

Form ADV Part 2A –Firm Brochure

PALM BEACH CAPITAL MANAGEMENT III, LLC
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525 South Flagler Drive
Suite 201
West Palm Beach, Florida 33401
Tel: 561.659.9022
Fax: 561.659.9055
Website: www.pbcap.com

This brochure provides information about the qualifications and business practices of Palm Beach Capital Management III, LLC (“Palm Beach”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 561.659.9022 or effiet@pbcap.com.

This information has not been approved or verified by SEC or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. Additional information about Palm Beach also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

The material changes in this brochure from the last annual updating amendment of Palm Beach Capital Management III, LLC on 03/30/2018 are described below. Material changes relate to Palm Beach Capital Management III, LLC's policies, practices or conflicts of interests.

- Effie Tzirtziropoulos is now the Chief Compliance Officer of Palm Beach Capital Management III, LLC.

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Item 4: Advisory Business

Palm Beach Capital Management III, LLC (“Palm Beach”), formed in 2008, is one of a group of companies headquartered in West Palm Beach, FL that was founded to make and manage investments in private equity funds, pooled investment vehicles structured as U.S. limited partnerships (each a “Fund” or “Client” and collectively, the “Funds” or “Clients”). Palm Beach acts as the management company to the Funds and provides administrative, management, investment and consulting services. Its affiliates act as the general partners to the Funds which all have substantially similar objectives.

The principal owners of Palm Beach are James W. Harpel, Shaun L. McGruder, Nathan S. Ward and Michael L. Schmickle.

The Funds invest in lower middle-market private companies across a broad range of industries located primarily, but not exclusively, in the state of Florida. The investment team investigates, identifies and evaluates investment opportunities; structures, and negotiates making investments on behalf of the Funds; manages, monitors the performance of the investments and disposes of them.

The Funds’ advisory services are tailored to the specific investment objectives and restrictions as set forth in their offering documents. However, in accordance with common industry practice, the Funds may enter into “side letters” or side agreements with certain investors in the Funds who may be granted specific rights, benefits, or privileges not set forth in the offering documents. Such investor specific rights, benefits or privileges may not be applicable to all investors and therefore may not be made available or disclosed to all generally.

Palm Beach may establish co-investment vehicles, through which certain principals, friends and family may invest alongside a Fund in each investment made by a Fund. Other alternative investment vehicles or special purpose vehicles (collectively, “AIVs”) may be formed for the purpose of facilitating certain investments by one or more investors. In addition, one or more parallel funds may be organized on terms substantially similar to those of the Funds to meet the needs of certain classes of investors. Each parallel fund, if any, will co-invest on a pro rata basis in all Fund transactions.

As of December 2018, Palm Beach had \$289,756,657 in discretionary assets and \$0 in non-discretionary assets under management.

Item 5: Fees and Compensation

The Funds pay an annual management fee, payable quarterly in advance on the first business day of each quarter, of 2% of aggregate commitments during the commitment period and thereafter

2% of invested capital. The management fee may be reduced by excess organizational expenses, placement agent expenses, and other fee income (monitoring fees, advisory fees, directors' fees, financing fees and transaction fees from portfolio companies or proposed portfolio companies and break-up fees). The Funds' offering documents include further details concerning reductions to the management fee.

Palm Beach or its affiliates may waive or reduce the management fees voluntarily and on a negotiated basis with selected investors resulting in different fees among investors in the Funds. Management fees may be waived for investors in the co-investment vehicles.

Additionally, please see Item 6 below regarding performance-based compensation ("Carried Interest") that the Funds may pay.

The Funds will also be subject to other investment expenses such as legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with financial statements, tax returns and K-1s; expenses of the advisory board and annual meetings of the limited partners; insurance; other expenses associated with the acquisition, holding and disposition of their investments, including extraordinary expenses (such as litigation, if any); all expenses in connection with transactions not consummated, and any taxes, fees or other governmental charges.

The Funds will pay a portion of the organizational expenses, including legal, accounting, filing, capital raising, printing, travel and other expenses incurred in their formation.

Palm Beach receives an annual fee from the other Funds' management companies for its services. This fee is payable quarterly in advance.

Although Palm Beach does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes, the Funds will incur brokerage and other transaction costs. For additional information regarding Palm Beach's brokerage practices, please see Item 12.

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

The Funds allocate a percentage of their profits, "Carried Interest," to their general partners. Such Carried Interest, as described in a Fund's limited partnership agreements, is allocated to the general partner after each investor receives 100% of its contributed capital plus an 8% per annum internal rate of return. Thereafter, the profit participation is 80% to investors and 20% to the general partner after a profit catch-up.

Co-investment vehicles may not be subject to Carried Interest.

Item 7: Types of Clients

Palm Beach provides advice directly to the Funds and not to individual investors. The Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). The Funds are not offered through any form of general solicitation or general advertising. Access to information about the Funds is limited to investors who meet specified minimum investment criteria relating to their financial holdings, investment experience, etc. The Funds’ investors are typically institutions and high net worth individuals.

Details concerning minimum initial and additional subscription amounts are found in the Funds’ offering documents.

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

Methods of Analysis and Investment Strategies

The Funds generally invest in lower middle-market companies (defined as businesses with revenues of \$10 million to \$100 million), primarily in Florida, across a broad range of industries. Palm Beach seeks alignment with the management of the portfolio companies both from a financial and collaboration perspective by investing alongside experienced and talented entrepreneurs in companies that can be built organically and/or through add-on acquisitions and have a solid market position and above-average growth opportunities.

Palm Beach employs a strategy that allows it to identify potential acquisition candidates that are at a growth inflection point. Lower middle-market companies tend to achieve a certain level of success on their own; however, they often lack the resources and experience to accelerate growth through the addition of increased working capital, integration of add-on acquisitions, enhanced management, revamped operations, reduced overhead, upgraded systems and professionalized policies, procedures, etc. The strategy seeks to identify these companies at points in time where guidance in these areas through a true partnership and active board participation by the Funds’ affiliates can have an immediate and substantial impact.

Palm Beach’s approach is generally to minimize the average multiple paid for acquisitions which in turn allows for conservative use of financial leverage and permits capital structures which are generally not likely to place an undue financial burden on the companies.

These strategies and investments involve risk of loss to investors and investors must be prepared to bear the loss of their entire investment.

Material Risks Related to Investment Strategies

Investment in the Funds is speculative and involves a high degree of risk. Potential investors should consider the following risk factors and conflicts of interest with respect to such an investment. An investment in the Funds is suitable only for persons or entities with the financial capability of making and holding long-term investments and of sustaining the loss of a portion or all of their investment.

Experience of and Reliance upon the General Partners and the Management Companies

Limited partners generally have no right or power to take part in the Funds' management and, as a result, the investment performance will depend entirely on the actions of the general partners and the management companies. Although the general partners and the management companies monitor the performance of each portfolio company, it is primarily the responsibility of each portfolio company's management team to operate such company on a day-to-day basis.

No Assurance of Investment Return, Past or Projected Results

There is no assurance that the Funds will be able to invest their capital with attractive terms or generate returns for their investors. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results based upon assumptions made at the time the projections are developed. The offering documents disclose performance information of prior investments made by the principals with respect to investments that are consistent with the investment objectives of the Funds. However, the Funds do not own any interest in these prior investments and, therefore, results for prior investments may differ from the Funds' results.

Long Term Investment

The Funds are not intended to be a short-term investment. Even if the investment strategy proves successful, it is unlikely to produce a realized return to their limited partners for a number of years.

Portfolio Investment Risk/Availability of Suitable Investments

The Funds invest in a limited number of portfolio companies. Hence, the aggregate return may be affected by the performance of a few holdings.

Geographical Concentration of Investments

The majority of the Funds' investments are in companies located in Florida. As a result, regional economic trends or natural disasters such as hurricanes could adversely affect a significant portion of the investments, with little or no geographic diversification to counteract such effects.

No Guaranteed Distribution

The date that distributions to the partners commence, or their subsequent timing or amount, cannot be accurately predicted. There is no guarantee that such distributions will, in fact, be made or whether they will be made when anticipated.

Risks Upon Disposition of Investments

In connection with the disposition of an investment, the Funds may be required to make representations about the investment typical of those made in connection with the sale of any investment and may also be required to compensate the purchasers of such investment to the extent that any such representations turn out to be incorrect, inaccurate or misleading.

Uncertain Economic and Political Environment

The current global economic, credit and political climate is one of uncertainty. Acts of terrorism across the globe, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial and credit markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a “self-reinforcing” economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities for the Funds and increases the difficulty for the Funds to model market conditions, reducing the accuracy of the financial projections or may make it difficult or commercially impracticable for the Funds’ portfolio companies to obtain credit. As a result, there is an increased likelihood that such uncertainty could have an adverse effect upon the Funds and the portfolio companies in which the Funds make investments by impacting their ability to make principal and interest payments on, or refinance, outstanding debt when due, jeopardizing the capital invested in such portfolio companies.

Special Cautions for Investors in Parallel Funds

Under the terms of the Funds’ partnership agreements, the general partners are authorized to create one or more funds that invest in parallel with the Funds. Investors in such funds are cautioned that the limited partnership or limited liability company agreements of such parallel funds may contain terms and conditions that deviate significantly from those described in the Funds’ offering documents or in their partnership agreements.

Dilution

Limited partners admitted to the Funds at subsequent closings participate in existing investments of the Funds, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partners are required to contribute their pro rata share of previously made capital contributions, there can be no assurance that this contribution reflects the fair value of the Funds’ existing investments at the time of such contributions.

Risk of Bridge Financing

If the Funds make an investment with the intent of subsequently financing a portion of that investment, there is a risk that the Funds will be unable to successfully complete such a financing. This could lead to the Funds having a larger amount of capital invested in an investment than anticipated as well as reduced diversification.

Absence of Recourse

The partnership agreements limit the circumstances under which the general partners and their affiliates will be held to be liable to the partnerships. As a result, limited partners may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the partnership agreements provide that the partnership will indemnify the general partner, the management company and their respective partners, principals, officers, directors, members, managers, employees and affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the partnership. Such indemnification obligations could have a material effect on the investment returns to limited partners.

No Protection Under the Investment Company Act

In reliance upon a statutory exemption for privately offered securities by entities that would otherwise be deemed to be “investment companies,” the Funds are not registered as an investment company under the Investment Company Act of 1940, as amended (the “40 Act”). Among other things, the 40 Act generally requires investment companies to have a minimum of 40% independent directors and regulates the relationship between the investment adviser and the investment company. Such protections, and others afforded by the 40 Act, are not applicable to the Funds and the partners.

Recourse to the Partnership’s Assets

The Funds’ assets are available to satisfy all liabilities and other obligations of the partnerships. If a partnership becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a partnership’s assets generally and not be limited to any particular asset, such as the asset representing the investment giving rise to the liability.

Failure of Other Investors to Invest

If a limited partner defaults on its obligation to make required capital contributions, it may be difficult for the Funds to make up the shortfall from other sources. Limited partners may be required to make additional contributions to replace such shortfall. Any default by one or more limited partners could have a deleterious effect on the Funds, their assets and the interests of the other limited partners.

Impact of State and Federal Securities Laws

The Funds are not registered under the Securities Act in reliance upon Rule 506 of Regulation D promulgated by the SEC pursuant to § 4(2) of the Securities Act; and reliance will also be made on apparently available exemptions from securities registration under the “blue sky” laws of states in which the Funds’ interests are offered and sold. There is no assurance that the Funds will continue to qualify under exemptive provisions.

Income Tax Risks

Investments in the Funds entail significant tax risks, including: (i) the possibility that certain deductions claimed may be disallowed and that any audit of the Funds’ tax returns may result in an audit of any partner’s tax return; (ii) the possibility that the Funds may have taxable income allocable to partners in an amount greater than the cash available for distribution; (iii) the possibility that the Funds may generate unrelated business taxable income for tax-exempt investors; and (iv) the possibility that future legislative, administrative or judicial interpretations of current law or future legislation will change the tax treatment of investors described herein.

Delayed Schedule K-1s

The Funds may not be able to provide final Schedule K-1s to limited partners for any given fiscal year until after April 15 of the following year. The general partners endeavor to provide limited partners with final Schedule K-1s or with estimates of the taxable income or loss allocated to their investment in the Funds on or before such date, but final Schedule K-1s may not be available until the Funds have received tax-reporting information from their portfolio companies necessary to prepare final Schedule K-1s. Limited partners may be required to obtain extensions of the filing dates for their federal, state, and local income tax returns.

Significant Default Penalties

The partnership agreements provide for significant penalties and other adverse consequences in the event a limited partner defaults on its commitment or other payment obligations. In addition to losing its right to potential distributions from the Funds, a defaulting limited partner may be forced to transfer its interest in a Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

Need for Follow-On Investments

Following initial investments in a given portfolio company, the Funds may decide to provide additional funds to such portfolio company or may have the opportunity to increase their investment in a successful portfolio company. There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds to make all or any of such investments. Any decision by the Funds not to make follow-on investments

or their inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Funds to increase their participation in a successful operation.

Side Agreements Not Available to All Investors

In accordance with common industry practice, the Funds' general partners may enter into one or more "side letters" or similar agreements with certain limited partners pursuant to which the general partners grant to such limited partners specific rights, benefits or privileges that are not made available to limited partners generally. Such agreements are disclosed only to those actual or potential limited partners that have the right to review such agreements.

Director Liability

The Funds often obtain the right to appoint a representative to the board of directors of the companies in which they invest. Serving on the board of directors of a portfolio company exposes the Funds' representatives, and ultimately the Funds, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

Non-Controlling Investments/Investments with Third Parties

The Funds may hold a non-controlling interest in certain investments and, therefore, may have a limited ability to protect their position in such investments, although as a condition of investment, the general partners expect that appropriate rights generally will be sought to protect the Funds' interests. Some of the Funds' investments may be made as a co-investor with an unrelated third party. Such non-control investments or investments with co-investors may involve risks in connection with such material third-party involvement, including the possibility that a third-party partner may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives.

Foreign Investors

Prospective investors that are foreign persons that invest directly in the Funds generally are subject to federal income tax each year on their distributive share of the taxable income of a Fund that is deemed to be "effectively connected" with a U.S. trade or business as if they were U.S. citizens or residents, regardless of whether the Fund makes any cash distributions.

Material Risks Associated with Types of Securities

Illiquidity of Investments

An investment in the Funds should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Prior to then, there is often no return on the investments.

Risk of Private Company Investments

The Funds' investment portfolios consist primarily of investments in privately held entities, and results in a specified period are difficult to predict. While private company investments offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses.

Restrictions on Transfer and Withdrawal

The interests in the Funds are not registered under the Securities Act or any other applicable securities laws. There is no public market for the limited partnership interests and none is expected to develop. Additionally, the interests in the Funds are not transferable except with the consent of the general partners and are subject to the terms and conditions of the limited partnership agreements. Investors generally may not withdraw from the Funds.

Restricted Nature of Investment Positions

Generally, there is no readily available market for a substantial number of the Funds' investments, and hence, most of the investments are difficult to value. Disposition of such investments may require a lengthy time period or may result in distributions in kind to partners.

Debt Financing

The Funds' investments may involve significant amounts of indebtedness. The use of debt involves a high degree of financial risk and increases the exposure of the investments to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investments.

Investment in Troubled Assets

The Funds may make investments in non-performing, undercapitalized or other troubled assets, which may involve a high degree of financial risk.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Palm Beach or the integrity of Palm Beach's management.

Palm Beach has no legal or disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

Palm Beach affiliates serve as the general partners to the Funds. James Harpel, Shaun McGruder, Michael Schmickle, Richard Schlanger and Nathan Ward own and control the general partners and sponsors of the Funds.

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

Code of Ethics and Personal Trading

Palm Beach has adopted a Code of Ethics (the "Code") in accordance with Section 206 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") and Rule 204A-1 under the Advisers Act. The Code provides for a high level of ethical conduct applicable to Palm Beach's partners and employees ("Covered Persons") and obligates all Covered Persons to put clients' interests over their own. The purposes of the Code are to (i) educate Covered Persons about Palm Beach's expectations and the laws governing their conduct, (ii) remind Covered Persons that they are in a position of trust and must act with propriety at all times, (iii) protect Palm Beach's reputation, (iv) guard against violation of the Federal Securities Laws, (v) protect clients by deterring misconduct, and (vi) establish procedures for Covered Persons to follow so that Palm Beach can assess whether they are complying with the Code. Palm Beach's Chief Compliance Officer ("CCO") monitors compliance with the Code by reviewing required disclosures of personal securities transactions, political contributions, outside business activities and other affirmations of compliance by Covered Persons.

Palm Beach, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which Palm Beach or its affiliates have invested or seek to invest. The Code includes policies and procedures concerning "inside information" that are designed to prevent the misuse of material, non-public information. Covered Persons are required to certify to their compliance with the Code, including the Insider Trading Policy, at least annually. Palm Beach is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether the other person is a client, and maintains

and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information, to ensure that it is meeting its obligations to clients and remaining in compliance with applicable law.

Potential or existing investors in the Funds may request a copy of the Code by contacting Palm Beach's CCO Effie Tzirtziropoulos at (561) 659-9022 or by electronic mail at: effiet@pbcap.com.

Participation or Interest in Client Transactions

Certain employees and affiliates may invest in and alongside the Funds, either through the general partners or through co-investment vehicles. The Funds, their management companies or their general partners, as applicable, may reduce all or a portion of the management fee and Carried Interest related to investments held by such persons. The Funds may also make investments that they make available to other clients. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

Conflicts of Interest

Investors should be aware that, in connection with the current and potential future activities of Palm Beach, the general partners, the management companies, the Funds and the principals, the investment and business interests of these entities and individuals may conflict with the investment and business interests of the Funds and their partners. The Funds' limited partnership agreements describe these potential conflicts and their mitigation. The following paragraphs detail some of the potential conflicts of interest that potential investors should carefully consider before making an investment in the Funds.

Conflicting Interests Among Limited Partners

Limited partners in the Funds include persons or entities organized in various jurisdictions that may have conflicting investment, tax and other interests with respect to their investment in the Funds. As a consequence, conflicts of interest may arise in connection with decisions to be made by the general partners, including, without limitation, with respect to the nature or structuring of investments that may be more beneficial for one limited partner than for another limited partner, especially with respect to a limited partner's individual tax situation. In selecting and structuring investments in properties, the general partners will consider the investment and tax objectives of the Funds as a whole, not the investment, tax or other objectives of any limited partner individually.

In addition, the limited partners, or limited partner representatives selected as members of advisory boards, may have conflicting interests with some or all of the other limited partners and may make decisions that are detrimental or less favorable to some or all of the other limited partners.

Allocation of Investment Opportunities

The management companies sponsor other investment funds and may engage in other investment activities. The activities conducted by the principals and Palm Beach's affiliates on behalf of the Funds, or any other such investment funds as well, may be directly or indirectly competitive with the Funds and conflicts may arise in determining whether an investment opportunity is offered to the Funds or another investment fund. Additionally, the Funds are permitted under certain circumstances to co-invest with other funds and conflicts of interest may arise between the general partners, other affiliates and the Funds in connection with such co-investments.

Carried Interest

Because the percentage of the Funds' profits allocated to the general partners with respect to the Carried Interest and capital contributions exceed the capital contributions of the general partners as a percentage of the aggregate capital contributions of the Funds, the general partners may have an incentive to make investments that involve greater risk or speculation than would be the case in the absence of such performance-based compensation. In addition, due to the method of calculating the Carried Interest of the general partners, the compensation of the general partners may be affected by factors within the control of the general partners.

Management Time

Conflicts of interest may arise in allocating management time among the Funds and the other activities of the management companies and future investment funds.

Fees from Portfolio Companies

The general partners and the management companies earn transaction fees, directors' fees, advisory fees, management fees, consulting fees, investment banking fees, monitoring fees, broker's and finder's fees, commitment, break-up fees and litigation payments or equivalent compensation and other fees from portfolio companies and from other persons or entities in connection with potential or actual portfolio investments. Such fees may create a conflict of interest with respect to the role of the general partners and the management companies, in connection with various investment or business activities of the Funds and their portfolio companies. Except for the management fee off-set described in the offering documents, limited partners will receive no benefit from such fees.

Resolution of Conflicts

The Funds' advisory boards, whose members are limited partners, provide advice and counsel as is requested by the general partners in connection with potential conflicts of interest.

Additionally, unless consented to by at least two-thirds in interest of the partners, neither the general partners nor the management companies (nor any of their respective affiliates) will commence the operation of another pooled investment vehicle with objectives substantially similar to those of the Funds until the earlier of: (i) the end of the commitment period; or (ii) such time as at least 80% of the commitments have been invested, committed for investment, used for partnership expenses or organizational expenses, or reserved for follow-on investments or reasonably anticipated expenses of the partnership.

Item 12: Brokerage Practices

As the Funds invest primarily in private equity ventures, investments in publicly traded securities will generally be infrequent occurrences. However, to meet its fiduciary duties, Palm Beach has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

Selection of Broker-Dealers

Palm Beach has, subject to the direction of the Funds' respective general partners, sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for the Funds involving a broker-dealer, Palm Beach will seek "best execution" of the transaction. "Best execution" often involves obtaining for the Funds the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security) in a securities transaction, taking into account the circumstances of the transaction and the reputation and reliability of the executing broker-dealer; however, total cost (or proceeds) may not be the sole determining factor in which broker-dealer is ultimately used to effect transactions.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the management companies take into account all factors that it deems relevant to the broker-dealer's execution capability, including, for example, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker-dealer, and the quality of service rendered by the broker-dealer in other transactions.

The management companies do not receive "soft dollars" in connection with their use of broker-dealers.

Aggregation of Trades

The management companies may aggregate (or bunch) the orders of more than one investment fund for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions can enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The management companies may combine orders on behalf of the Funds with orders for other funds for which they have trading authority, or in which they have an economic interest. In such cases, the management companies generally aggregate trade orders for publicly traded securities so that each participating fund will receive the average price for each execution of a transaction.

If an order for more than one fund for a publicly traded security cannot be fully executed, allocation shall be made based upon procedures for allocation of investment opportunities, as described below.

Allocation of Investment Opportunities

In recognition of their fiduciary duties, it is the management companies' policy to treat the Funds fairly and equitably in the allocation of investment opportunities and have adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations in accordance with those policies and procedures.

Item 13: Review of Accounts

Oversight and Monitoring

The investment portfolio of each Fund is generally private, illiquid and long-term in nature, and accordingly, the management companies' reviews of the portfolios are not directed toward a short-term decision to dispose of securities. However, the Managers closely monitor the portfolio companies of the Funds and monitor the Funds' general partners' ongoing oversight position in the portfolio companies. The portfolios are reviewed by a team of investment professionals on an on-going basis. The team generally includes the members and other investment professionals of the Managers. The Managers also conduct a formal review of the Funds' portfolios each quarter, in conjunction with the reports discussed below.

Reporting

Investors in the Funds receive a copy of audited financial statements within 120 days after the fiscal year end, as well as unaudited financials and a statement of their capital account after each fiscal quarter end. Twice a year the Managers provide the investors with summary information on the Funds' portfolio companies.

Item 14: Client Referrals and Other Compensation

The Managers, the general partners, the principals and their respective affiliates may earn various fees associated with portfolio company transactions. Please see the Funds' offering documents for a description of how these fees may reduce the management fee. Also, please see Item 11 for a description of the fees and how related conflicts of interest are addressed.

Palm Beach receives a flat fee for various services from certain of the Funds.

The Managers may compensate third parties (placement agents) for assistance in raising capital for the Funds. Fees paid to the placement agents will reduce the management fee in accordance with the terms of the limited partnership agreements.

Item 15: Custody

The Funds' respective general partners have custody of the Funds' private, illiquid securities and other assets. Please see Item 13 regarding reporting to the Funds' investors.

Item 16: Investment Discretion

The Managers provide investment advice directly to the Funds and not individually to the investors in the Funds. The advice is in accordance with the management agreements with the Funds.

Item 17: Voting Client Securities

Palm Beach accepts authority to vote securities held by its clients. Pursuant to its obligations under Rule 206(4)-6 of the Advisers Act, Palm Beach has adopted and implemented policies and procedures reasonably designed to ensure that proxies are voted in the best interest of the Funds. The guiding principle by which Palm Beach votes all proxies is the maximization of the ultimate long term economic value of the Funds' holdings.

Palm Beach does not permit proxy voting decisions to be influenced in any manner that is contrary to this guiding principle. In exercising its voting discretion, Palm Beach seeks to avoid any direct or indirect conflict of interest between the Funds and its voting decision. Palm Beach's CCO has the responsibility to monitor votes for any conflicts of interest and to use his best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his independent assessment of the best interests of the Funds.

Copies of relevant proxy records, identifying how proxies were voted in connection with the Funds and copies of proxy voting policies are available to any client or prospective client upon written

request to: Effie Tzirtziropoulos, Chief Compliance Officer, Palm Beach Capital Management III, LLC, 525 S. Flagler Drive, Suite 201, West Palm Beach, FL 33401.

Item 18: Financial Information

This item is not applicable.