

LL Funds, LLC
2929 Arch Street, Suite 325
Philadelphia, PA 19104-7341

Part 2A of Form ADV: Firm Brochure

March 31, 2019

This brochure provides information about the qualifications and business practices of LL Funds, LLC. If you have any questions about the contents of this brochure, please contact us at 267-298-5493. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about LL Funds, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

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

Item 2: Material Changes

No material changes have been made to our firm brochure since the last annual update of our firm brochure other than the addition of two new pooled investment funds under our management and an additional separate account client. In addition, in November 2018, we acquired a substantial interest in another investment adviser, Ultra Capital, LLC. Our last annual update of our firm brochure occurred on March 31, 2018.

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Item 4: Advisory Business

A. General Description of Advisory Firm

LL Funds, LLC (the “Firm” or “we”) was formed on March 16, 2009. The Firm primarily provides advisory services on a discretionary basis to private investment funds. We also provide discretionary investment advice on a separate account basis.

The controlling owner of the Firm is Roberto M. Sella.

B. Description of Advisory Services

We provide investment advice with respect to fixed income securities and mortgage-backed securities, such as collateralized mortgage obligations. Certain of our Firm-sponsored private investment funds (our “Funds”) make investments in other asset-backed loans, mortgage-related instruments, equities and equity-linked securities of loan originators, servicers and other operating companies involved in the business of lending, or finance special situation loan portfolios originated by high quality portfolio companies. Our Funds may purchase loans or hold securities whose returns are derived from loans.

The Funds to which we provide advisory services are:

- Permit Capital Mortgage Fund, L.P. (“PCMF”),
- LL Capital Partners I, L.P. (“LLCP I”),
- LL Capital Partners II, L.P. (“LLCP II”),
- LL Capital Partners II Parallel, L.P. (“LLCP II Parallel”),
- LL Mortgage Fund, L.P. (“LLMF”),
- LL Private Lending Fund, L.P. (“LLPLF”), and
- LL Private Lending II, L.P. (“LLPLF II”).

PCMF is a Delaware series limited partnership and each series of PCMF (each, a “PCMF Series”) has its own investment strategy and group of investors and owns its own portfolio of securities. Currently, all PCMF Series have been wound up other than Series B, J, K, L and M. LLCP I, LLCP II, LLCP II Parallel, LLMF, LLPLF and LLPLF II are Delaware limited partnerships.

We also manage two segregated portfolio companies, each organized in the Cayman Islands, which are limited partners in certain of our Funds. These are LL Funds Offshore SPC, Ltd (“LLF Offshore Fund”) and LL Funds Offshore SPC II, Ltd (“LLF Offshore II Fund”). Each segregated portfolio of LLF Offshore Fund and LLF Offshore II Fund (each, a “Segregated Portfolio”) has its own investment strategy, group of investors and has an interest in a separate portfolio of securities. Each segregated portfolio of LLF Offshore Fund invests substantially all of its assets in a specific PCMF Series or LLCP I (i.e., in a master/feeder arrangement). LLF Offshore II Fund was formed to hold an interest in LLMF but is inactive and has no assets.

From time to time, we may provide investment advice to newly formed private investment funds, and newly formed segregated portfolios of LLF Offshore Fund and LLF Offshore II Fund. In this brochure, we sometimes use the term “Fund Client” to refer to a private investment fund or a series or segregated portfolio of a Fund. We manage the assets of Fund Clients in accordance with the investment strategies and restrictions (if any) of the Fund Clients as set forth in their respective governing documents and confidential private placement memoranda. All investment decisions for a Fund Client are the responsibility of the general partner or directors of the Fund Client and not of the investors therein. Investment decisions are not made for any specific investors in a Fund Client.

In addition, from time to time, the Firm may manage assets of institutional investors such as pooled investment vehicles on a separate account basis (each, a “Separate Account Client”). We manage the assets of Separate Account Clients in accordance with the investment strategies and restrictions (if any) of the Separate Account Clients as set forth in their governing documents and/or investment advisory agreements with the Firm. Our Separate Account Clients may invest in a Fund Client or may invest side by side with a Fund Client in the same investment assets as those in which the Fund Client invests, and may own additional investment assets as well. In certain cases where our Separate Account Clients are invested in our Fund Clients, we are required to pass through voting and other rights and take action with respect to such passed-through matters as directed by the investor in such Separate Account Clients.

We do not provide investment advice to individuals.

In November 2018, we acquired a substantial interest in Ultra Capital, LLC (“Ultra Capital”), giving us access to an additional number of investment professionals focused on lending into the real estate finance sectors, in particular project finance. Our Firm’s personnel comprise a majority of the Board of Managers of Ultra Capital and, through two seats on Ultra Capital’s investment committee, we provide investment advice with respect to Ultra Capital Sustainable Infrastructure Fund II, LP, a Delaware limited partnership, and its related feeder funds (“RAV II”), and Ultra Capital RAV I 2016, LLC, a Delaware limited liability company, and its related feeder fund company (“RAV I”). We share in the management fees and performance based fees (i.e., carry) earned from RAV II and in the management fees earned from RAV I.

Ultra Capital does not provide any investment management services to our Clients. However, certain investors in our Clients may be invested in RAV II. See Item 10 (*Other Financial Industry Activities and Affiliations*) at page 17 for additional information.

C. *Assets Under Management*

We currently manage approximately \$1,579,000,000 on a discretionary basis. We do not manage any accounts on a non-discretionary basis. We manage one Separate Account Client on a basis which is partially discretionary (such amount is included in the foregoing managed amount).

Item 5: *Fees and Compensation*

A. *Advisory Fees and Compensation*

1. *Fund Clients*

As compensation for our investment advisory services, we are paid a management fee. With respect to the management fees payable by the Funds or PCMF Series listed below, an invoice for the management fees payable by such Fund or PCMF Series is calculated and prepared by a third party

administrator. The management fee due is then deducted from the respective custody account of the Fund or PCMF Series.

Below is a summary of the management fees payable to the Firm by our Fund Clients as of the date of this Brochure. No PCMF Series charges management fees any longer. The management fee payable in other Funds is not negotiable. However, the general partner, in its sole discretion, may waive the management fee with respect to any Fund or with respect to any investor in a Fund, in whole or in part. Mr. Sella and certain other principals of the Firm do not pay management fees. Certain Separate Account Clients pay management fee out of the separately management account and do not, if the Separate Account Client is invested in a Fund Client, bear management fees only at the Fund Client level.

Fund/ Series	Management Fee
LLMF	<ul style="list-style-type: none"> • 0.0625% (0.75% annualized) of LLMF's net asset value up to and including \$250 million as of the last day of each month. • Plus 0.05% (0.60% annualized) of LLMF's net asset value in excess of \$250 million and up to and including \$500 million. • Plus 0.0417% (0.50% annualized) of LLMF's net asset value in excess of \$500 million. • All management fees are payable monthly in arrears.
LLCP I	<ul style="list-style-type: none"> • 0.0834% (1.00% annualized) of each limited partner's called capital in respect of its investment in LLCP I. • The management fee will be charged until the earlier of (i) fifth anniversary of the date the capital was called, and (ii) the date on which the LLCP I starts to distribute its "Carried Interest". • All management fees are payable monthly in arrears.
LLCP II	<ul style="list-style-type: none"> • 0.0834% (1.00% annualized) of each limited partner's called capital in respect of its investment in LLCP II. • The management fee will be charged until the earlier of (i) fifth anniversary of the date the capital was called, and (ii) the date on which the LLCP II starts to distribute its "Carried Interest". • All management fees are payable monthly in arrears.
LLCP II Parallel	<ul style="list-style-type: none"> • 0.0834% (1.00% annualized) of each limited partner's called capital in respect of its investment in LLCP II. • The management fee will be charged until the earlier of (i) fifth anniversary of the date the capital was called, and (ii) the date on which the LLCP II starts to distribute its "Carried Interest". • All management fees are payable monthly in arrears.
LLPLF	<ul style="list-style-type: none"> • 0.0625% (0.75% annualized) of LLPLF's net asset value up to and including \$250 million as of the last day of each month. • Plus 0.05% (0.60% annualized) of LLPLF's net asset value in excess of \$250 million and up to and including \$500 million. • Plus 0.0417% (0.50% annualized) of LLPLF's net asset value in excess of \$500 million. • All management fees are payable monthly in arrears.
LLPLF II	<ul style="list-style-type: none"> • 0.1250% (1.50% annualized) of LLPLF II's net asset value. • All management fees are payable monthly in arrears.

Each Segregated Portfolio is invested only in a specific Fund or PCMF Series. LLF Offshore Fund Segregated Portfolios E, G and H are invested in PCMF Series J, L, and M respectively. LLF Offshore Fund Segregated Portfolio K is invested in LLCP I. LLF Offshore II Fund Segregated Portfolio LLMF SP-1 invests in LLMF. No Segregated Portfolio invested in a PCMF Series bears any management fee as we do not charge management fees any longer for any PCMF Series. Each Segregated Portfolio invested in a Fund other than PCMF is charged a management fee at the Fund level and no management fee is charged to investors at the Segregated Portfolio level. Accordingly, investors in a Segregated Portfolio will bear, on a pro rata basis, the management fee charged by the Fund in which such Segregated Portfolio is invested. See the chart above for the management fees borne, indirectly, by investors in these Segregated Portfolios with respect to their investments in the applicable Fund.

2. *Separate Account Clients*

As compensation for the Firm's investment advisory services to Separate Account Clients, the Firm is paid a management fee which is negotiated with the particular investor. Generally, these management fees are payable in arrears on a monthly or quarterly basis. We generally charge a management fee that is a percentage of contributed capital or net asset value of the Separate Account Client that is under the Firm's management. Currently, we have one Separate Account Client. We do not have a set fee schedule for Separate Account Clients generally.

B. *Additional Fees and Expenses*

1. *Fund Clients*

Generally, each Fund Client bears all of its operating expenses (including, but not limited to, fees and expenses relating to organization of the Fund Client, offering of interests in the Fund Client, and the Fund Client's operations, investments, fund administration, custody, audit, tax return preparation and legal counsel). Investors in each Fund Client are allocated their pro rata share of such Fund expenses. Each Fund Client may also incur brokerage and other transaction costs. See Item 12 below (*Brokerage Practices*) on page 18 for additional information about these costs. The Firm pays salaries, benefits, and costs of office space and facilities.

Each Segregated Portfolio incurs two levels of expenses. A Segregated Portfolio will incur expenses at the Segregated Portfolio level as well as any expenses that the Fund or PCMF Series may pass through to that Segregated Portfolio with respect to its investment in such Fund or PCMF Series. A Segregated Portfolio will bear management fees, performance fees and other fees and expenses relating to the operation of the Fund or PCMF Series like any other investor in the Fund or PCMF Series. See Item 6 (*Performance-Based Fees and Side-By-Side Management*) on page 5 for a summary of the performance-based fees charged directly to investors in the Fund or PCMF Series and indirectly to investors in the Segregated Portfolios.

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

2. *Separate Account Clients*

Generally, a Separate Account Client bears all of its expenses (including, but not limited to, fees and expenses relating to organization of the Separate Account Client, operation and administration of the entity comprising the separate account, administration, custody, audit, tax return preparation and legal

counsel). It does not bear any Firm expenses (salaries, benefits, and costs of office space and facilities). The Firm sometimes agrees to bear all or a portion of the formation or other expenses of a Separate Account Client. A Separate Account Client that is invested in a Fund will bear its pro rata share of Fund expenses (other than management fees and performance incentives, each of which are charged at negotiated rates at the Separate Account Client level).

A Separate Account Client may also incur brokerage and other transaction costs. See Item 12 below (Brokerage Practices) on page 18 for additional information about these costs.

Neither the Firm nor any of our supervised persons accepts compensation for originating a Separate Account Client or for the sale of securities held by a Separate Account Client.

3. *Portfolio Investment Entities*

We may charge advisory fees to portfolio companies of certain of our Fund Clients. Any such fees received by LLC I, LLC II or LLC II Parallel result in a dollar for dollar reduction in the Management Fee paid by LLC I, LLC II or LLC II Parallel to the Firm. None of our other Funds charges fees to any entities in which it invests.

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

A. *Performance-Based Fees*

We charge performance based fees in PCMF, LLC I, LLC II, LLC II Parallel as well as to certain Separate Account Clients. LLMF, LLPLF and LLPLF II do not charge performance based fees.

1. *PCMF, LLC I, LLC II and LLC II Parallel*

With respect to each PCMF Series, LLC I, LLC II, and LLC II Parallel the performance-based fee charged to investors in such Fund Clients is 20% of any cash distributed to investors of each such Fund Client after they have received both a return of their capital contributions they made to such Fund Client and an 8.00% annualized return on such capital contributions. We refer to this performance-based fee as a “Carried Interest”. The Carried Interest charged to each PCMF Series is distributed to PCMF’s general partner, Permit Capital GP, L.P. The Carried Interest charged to LLC I is distributed to LLC I’s special limited partner, LLC I SLP, L.P. (“LLC I SLP”). The Carried Interest charged to LLC II and LLC II Parallel is distributed to their special limited partner, LLC II SLP, LLC (“LLC II SLP”). Permit Capital GP, L.P. is the general partner of each PCMF Series and is an affiliate of Permit Capital, LLC, the former investment manager and original sponsor of PCMF. Permit Capital GP, L.P., LLC I SLP, L.P., and LLC II SLP, LLC, in their sole discretion, may waive the performance fee with respect to any PCMF Series, LLC I or LLC II investor (respectively), in whole or in part. Distributions of any Fund’s Carried Interest are made only in accordance with the distribution provisions of the Fund and will depend on the amount of cash available for distribution.

Principals and employees of the Firm, and LL Funds GP, an affiliate of the Firm (collectively with the principals and employees of the Firm, “Related Firm Members”), are entitled to a portion of the Carried Interest paid to Permit Capital GP, L.P. With respect to PCMF Series B, the Related Firm Members are entitled to 90.93% of the Carried Interest distributed by such PCMF Series. With respect to PCMF Series J, K, L and M, the Related Firm Members are entitled to 100% of the Carried Interest distributed by such PCMF Series. With respect to LLC I, LLC II and LLC II Parallel the Related Firm Members are entitled to 100% of the Carried Interest distributed by each of LLC I LLC II and LLC II Parallel.

Since each LLF Offshore Fund Segregated Portfolio is charged a Carried Interest at the PCMF or the LLC I or LLC II fund level, the Segregated Portfolios' distribution waterfalls do not provide for any performance-based fee. Instead, investors of a Segregated Portfolio will bear, on a pro rata basis, the Carried Interest due from investors in each PCMF Series or LLC I and LLC II in which such Segregated Portfolio is invested.

2. *Separate Account Clients*

The Related Firm Members may be entitled to a performance-based fee with respect to Separate Account Clients. The method of calculating performance-based fees is negotiated with the investor to which the separate account relates. Different Separate Account Clients may bear different performance fees. Generally, the performance-based fee for a Separate Account Client will be calculated as a percentage of any cash distributed to the Separate Account Client after that Separate Account Client has received a return of its capital contribution, plus, in certain circumstances, a certain negotiated level of return on its capital contributions.

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

The performance-based fees described above may create an incentive for the Firm's investment professionals to recommend or approve more speculative investments on behalf of clients than would be the case in the absence of this arrangement. In addition, the performance-based fee, if made, could result in amounts distributed to LL Funds GP, LLC I SLP or LLC II SLP which are greater than fees normally paid to other investment managers for similar services.

Generally, if two or more Funds or PCMF Series have substantially the same investment strategy, such Funds or PCMF Series will all charge the same performance fee or no performance fee at all. We believe this avoids any potential conflict of interest in having one Fund or PCMF Series perform more favorably than another Fund or PCMF Series based on performance fee considerations.

Our clients may have similar investment objectives and we may pursue similar investment strategies for multiple clients at the same time. In addition, we may give advice or take action with respect to one client's account that differs from the advice given with respect to another client. As a result of the foregoing, we may have conflicts of interest in allocating investments among our clients and in effecting transactions for our clients.

We ensure at all times that there is a fair allocation of investment opportunities among our Fund Clients and Separately Managed Accounts. To the extent a particular investment is suitable for more than one of our clients, such investment will be allocated among our clients for which such investment is suitable on a pro rata basis based on their respective amounts of capital available for investment ("Investable Capital") or in some other manner which we determine is fair and equitable under the circumstances to all clients.

For purposes of allocating investment opportunities on a pro rata basis based on Investable Capital, the Investable Capital of a client which is a Fund Client means the aggregate amount of contributed capital and, if applicable, capital commitments that such Fund Client may call, for investment in new securities in accordance with its governance agreement. No PCMF Series has any Investable Capital any longer. In making the determination of Investable Capital, capital which is reserved for investment in pre-existing investments or reserved for current or future obligations of a Fund Client will be excluded.

To the extent that a Fund Client has called all of its capital commitments, the portion of the capital contributions which has not been invested and is not otherwise committed to another investment will be such Fund Client's Investable Capital, provided that such Fund Client's investment period has not expired. For any Separately Managed Account Investable Capital means the amount of liquid assets of such client that is available for investment by the Firm on a discretionary basis.

In the event of any potential conflicts of interest due to any other investment, we act in the manner which we in good faith believe to be in the best interests of our clients.

Item 7: Types of Clients

We provide investment advice to pooled investment vehicles and other institutional investors. We may provide investment advice to these clients as the primary investment adviser or as a sub-adviser. With respect to any Fund and any Segregated Portfolio, we do not require any minimum account size in order for us to provide investment advice to them.

No PCMF Series is accepting new investments. Series B had a \$1,000,000 minimum and Series J, K, L and M had a \$5,000,000 minimum. When they were taking in investments, Permit Capital GP, L.P. could, in its sole discretion, waive the minimum investment amount for any investor with respect to any PCMF Series and any Segregated Portfolio invested therein.

All of our Funds other than PCMF have a \$5,000,000 minimum investment. LLCP I is no longer accepting new capital commitments. With respect to LLMF, and LLPLF, LL Funds GP, LP, in its sole discretion, may waive the minimum investment amount for any investor therein. LLPLF II GP, LLC, in its sole discretion, may waive the minimum investment amount for any investor with respect to LLPLF II. LLCP I GP, LLC in its sole discretion may waive the minimum investment amount for any investor with respect to LLCP I. LLCP II GP, LLC in its sole discretion may waive the minimum investment amount for any investor with respect to LLCP II or LLCP II Parallel.

The minimum investment amount for each Segregated Portfolio will be the same as the minimum investment for the Fund or PCMF Series in which the Segregated Portfolio invests.

Prospective investors of each Fund (including investors therein investing through a Segregated Portfolio) must meet certain qualification requirements that are set forth in the offering materials and subscription agreements for the applicable Fund and the Segregated Portfolio investing therein, if applicable. These qualifications include income and net worth minimums along with prior investment experience and financial sophistication.

Currently, we have no minimum amount for assets which we will manage on a separate account-basis. We may establish a universal minimum amount in the future or may determine a minimum on a case by case basis as negotiated with the applicable investor.

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

A. *Methods of Analysis and Investment Strategies*

The primary investment strategy of PCMF and LLMF and the Segregated Portfolios invested therein, is to seek investments in fixed income markets, with particular emphasis on mortgage-backed securities to generate attractive, risk-adjusted, absolute returns. In furtherance of this strategy, we have

pursued investments in mortgage-backed securities that are issued by both government sponsored agencies and non-agency issuers, such as collateralized mortgage obligations.

The primary strategy of LLPLF I, LLPLF II, LLCF I, LLCF II and LLCF II Parallel (and the Segregated Portfolios investing in LLCF I and LLCF II), and of Separate Account Clients co-investing with them or in them, is to provide equity or debt capital, including warehouse loan facilities and project finance, to private operating companies which originate asset-backed consumer or small business loans to large and diversified pools of underlying borrowers. In furtherance of this strategy, we may pursue investments in financial businesses with a primary focus on originating loans collateralized by real estate or real estate related instruments.

We do not establish or follow fixed guidelines regarding diversification of investments. Given our investment strategy focus, accounts managed by us generally will have a concentrated portfolio of securities.

We do not attempt to set or meet any specific portfolio turnover rate. We do not intend to turn over investment portfolios frequently. Instead, we typically hold most investments until we determine, in our sole discretion, that such investment no longer meets the investment criteria or profile for a Firm client. We generally expect our equity and debt investments to be longer term in nature than our investments in fixed income securities.

B. Material Risks

Below is a summary of the investment strategies we currently pursue for our clients and the material risks involved with these investment strategies. Unless otherwise designated, these risks apply to each Fund, Series, Segregated Portfolio and Separate Account Client. For ease of reference, we use the term “Client” below to refer to any of the Funds, Series, Segregated Portfolios or Separate Account Clients.

An investment in securities (including the interests offered by the Funds, Series and the Segregated Portfolios) involves a high degree of risks, including a risk of loss of investment.

1. Material Risks Applicable to All Clients

Inadequate Return. There can be no assurance that the return earned by our Clients’ investments will be commensurate with the risk of investment therein.

No Diversification, Limited Investments and Concentration of Investments. Generally, we are not subject to any diversification requirements. As a result, a Client’s portfolio may be concentrated in a limited number of investments and, with respect to PCMF and LLMF (and the Segregated Portfolios invested therein), may be concentrated in mortgage-backed securities. Consequently, a decline in the value of a single security held by a Client may have a greater impact on the net asset value of that Client’s portfolio than on the net asset value of a diversified portfolio. A Client will be highly sensitive to changes in the market price of its portfolio securities because it invests more of its assets in a smaller number of industries or issuers than a diversified fund and the gains or losses on a single security will have a greater impact on the Client. Generally, the volatility of a Client’s portfolio will increase as its diversification decreases.

Illiquid Investments. We anticipate that a substantial portion or all of each Client’s investments will consist of securities for which there is no public market and/or that are subject to restrictions on resale because they were acquired from the issuer in “private placement” transactions or because such

restrictions were imposed as a condition of such Client's purchase. Limitations on resale of these investments could prevent a successful sale thereof, delay sales at times that may be the most opportune or reduce the amount of proceeds that might otherwise be realizable.

Asset-Backed Securities Involve Risks Not Present in Other Investments. Asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. For instance, asset-backed securities may be particularly sensitive to changes in prevailing interest rates. In addition, the underlying assets may be subject to prepayments that shorten the securities' weighted average maturity and may lower their return. Asset-backed securities are also subject to risks associated with their structure and the nature of the assets underlying the security and the servicing of those assets. Payment of interest and repayment of principal on asset-backed securities is largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds or other credit enhancements. The values of asset-backed securities may be substantially dependent on the servicing of the underlying asset pools, and are therefore subject to risks associated with the negligence by, or defalcation of, their servicers. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer credit laws with respect to the assets underlying these securities, which may give the debtor the right to avoid or reduce payment. In addition, due to their often complicated structures, various asset-backed securities may be difficult to value.

Some Real Asset Markets Have Relatively Low Fungibility. Our Funds may invest in or become owners through borrower defaults of real assets (e.g., a commercial property). It is not always possible to sell a direct interest in a real asset at the desired price. Even in the case of homogenous goods, the equity interest might not be saleable at a particular time (low liquidity or illiquidity).

Real Asset Markets Are Not Without Fluctuations. The returns on real asset investments generally enjoy lower volatility than, for example, those on equities. However, this does not belie the fact that imbalances or speculative bubbles can occur in some markets. In the past, this has been particularly true of the real estate markets. The subprime crisis in the U.S. and the property bubbles in some European countries are the most recent examples. The bubbles had spectacular consequences for the global economy, and future such bubbles may impact an investment in real assets. In addition, depending on the region in which such an investment is made, currency and country risks as well as differing tax regulations may affect the performance of such investment.

Certain Portfolio Companies are Dependent on Financing for their Origination Platforms. Certain of our Clients invest in debt or equity and equity-linked securities of portfolio companies, the subsidiaries of which may receive senior or mezzanine debt financing from certain other of our Clients in order to fund their loan origination programs and asset acquisitions. If such other Clients are not able to raise enough assets, they will have limited capital with which to build their respective lending portfolios, resulting in smaller and/or fewer extensions of loans to such subsidiaries, which may then reduce the number of financing opportunities for certain of our Funds to implement their own strategies. These borrower platforms may also need to find other sources of debt financing for their loan origination programs and other needs, including asset acquisitions funded in part with proceeds from certain of our Funds' equity investments. The performance of our Funds' investments in these portfolio companies are dependent, among other factors, on the viability of the platform companies and their ability to finance their loan originations and asset acquisitions in whole or in part with investments from certain of our other Funds. There can be no assurance that such Funds will raise sufficient funds (or, possibly, any funds) to achieve their respective investment strategies or that replacement equity or debt financing for the portfolio

companies will be sourced elsewhere or be sourced in a timely manner to sustain the operations or performance of these platform companies.

Conflicts of Interest May Arise that Affect our Clients. LLPLF I, LLPLF II, LLCP I, LLCP II and LLCP II Parallel (and the Segregated Portfolios investing in LLCP I and LLCP II), and Separate Account Clients co-investing with them, may make investments in or with respect to the private operating companies in which certain other of such Clients have a prior investment or anticipate making an investment. In addition, our Funds with credit strategies may lend funds to pooled investment vehicles managed by Ultra Capital. We may also experience conflicts of interest in connection with the management of the business of a Client. Each Client is dependent on the Firm and its principals for day-to-day management of such Client and does not have any officers or other employees independent of those from the Firm and its affiliates.

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

Actual Default Rates May Be Higher than Historical or Expected Default Rates. The historical performance of the types of assets that Clients may be invested in is not necessarily indicative of their future performance. Should increases in default rates or decreases in recovery rates occur with respect to the types of assets that a Client owns, the actual default rates with respect to the assets in the Client's portfolio may be significantly greater than, or the actual recovery rates with respect to the assets in the Client's portfolio may be significantly less than, the hypothetical default rates and recovery rates that such Client used in purchasing these assets. If this were to occur, any debt issued by special purpose vehicles or alternative instruments used to finance these assets may be impaired and any subordinated debt and equity interests that the Client's portfolio holds in any such vehicles may not receive distributions.

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

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

Maturity of Investments. We expect that investments held in a Client's portfolio may take several years to mature. Accordingly, there can be no assurance as to when or if distributions of the proceeds

from an investment will be made. Furthermore, limitations on resale of these investments could prevent a successful sale thereof, delay sales at times that may be the most opportune or reduce the amount of proceeds that might otherwise be realizable.

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

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

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

Commercial mortgage loans are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with

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

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

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

Equity Securities are Subject to Significant Price Declines. Equity securities may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. In addition, the types of securities in which a Client may potentially invest, such as value stocks, growth stocks, large-capitalization stocks, mid-capitalization stocks, small-capitalization stocks and/or microcapitalization stocks, may underperform the market as a whole.

Debt Securities are Subject to Various Risks. A Client's investment in debt securities subject the Client to various risks including the following:

Issuer Risk. The value of debt securities may decline for a number of reasons which directly relate to the issuer, such as management performance, leverage and reduced demand for the issuer's goods and services. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also affect the value of the Client's investment in that issuer.

Interest Rate Risk. Interest rate risk is the risk that debt securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of fixed rate securities generally will fall. Currently, interest rates are at or near historical lows and, as a result, they are likely to rise over time. Market value generally falls further for fixed rate securities with longer duration. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected prepayments. This may lock in a below-market yield, increase the security's duration and further reduce the value of the security.

Liquidity Risk. Certain debt securities may be substantially less liquid than many other securities, such as common stocks traded on an exchange. Illiquid securities involve the risk that the securities will not be able to be sold at the time desired by the Client or at prices approximating the value at which the Client is carrying the securities on its books.

Prepayment Risk. During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Client to reinvest the proceeds from such prepayment in lower yielding securities, which may result in a decline in the Client's income and distributions to investors. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to redeem the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. If the Client bought a security at a premium, the premium could be lost in the event of a prepayment.

Preferred Securities are Subject to Special Risks. Certain of our Clients may invest in preferred securities of businesses in the lending industry. Investing in preferred securities involve special risks including, but not limited to, the following:

Limited voting rights. Generally, preferred security holders usually have either no voting rights or voting rights that are substantially limited.

Issuer redemption rights. In certain circumstances, an issuer of preferred securities may redeem the securities prior to their stated maturity date. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by the Fund

Payment deferral. Generally, issuers of preferred securities are not required to make distributions to the holders of the preferred securities. If a Client owns a preferred security that is deferring its distribution, the Client may be required to report income for tax purposes while it is not receiving any income.

Subordination. Preferred securities are structurally subordinated to bonds and other debt instruments in a company's capital structure and therefore are subject to greater credit risk than those debt instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as U.S. government securities or common stock.

Tax risk. A Client may invest in preferred securities or other securities the federal income tax treatment of which may not be clear or may be subject to recharacterization by the Internal Revenue Service. It could be more difficult for the Client to comply with the tax requirements if the tax characterization of the Client's investments or the tax treatment of the income from such investments were successfully challenged by the Internal Revenue Service.

SME Loans are Subject to Special Risks. The businesses of small and medium enterprise ("SME") loan borrowers may not have steady earnings growth, may be operated by less experienced individuals, may have limited resources and may be more vulnerable to adverse general market or economic developments, among other concerns, which may adversely affect the ability of such borrowers to make principal and interest payments on the SME loans.

Real Assets Are Associated With Numerous Risks. Investments in real assets are associated with numerous risks that are attributable, inter alia, to their basic characteristics (e.g., real estate, commodities, ships, aircraft or agricultural operations). In addition, investments in real assets are often coupled with entrepreneurial risks that could suffer a total loss of the capital invested. These risks could impact the Fund's credit facilities and investments in Real Assets.

Lending Regulations. Certain of our Clients invest in loans and businesses that make loans. The loan industry is highly regulated and loans, particularly those made through lending platforms, are subject to extensive and complex rules and regulations issued by various federal, state and local government authorities. One or more regulatory authorities may assert that the applicable Client may be acting as a lender and therefore is required to comply with certain laws or regulations which govern the Client's involvement in the loan industry. If a Client were required to comply with additional laws or regulations, it would likely result in increased costs for the Client and may have an adverse effect on its results or operations or its ability to make investments related to marketplace loans and marketplace lending instruments. In addition, although the Fund is not currently required to hold a license in connection with the acquisition of loans, one or more states could take the position that lenders under platforms in which the Client invests are required to be licensed. Such a requirement could subject the Client to a greater level of regulatory oversight by state governments as well as result in additional costs for the Client. If required but unable to obtain such licenses, the Client could be forced to cease making investments in loans where the ultimate borrowers are in states which require licensing.

Other Regulatory Risk. As a general matter, project finance investments, including in the real asset and infrastructure sectors, can be subject to comprehensive regulations including siting and permitting requirements imposed by state, county and local authorities. Regulations could increase expenditures, decrease revenues, cause restrictions and delays that could materially and adversely affect a Fund's investments. Regulations applicable to such investments are often revised or reinterpreted; and new laws and regulations can be adopted or become applicable to such investments. There is no assurance such changes will not be harmful to the Funds' investments, or that technology and equipment selected by the borrowers to comply with current and future regulatory requirements will meet such requirements, all of which could be detrimental to the returns earned from the Funds.

Non-Recourse Loan Structure. Certain of our Funds may provide financing to real asset, infrastructure and other industrial projects using a nonrecourse or limited recourse financial structure, such Funds may have no or limited claims against the borrower beyond the Fund's interest in the project and collateral, in the event the project is not completed in accordance with its plans and specifications, or otherwise not completed. The cost of construction and the date of completion of the financed project may be affected by factors beyond the control of the borrower, including strikes, material and labor shortages, adverse weather conditions, subcontractor defaults, delays, and unknown contingencies.

Investors are Dependent on the Principals' Management. All investment management decisions for the Clients are made by the principals of the Firm. A Client's performance depends significantly upon the skill, judgment and expertise of our principals. Particularly in the case of LLCP I, LLCP II, LLCP II Parallel, LLPLF and LLPLF II, our principals have considerable discretion in the types of investment strategies the Client will focus on, and the types of securities in which the Client will invest. The principals rely in large part upon their own assessments and projections of the Fund's performance in making investment decisions. Such assessments and projections are inherently subject to uncertainty and to certain factors beyond the control of the principals and the Clients. Accordingly, no prospective investor should invest in a Client unless such investor is willing to entrust all aspects of the management of the Client to the Firm's principals.

Certain of the Firm's principals spend a portion of their time in providing services to Ultra Capital as members of Ultra Capital's investment committee and/or overseeing the Firm's investment in Ultra Capital. As a result, a portion of their business time will not be available to Clients. No prospective investor should invest in a Client unless such investor is willing to trust the judgment of the Firm's principals to devote such time as they deem reasonably appropriate to handle the management of our Clients in accordance with our Clients' governing documents...

Series Partnerships – PCMF and their Segregated Portfolios. PCMF and LLF Offshore Fund are "series-based" investment vehicles. The investment objective of each PCMF Series is to invest in fixed income securities, with particular emphasis on mortgage-backed securities, in order to generate attractive, risk-adjusted, absolute returns. Each PCMF Series owns its own pool of securities and may concentrate its investments in a particular company, industry or sector. Each Segregated Portfolio will invest substantially all of its assets in a specific PCMF Series. Within PCMF Series and within each Segregated Portfolio, each Series or Segregated Portfolio is intended to be insulated from the others but there no guarantees that such insulation will be respected.

Tax Reform. Tax reform legislation was enacted at the end of 2017, affecting tax years beginning after 2017. The newly enacted tax legislation changed tax rates, permits current expensing of most capital expenditures for a period of time and restricts deduction of interest. There were also changes which limit or eliminate the deductibility of management fee expense for individual investors. Additionally, the 2017 law included significant changes in how international operations of domestic businesses are taxed and imposed withholding taxes on transfers of partnership interests by non-U.S. investors. Certain of the changes will sunset at a point within a ten-year period, adding further uncertainty to economic and tax planning. There is still substantial uncertainty in how the newly enacted tax legislation would affect a Client's investments over the long term. The impact on the companies in which we invest, and thus on our investments, could be adverse and substantial.

We urge investors in Clients to rely on their own examination of each Client and its investment strategies and offering terms, including the merits and risks involved. The risks described in this brochure are not meant to be an exhaustive listing of all potential risks associated with our investment strategies, an investment in any Client or of the securities held by them. We encourage all investors to review the offering materials of the respective Clients carefully and consult with their professional advisers before deciding whether or not to invest in any of our Clients.

C. Recommendation of Particular Securities

With respect to PCMF and LLMF, and the Segregated Portfolios invested therein, we provide investment advice primarily with respect to fixed income securities and mortgage-backed securities, such as collateralized mortgage obligations. With respect to LLPLF I, LLPLF II, LLCP I, LLCP II and LLCP II Parallel (and the Segregated Portfolios investing in LLCP I and LLCP II), and Separate Account Clients co-investing with them or in them, we provide investment advice primarily with respect to debt or equity and equity-linked securities of portfolio companies which originate asset-backed consumer or small business loans to large and diversified pools of underlying borrowers. As a result, it may be viewed that, with respect to either such group of Clients, we recommend a particular type of security. See Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss*) for additional information on the material risks of investments in such securities we target for our Clients.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

Our sole business is to provide investment management services to PCMF, LLCP I, LLCP II, LLCP II Parallel, LLMF, LLPLF, LLPLF II, LLF Offshore Fund, LLF Offshore II Fund and Separate Account Clients. LLF Offshore Fund, LLF Offshore II Fund, LL Funds GP, LP, LLCP I GP, LLC, LLCP II GP, LLC and LLPLF II GP, LLC are related persons of the Firm.

In November 2018, we acquired a substantial interest in Ultra Capital, an investment advisor focused on lending into the real estate finance sectors, in particular project finance. Ultra Capital's principal business is to provide investment management and advisory services to RAV I and RAV II. Our Firm's personnel comprise a majority of the Board of Managers of Ultra Capital and, through two members on Ultra Capital's investment committee, provide investment advice with respect to RAV I and RAV II. The time spent by our Firm personnel with respect to Ultra Capital matters may present a potential conflict of interest. See the disclosure under "Investors are Dependent on the Principals' Management" in Item 8 (*Material Risks*) at page 15 for additional information.

Ultra does not provide any investment management services to our Clients. However, certain investors in our Clients may be invested in RAV II. Any such investment decision is made by such investor and not the Firm. We do not receive any placement or referral fees for any investor's investment in RAV II. We receive a portion of the performance-based fees (i.e., carry) from RAV II. The performance-based fees may create an incentive for the Firm's investment professionals and other members of Ultra Capital's investment committee to recommend or approve more speculative investments on behalf of RAV II than would be the case in the absence of this arrangement. We believe such potential conflicts of interest are

mitigated by the fact that Ultra Capital's investment activity with respect to RAV II is governed by Ultra Capital's full investment committee. .

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

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

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

Generally, when a Client has an open investment period and we are actively making investment decisions for the acquisition of securities for that Client, employees of the Firm are not permitted to trade in the same securities for their own accounts that are being acquired for such Client. The Firm's founder holds securities (the "Grandfathered Securities") that are similar to the securities held by certain PCMF Series. The Grandfathered Securities were acquired by the founder prior to the Firm's appointment as the sub-adviser to PCMF. We will allow the founder to dispose of the Grandfathered Securities at any time. A conflict could arise if market or other conditions or events trigger the founder's need to trade a Grandfathered Security which may be concurrent with our desire to dispose of or hold the same security for our Clients.

The Code contains policies and procedures designed to prevent and detect such conflicts of interest. Our policy is that Client transactions generally will be executed first. In some instances, we may determine that it is in the best interests of our Clients that dispositions of their securities are aggregated with the disposition of Grandfathered Securities.

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

We do not recommend to Clients, or buy or sell for Client accounts, securities in which we have a material financial interest. We note, however, that we provide investment advice to PCMF, LLC I, LLC I, LLC I, LLC I Parallel and certain Separate Account Clients, and Related Firm Members have an interest in the carried interest distributable by such Clients to, respectively, Permit Capital GP, L.P., LL Funds GP, LP, LLC I SLP and LLC I SLP.

See Item 6 (*Performance-Based Fees and Side-By-Side Management*) on page 5 for additional information regarding potential conflicts of interests relating to the Firm and LL Funds GP, LLC I SLP and LLC I SLP.

Item 12: Brokerage Practices

A. Research and Soft Dollar Benefits

We are authorized to determine the broker or dealer to be used for each securities transaction for our Clients. In selecting brokers or dealers to execute transactions, we do not need to solicit competitive bids and we do not have an obligation to seek the lowest available commission cost. It is not

our practice to negotiate “execution only” commission rates, thus we may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

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

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

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

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

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

B. Brokerage for Client Referrals and Directed Brokerage

We do not select or recommend broker-dealers on the basis of whether they provide us or any of our related persons with referrals. We may hire separate independent trading firms in order to obtain better prices and/or execution, and such trading firms will be paid through additional commissions to be

borne by the Clients for whom such arrangements were made. We do not recommend, request or require that a Client direct us to execute transactions through a specific broker-dealer.

C. *Aggregation of Purchase and Sales of Securities*

We may, but are not required to, aggregate Client orders to achieve more efficient execution or to provide for equitable treatment among accounts managed by us. Clients participating in aggregated trades will be allocated securities on a pro rata basis based on their relative Investable Capital. See Item 6.B. (*Performance-Based Fees and Side-by-Side Management*) on page 5 for additional information on allocation of investment opportunities.

Item 13: *Review of Accounts*

Our portfolio managers continuously review each Client's portfolio. For example, our portfolio managers will continuously review the investment portfolio of PCMF, LLCP I, LLCP II, LLCP II Parallel, LLMF, LLPLF and LLPLF II.

Investors in PCMF, LLCP I, LLCP II and LLCP II Parallel receive quarterly account statements from PCMF's, LLCP I's, LLCP II's and LLCP II Parallel's fund administrator. Investors in LLMF, LLPLF and LLPLF II receive monthly account statements from LLMF's, LLPLF's and LLPLF II's fund administrator. All investors also receive a monthly review letter from the Firm.

With respect to Separate Account Clients, we provide financial reports and arrange for meetings with our portfolio managers as requested by the Separate Account Clients.

Item 14: *Client Referrals and Other Compensation*

We do not compensate, directly or indirectly, any person for client referrals.

Item 15: *Custody*

As the manager of LLF Offshore Fund and LLF Offshore II, LL Funds GP is deemed to have custody of the assets of the LLF Offshore Fund and LLF Offshore Fund II.

As general partner of LLMF and LLPLF, LL Funds GP is deemed to have custody of the assets of LLMF and LLPLF.

As general partner of LLCP I, LLCP I GP, LLC is deemed to have custody of the assets of LLCP I.

As general partner of LLCP II and LLCP II Parallel, LLCP II GP, LLC is deemed to have custody of the assets of LLCP II and LLCP II Parallel.

As general partner of LLPLF II, LLPLF II GP, LLC is deemed to have custody of the assets of LLPLF II.

LL Funds GP, LLCP I GP, LLC, LLCP II GP, LLC and LLPLF II GP, LLC are related persons of the Firm and, since they are deemed to have custody of the assets of LLF Offshore Fund, LLF Offshore Fund II, LLMF, LLPLF, LLCP II and LLPLF II (as applicable), the Firm also is deemed to have custody of the assets in those Funds. Nevertheless, the assets of LLF Offshore Fund, LLF Offshore Fund II, LLMF, LLCP I, LLCP II, LLCP II Parallel, LLPLF and LLPLF II are held by a qualified custodian as described below.

As the general partner of PCMF, Permit Capital GP, L.P. is deemed to have custody of the assets of PCMF. All of the assets of PCMF are also held by a qualified custodian as described below.

Qualified Custodians. The Bank of New York Mellon maintains the assets held by PCMF, LLF Offshore Fund, LLF Offshore Fund II, LLMF, LLC I, LLC II, LLC II Parallel, LLPLF and LLPLF II in segregated custodial accounts. The Bank of New York is a qualified custodian.

Audited Financial Statements and Audit by PCAOB Accounting Firm. The financial statements of PCMF, LLMF, LLC I, LLC II, LLC II Parallel, LLPLF and LLPLF II, and of LLF Offshore Fund and LLF Offshore Fund II, are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and are audited by Grant Thornton, LLP (“GT”). GT is an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

Upon liquidation, each of PCMF, LLMF, LLC I, LLC II, LLC II Parallel, LLPLF and LLPLF II, and of LLF Offshore Fund and LLF Offshore Fund II will undertake a final audit in accordance with GAAP and distribute its audited financial statements to all of its investors promptly after the completion of such audit.

Delivery of Audited Financial Statements. With respect to PCMF, LLMF, LLC I, LLC II, LLC II Parallel, LLPLF and LLPLF II, and LLF Offshore Fund and LLF Offshore Fund II, investors of each PCMF, LLMF, LLC I, LLC II, LLC II Parallel, LLPLF and LLPLF II, and LLF Offshore Fund and LLF Offshore Fund II respectively, are sent audited financial statements of PCMF, LLMF, LLC I, LLC II, LLC II Parallel, LLPLF and LLPLF II, and LLF Offshore Fund and LLF Offshore Fund II respectively, within 120 days after their fiscal year end.

Item 16: Investment Discretion

We have discretionary authority to manage PCMF, LLMF, LLC I, LLC II, LLC II Parallel, LLPLF and LLPLF II, and LLF Offshore Fund and LLF Offshore Fund II, subject to the investment strategies and restrictions (if any) that are detailed in their limited partnership agreement (or other similar governing document) and confidential private placement memorandum.

We have discretionary authority to manage the assets of Separate Account Clients, subject to the investment strategies and restrictions (if any) that are detailed in the documents governing such Separate Account Clients.

The discretionary authority to manage Client assets is derived from sub-advisory or investment advisory agreements with the Client.

Item 17: Voting Client Securities

We generally have discretion to vote the proxies of our Clients, and will vote those proxies in the best interest of our Client and in accordance with any written policies and procedures that are communicated to us. We have one Separate Account Client for which we are required to vote interests held for the benefit of the Separate Account Client as directed by the Client.

- Generally, we will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.

- Generally, we will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.
- For other proposals, we will vote for proposals that we believe are in the best interests of our Clients, and against those that we do not believe are in the best interests of our Clients.

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

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

Clients may receive a copy of the Firm's Proxy Voting Policy and or receive information on how proxies have been voted by contacting our Chief Compliance Officer, Paul A. Frick, at 267-298-5493 or Paul.Frick@LLFunds.com.

Item 18: Financial Information

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