annual preferred return compounded annually.

C. Other Fees and Expenses

For the Funds, to the extent possible, third party costs related to portfolio investments are charged to portfolio investments. The Funds shall be responsible for or reimburse Palladin or the General Partner as applicable for all out-of-pocket expenses incurred by the Funds, Palladin or the General Partner in connection with the organization of the Fund and the offering of interests to the limited partners (the "Limited Partners") (including, without limitation, fees and disbursements of attorneys and other professionals) up to a maximum of \$250,000; (b) all fees, costs, expenses (including extraordinary expenses) and liabilities incurred in connection with Fund operations, including all brokerage commissions, fees, costs, expenses and liabilities incurred in connection with the acquisition, maintenance, administration and disposition of portfolio investments (whether or not completed); (c) all fees, costs and expenses of brokers, custodians, paying agents, registrars, counsel, consultants, auditors, tax preparers, bankers and third party accounting and administrative service providers; (d) all fees, costs and expenses incurred in connection with utilizing an independent appraiser; (e) all fees, costs and expenses incurred in connection with the preparation of or relating to reports made to the Limited Partners; (f) all fees, costs and expenses related to litigation involving the Fund, directly or indirectly, including attorneys' fees incurred in connection therewith; (g) all costs and expenses related to preparing for and holding the annual meetings of Partners, if any; (h) a certain portion of the travel expenses of Palladin specifically related to travel to discuss matters related to the Fund; (i) all costs and expenses related to the Fund's indemnification or contribution obligations; (j) interest on, and all fees, costs and expenses arising out of, all borrowings and guarantees made by the Fund, including, but not limited to, the arranging thereof; (k)

the premiums, fees, costs and expenses of any director and officer liability or other insurance obtained by the Fund or by or for the General Partner with respect to its serving as such; (l) all costs, fees, expenses and liabilities relating to transactions that are not consummated, subject to a Limited Partner's deal review and approval; (m) all fees, costs and expenses of liquidating the Fund; (n) any taxes, fees or other governmental charges levied against the Fund, and all fees, costs and expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund; (o) any other fee, cost, expense or liability, whether ordinary or extraordinary, determined by the Partners to relate to the affairs of the Fund; and (p) all fees, costs and expenses incurred by a Limited Partner in connection with entering into this Agreement (including, without limitation, reasonable attorneys' fees.

Please refer to Item 12 for more information.

D. Fees in Advance

The Current Fund must pay management fees in advance. Palladin offers pro rata refunds to any Limited Partners in the Current Fund of any unearned management fees paid in advance. The Prior Fund does not pay any management fees.

E. Securities Compensation

Not applicable.

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

Sharing of Capital Gains

The Current Fund pays performance-based fees to the General Partner, an affiliate of Palladin. The Prior Fund pays performance-based fees to Palladin Investments LLC, a Delaware limited liability company, and an affiliate of Palladin. All clients managed by Palladin or any of its supervised persons are charged performance fees and the Current Fund is also charged a management fee. Palladin and its affiliates can waive management fees and performance fees for any Limited Partners in their sole discretion.

Item 7: Types of Clients

Description

Palladin currently provides investment advisory services on a discretionary basis only to private pooled investment vehicles not registered under the Investment Company Act of 1940, as amended.

Account Requirements

The Funds currently have no minimum investment requirement for Limited Partners. The Current Fund requires that each Limited Partner is an “accredited investor,” as defined in Regulation D under the Securities Act of 1933, as amended, and a “qualified purchaser,” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. The Prior Fund requires that each Limited Partner is an “accredited investor.”

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

A. Methods of Analysis and Investment Strategies

The investment objective of Palladin Partners, LP (the “Current Fund”) is to seek capital appreciation through control or minority equity or equity-linked investments in retail and consumer product companies primarily in North America, although investment opportunities also will be considered in Europe and Latin America. The Current Fund will be managed by its General Partner, Palladin Partners GP, LLC (the “General Partner”), and, certain duties will be delegated through a management agreement to Palladin Consumer Retail Partners, LLC (“Palladin”).

Palladin is a Boston-based private investment firm with a strong track record of both investing in and operating retail and consumer products companies, domestically and abroad. Palladin prides itself on working closely with management teams to create value through strategic and operational initiatives. The firm invests either individually or in partnership with other investment firms, strategic partners and management through a variety of transaction structures. Palladin and its team of experienced investment professionals (the “Investment Professionals”) will provide approximately 3% of total commitments to the Current Fund up to \$200 million, and a minimum of 1% thereafter.

The Current Fund will advance the same investment and value enhancement strategies that Palladin’s Investment Professionals have successfully employed for themselves and on behalf of other investors and funds over the past 18 years. The Current Fund’s target market will include middle market retail and consumer companies with revenues ranging from \$50 to \$500 million that are, or have the near-term potential to be, cash flow positive and meet some or all of the Investment Criteria summarized below. Investments in both larger and smaller companies also will be considered if they meet these criteria and demonstrate the ability to achieve adequate returns for the Current Fund. The Current Fund’s target investment size will be \$10-\$50 million per transaction. Palladin will seek to create value through active management of these investments and will target a minimum return multiple of two times.

NO ASSURANCE CAN BE GIVEN THAT THE CURRENT FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVE.

INVESTMENT CRITERIA

Palladin believes that the most attractive investment opportunities involve companies and situations that have, or are capable of achieving with the firm’s assistance, the following characteristics:

- Well-developed and sustainable brand equity;
- A leading or defensible niche or market position;

- Capable, committed management;
- Strong existing or potential distribution channels; and
- Opportunities for growth and improvement through strategic or operational initiatives.

Palladin subjects each investment to rigorous operational, financial and legal due diligence and, in addition to numerous investment considerations, analyzes:

- What is the differentiating value proposition (i.e. the company's "reason to exist"); and
- Is the business model and investment thesis truly sustainable?

The Investment Professionals will use their previous expertise in all segments of the consumer industry, including retail, wholesale, distribution, licensing and manufacturing, to evaluate investment opportunities for the Current Fund. In addition, Palladin has a broad network of senior executives, industry experts, management thought leaders, and other professionals to assist in conducting due diligence and managing operational and strategic issues for portfolio companies as needed. Specific areas in which these professionals may be engaged include Information Technology, Human Resource Management, Insurance, Merchandising, and Real Estate.

Palladin also has extensive experience structuring transactions that are creative, flexible, and tax efficient. Typical investment scenarios may include the following:

- ***Management-led Buyouts and Recapitalizations.*** The Current Fund will consider investments in companies that are undergoing an ownership transition, subsidiary divestitures or partial recapitalizations.
- ***Growth Capital.*** The Current Fund will pursue investment opportunities in later-stage growth companies where there is a proven business model and strong management. These companies typically have a vision for growth, but need capital and sophisticated financial and operational expertise to help them reach the next level.
- ***Turnarounds and Restructurings.*** The Current Fund will seek to commit capital and resources in certain situations to facilitate the turnaround or restructuring of a business. As it has in the past, Palladin will undertake "turnarounds" when supported by the fundamentals of the relevant market and the company's investment prospects. The investment may be made at any part of a company's capital structure with the ultimate goal of obtaining a control or influencing position in the post-reorganization equity.
- ***Corporate Carve-Outs.*** The Current Fund will seek to acquire underperforming, non-core assets from larger corporations where Palladin sees opportunities to create

value through strategic focus, operational improvements and capital investment in the business.

Investment structures will be tailored to fit each investment opportunity and may include private investments in public companies (“PIPES”), as well as more typical acquisitions of assets or stock of private companies.

The Current Fund only will consider start-ups or venture capital investments in special circumstances in which the General Partner believes that they can add significant value and generate superior risk-adjusted returns.

The Prior Fund is not currently accepting any new investors and is not making any new investments.

B and C. Material Risks for Investment Strategies and Types of Securities

Investing in the Current Fund involves a high degree of risk and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences of, and the risks associated with the investment. Some of those risks are summarized below. Investors should carefully consider all the risks discussed below and should consult their own legal, tax, and financial advisers about these risks and an investment in the Current Fund managed by Palladin. Investing in securities involves risk of loss that clients should be prepared to bear. Clients should refer to the offering documents for the Current Fund for a more detailed discussion of risks.

Illiquidity, Term and Concentrated Nature of the Investments and Current Fund

Investment in the Current Fund requires a long-term commitment, with no certainty of return. In the near-term, it is unlikely that there will be cash flow available for distribution to Limited Partners, and if there is available cash flow, it is likely to be limited. Most of the Current Fund's investments will be highly illiquid, and there can be no assurance that the Current Fund will be able to realize on such investments in a timely manner. Dispositions of such investments may require a lengthy time period or may result in distributions in kind to the Limited Partners. Generally, the Current Fund will not be able to sell these securities publicly except pursuant to a registration statement filed under the Securities and Exchange Act of 1933, as amended (the “Securities Act”) or in accordance with Rule 144 of the Securities Act or another exemption under the Securities Act. The securities in which the Current Fund will invest will generally be junior in what will typically be a complex capital structure, and thus subject to the risk of loss. Leveraged companies by their nature undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses (see below for more information on the risks of leverage). Since investment performance can be dramatically affected by the amount of capital invested in a particular portfolio company relative to total capital invested in the entire portfolio, poor performances

by even a single investment could adversely affect the total returns to Limited Partners.

Difficulty of Locating Suitable Investments

Despite an extensive network and Palladin's experience, the Current Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. There can be no assurance that the Current Fund will be able to deploy the capital commitments made to the Current Fund during the investment period or realize upon the value of its investments.

Competition

The private equity investment industry in which the Current Fund will be engaged is highly competitive. There can be no certainty that Palladin will identify a sufficient number of attractive investment opportunities to enable the full amount of capital committed to the Current Fund to be invested. Other investors may make competing offers for investment opportunities that are identified. Even after an agreement in principle has been reached with the board of directors or owners of an acquisition target, consummating a transaction is subject to a myriad of uncertainties, only some of which are foreseeable or within the control of the General Partner.

Inability to Manage Current Fund Realizations

It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before realization of gains on successful investments. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of a Current Fund investment. While a Current Fund investment may be sold at any time, it is not generally expected that this will occur for a period of years after the initial investment. Prior to such time, there is unlikely to be a current return on the investments.

Lack of Operating History

The Investment Professionals of Palladin have extensive experience investing in the private equity market. The Investment Professionals have been working together since 2010 pursuing a variety of advisory and principal investing activities. Furthermore, Mark Schwartz and Tobias Nanda have worked together since 2005. Despite the operating history of Palladin's Investment Professionals, the Current Fund and the General Partner are newly formed. These entities have no historical results by which their future performance may be measured. The successful investment of the Current Fund's assets will depend upon the skills of the General Partner and Palladin, which in turn will depend in significant part upon the Investment Professionals. Past performance is not necessarily indicative of future results.

No Market for Interests; Restriction on Transfer and Withdrawal

There will be no public market for the limited partnership interests (the "Interests"). In addition, Interests are not transferable except with the consent of the General Partner, which may be withheld in its sole discretion. Limited Partners may not

withdraw capital from the Current Fund. Consequently, investors may not be able to liquidate their Interests prior to the end of the Current Fund's term.

Reliance on General Partner and Palladin

Limited Partners will generally have no opportunity to control the day-to-day operations, including disposition decisions, of the Current Fund. In order to safeguard their limited liability for the liabilities and obligations of the Current Fund, Limited Partners must rely entirely on the General Partner and Palladin to conduct and manage the affairs of the Current Fund. Mark Schwartz and his affiliates will control the General Partner and Palladin and the loss of his service could have an adverse impact on the Current Fund's ability to realize its investment objectives. There can be no assurance that Mr. Schwartz or any of the other Investment Professionals will continue to be affiliated with the Current Fund throughout its anticipated term.

Financial Market Fluctuations

General fluctuations in the market prices of securities may affect the value of the investments held by the Current Fund.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes could occur during the term of the Current Fund that may adversely affect the Current Fund, its Portfolio Companies or Limited Partners. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions.

Securities Law Matters

Interests are not and will not be registered under the Securities Act or any other securities laws, including state securities or Blue Sky laws. Interests will only be offered and sold to "accredited investors," as defined in Rule 501 of Regulation D under the Securities Act and to "qualified purchasers," as defined in the Investment Company Act of 1940, as amended. Interests will be offered without registration in reliance upon the Securities Act exemption for transactions not involving a public offering. Investors will be required to make certain representations to the Current Fund, including that they are making an investment for their own account, for investment purposes only and not with a view to distribution, and that they have the ability to bear the economic risk of an investment in the Current Fund.

Investment Company Act Regulation

The Current Fund is not, and will not be, registered as an investment company under the Investment Company Act of 1940, as amended, in reliance upon certain exemptions from such registration requirements. Accordingly, the Current Fund will not be subject to the various statutory and regulatory requirements applicable to registered investment companies.

Consequences of Default

A Limited Partner in default with respect to its obligation to fund required capital contributions will be subject to the exercise by the General Partner of all legal rights and remedies available to the General Partner, and will be subject to other default provisions pursuant to the terms of the Partnership Agreement.

Illiquid Investments

Most of the Current Fund's investments will be unlisted equity securities, which do not have a readily available public market and are therefore illiquid. Such illiquidity may lead to increased difficulty in the valuation of such securities and in the execution of transactions involving such securities within a reasonable time or at favorable prices. As a result, achieving a public market and, ultimately, disposition of such investments may require a lengthy time period and could result in distributions in kind to the Limited Partners.

Leverage: Junior Securities and Availability

The Current Fund may invest in companies with highly leveraged capital structures. Such investments will be subject to increased risks in that adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such companies (or their cash flows) or their respective industries, may impair such companies' abilities to meet their respective obligations. The securities in which the Current Fund will invest will typically be among the most junior in a Portfolio Company's capital structure, and thus subject to the greatest risk of loss. While leveraged capital structures may increase the risk of the Current Fund's investments, they also may be used to enhance returns. Adverse economic or market conditions may increase the cost and reduce or eliminate the availability of such leverage, thereby impairing the Current Fund's ability to complete or generate appropriate returns on investments.

Minority Investments

The Current Fund may make minority equity investments in Portfolio Companies where the Current Fund may not be able to protect its investment or to control or influence effectively the business or affairs of such entities. The Current Fund may be adversely affected by action taken by the majority shareholder(s) of the Portfolio Companies in which it invests.

Foreign Investments

The Current Fund expects to make investments outside the United States. Such investments involve a number of additional risks, including (i) the risk of adverse political developments such as nationalization, confiscation without fair compensation, or war; (ii) the risk of fluctuations in currency exchange rates; (iii) the risk of restrictions on capital movements, which would make it difficult or impossible to exchange or repatriate foreign currency; and (iv) the risk of regulations which might prevent the implementation of cost cutting or other operational improvements. In addition, laws and regulations of foreign countries may impose restrictions or approvals that would not exist in the United States, and may

require financing and structuring alternatives that differ significantly from those customarily used in the United States. Foreign countries may also impose taxes on the Current Fund or the Partners.

Recourse to the Current Fund's Assets

The Current Fund's assets, including any investments made by the Current Fund and any capital held by the Current Fund, are available to satisfy all liabilities and other obligations of the Current Fund. If the Current Fund or the General Partner becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Current Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

Risks Upon Disposition of Investments

In connection with the disposition of an investment in a Portfolio Company, the Current Fund may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. The Current Fund may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Limited Partners. The Partnership Agreement will include provisions to the effect that any claim in respect of a Portfolio Company, or any other liability of the Current Fund, may be funded by capital contributions to be made by the Limited Partners.

Reliance on Management of Portfolio Companies

While it is the intent of the General Partner to invest in companies with proven operating management or to recruit new management for underperforming companies acquired by the Fund, there can be no assurance that such management will continue to operate successfully. Although Palladin will monitor the performance of each investment, the Current Fund will rely upon Portfolio Company management to operate the Portfolio Companies on a day-to-day basis.

POTENTIAL CONFLICTS OF INTEREST

Subject to certain restrictions as described in the Limited Partnership Agreement, Palladin provides, and will continue to provide, advisory services to retail and consumer products companies that are not affiliated with the Current Fund. In addition, Palladin or its Investment Professionals and their affiliates have, and may continue to engage in, investment activities for their own account. As a result of these advisory and investment activities, Palladin may engage in activities in which its interests or the interests of its clients may conflict with, or be adverse to, the interests of the Current Fund. In addition, such clients may utilize the services of Palladin for which they will pay customary fees that will not be shared with the Current Fund.

Performance Allocation

The existence of the General Partner's carried interest may create an incentive to make more speculative investments than otherwise would be made in the absence of such performance-based arrangements. This incentive, however, may be tempered by the significant capital commitment of the General Partner and its affiliates and by the fact that losses will reduce the Current Fund's performance and thus the General Partner's carried interest allocation.

Conflicts with Portfolio Companies

Officers and employees of Palladin and their affiliates will serve as directors of certain Current Fund portfolio companies and, in that capacity, will be required to make decisions that consider the best interest of the portfolio company. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of the portfolio company, actions that may be in the best interest of the portfolio company may not be in the best interest of the Current Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an officer or employee of Palladin or such affiliates and such individual's duties as a director of the portfolio company.

Conflicts Resolution

Conflicts of interest between the Current Fund and Palladin or clients will be resolved by the General Partner in its sole discretion unless the Limited Partnership Agreement affirmatively requires limited partner consent. Only the specific terms in the Limited Partnership Agreement restrict or in any way limit the activities of Palladin. By acquiring an Interest in the Current Fund, each Partner will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and to have waived any claims with respect to the existence of any such conflicts of interest.

Item 9: Disciplinary Information

Legal and Disciplinary

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Palladin's advisory business or the integrity of its management persons.

- A. Not applicable.
- B. Not applicable.
- C. Not applicable.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer

Not applicable.

B. Financial Industry Activities

Not applicable.

C. Affiliations

1. Not applicable.

2. Palladin is the investment manager to Palladin Partners, LP, a Delaware limited partnership (the “Current Fund”). Palladin’s related person Palladin Capital Group, Inc., a Delaware corporation, serves as the investment manager to Palladin Capital Partners LP, a Delaware limited partnership (the “Prior Fund”). Palladin’s related person Palladin Investments LLC, a Delaware limited liability company, serves as the general partner to the Prior Fund.

3. Palladin’s related person, Palladin Partners GP, LLC, a Delaware limited liability company, is an investment adviser and serves as the general partner of the Current Fund. Palladin’s related person Palladin Capital Group, Inc. is an investment adviser and serves as the investment manager of the Prior Fund. Palladin’s related person Palladin Investments LLC, a Delaware limited liability company, is an investment adviser and serves as the general partner to the Prior Fund.

4. Not applicable.

5. Not applicable.

6. Not applicable.

7. Not applicable.

8. Not applicable.

9. Not applicable.

10. Not applicable.

11. Palladin Consumer Retail Partners, LLC is a sponsor/syndicator of the Current Fund and

Palladin Capital Group, Inc. is a sponsor/syndicator of the Prior Fund.

D. Compensation for Referrals.

Not applicable.

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

A. Code of Ethics

Palladin and its supervised persons have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. Each supervised person of Palladin must read, sign and deliver a certificate of compliance with the Code of Ethics and may only effect a personal transaction in a limited offering or initial public offering by pre-approving such transaction with Palladin's Chief Compliance Officer. Each supervised person also must provide initial securities holdings reports and annual securities holding reports to the Chief Compliance Officer. Furthermore, each supervised person shall provide quarterly securities transaction reports related to personal securities transactions in which such person or any member of his or her immediately family has a beneficial ownership interest.

B. Participation or Interest in Client Transactions

Not applicable.

C. Participation or Interest in Client Transactions

Palladin and its related persons invest in the same securities as the Fund managed by Palladin. These investments take the form of investments by Palladin Partners GP, LLC as the general partner and or as limited partners in the Fund. These investments do not create a conflict of interest. Such investments actually create an alignment of interests since the General Partner and the Principals are invested in the same securities at the same time as the Fund.

D. Participation or Interest in Client Transactions

Please see response to Item 11.C above.

Item 12: Brokerage Practices

A. Selecting Brokerage Firms

For the Current Fund, Palladin may utilize various investment banking firms that are broker-dealers to assist it in evaluating portfolio company investments for the Fund. Palladin considers such factors as price, the ability of the broker-dealers to effect the transactions, their personnel, experience, particular industry knowledge, reliability and financial responsibility. Accordingly, if Palladin determines in good faith that the fees charged by a broker-dealer are reasonable in relation to the value of the service provided by such broker-dealer, the Current Fund may pay fees to such broker-dealer that are greater than those fees another might charge.

1. Research and Other Soft Dollar Benefits

Not applicable.

2. Brokerage for Client Referrals.

- a. Not applicable.
 - b. Not applicable.
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3. Directed Brokerage

- a. Not applicable.
 - b. Not applicable.
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B. Aggregation

For the Funds, Palladin does not aggregate the purchase or sale of securities because the Funds invest in illiquid securities that cannot be aggregated.

Item 13: Review of Accounts

A. Periodic Reviews

George Aggouras, Palladin's Chief Financial Officer, reviews the investments and performance of the Funds on a regular basis.

B. Review Triggers

Other conditions that may trigger a review are changes in applicable laws, new investment information, changes in the market and changes in a particular Fund's circumstances.

C. Regular Reports

The General Partner shall use best efforts to within 105 calendar days after the end of each fiscal year send to each person who was a Partner at any time during such year, among other information, the information for the fourth fiscal quarter of the Current Fund, a balance sheet of the Current Fund as of the end of such year, a statement of income of the Current Fund for such year, a statement of changes in Partners' capital for such year; and a statement of cash flows. Within 45 calendar days after the end of the first three fiscal quarters of each fiscal year (starting with the fiscal quarter ending on June 30, 2012), or as soon as reasonably practicable thereafter, the General Partner shall send to each Partner a report providing (i) summary financial and other information on the Current Fund and (subject to any restrictions on disclosure imposed by applicable securities laws, contract or otherwise) each portfolio company; (ii) the unaudited financial statements of the Current Fund, including a statement showing the balance in such Partner's capital account as of the end of such fiscal quarter; (iii) the fair value of each the Current Fund's investments, as determined by the General Partner; (iv) the aggregate amount of the prior capital contributions of such Partner and the amount of such Partner's unused capital commitment, in each case as of the end of such fiscal quarter; and (v) the amount of cash distributed to such Partner in such fiscal quarter and the amounts withheld from such Partner with respect to such distributions, to the extent applicable. The General Partner shall send to each Partner after the end of each fiscal year a report that shall include all necessary information required by the Partners for preparation of their federal, state and local income or franchise tax or information returns, including (i) each Partner's pro rata share of net income, net loss and any other items of income, gain, loss and deduction for such fiscal year and that identifies each item of unrelated business taxable income and effectively connected income, including the information required to calculate the items set forth in Section 703 of the Code, (ii) such Partner's federal form K-1, (iii) any state form K-1 (or other similar applicable state form) applicable to such Partner, (iv) any United States Internal Revenue Form 8886 ("Form 8886") that the Current Fund is required to file or any available information that the Partners require to complete a Form 8886 with respect to their status as Partners in the Current Fund, and (v) if so requested by such Partner, the Current Fund's federal, state and local income tax or information returns.

Item 14: Client Referrals and Other Compensation

A. Referrals

Not applicable.

B. Other Compensation

Not applicable.

Item 15: Custody

Account Statements

Not applicable.

Item 16: Investment Discretion

Discretionary Authority for Trading

Palladin accepts discretionary authority to manage investment accounts on behalf of its Current Fund. Under these arrangements, Palladin has the authority to determine, without obtaining specific client consent, the investments to be bought or sold, and the amount of the investments to be bought or sold on behalf of the Current Fund. Limited Partners in the Current Fund do not currently place any limitations on this discretionary authority but may in the future.

Assumption of Authority

Before Palladin assumes discretionary authority, each Limited Partner in each Fund signs a limited power of attorney by execution of the limited partnership agreement or subscription agreement for such Fund.

Item 17: Voting Client Securities

A. Proxy Voting

Palladin does not accept proxy voting authority on behalf of its clients since the Funds do not invest in publicly-traded securities. If a Fund ever owns a publicly-traded security, Palladin will then implement an appropriate proxy voting policy in compliance with Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended.

B. Not applicable.

Item 18: Financial Information

A. Balance Sheet

Not applicable.

B. Financial Condition

Not applicable.

C. Bankruptcy Petition

Not applicable.