



**PHORCYS CAPITAL PARTNERS, LLC**  
**Form ADV 2A Disclosure Brochure**

(CRD #285635 / SEC #801-121806)

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This Form ADV Part 2A Brochure (or "Brochure") provides information about the qualifications and business practices of **Phorcys Capital Partners, LLC**, an investment adviser registered with the United States Securities and Exchange Commission. If you have any questions about this Brochure's contents, please contact us at (770) 777-9373 or by email at [cco@phorcyscp.com](mailto:cco@phorcyscp.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority. Nothing in this document is to be construed as a recommendation or an endorsement by the SEC or any state securities authority or an offer of securities; please refer to the actual investment offering and related legal documentation for complete disclosures. Registration with the SEC or any reference to or use of the terms "registered investment adviser" or "registered" does not imply that **Phorcys Capital Partners, LLC** or any associated person has achieved a certain level of skill or training. Investments involve risk, including the possible loss of principal. An adviser's written, and oral communications provide you with information to determine whether to retain their services. This Brochure is on file with the appropriate regulatory authorities as federal and state regulations require.

Additional information about our Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

*(Click on the link, select "Investment Adviser- Firm," and type in the firm name or CRD #285635.  
Results will provide you with our Firm disclosure brochures.)*

## Item 2: Material Changes

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**Phorcys Capital Partners, LLC** ("PCP") reviews its Form ADV Part 2A Brochure at least annually to confirm it remains current. In this item, we are required to summarize only those material changes made to our Brochure since our last annual updating amendment on March 28, 2024. If you are receiving this document for the first time, this section may not be relevant to you.

Since our last annual update, revisions have been made to the following Brochure sections:

- Item 4 has been updated to accurately reflect PCP's regulatory assets under management.
- Item 5 has been updated to reflect fees and expenses paid by Fund Investors and compensation paid to an affiliated broker-dealer.
- Item 6 has been updated to reflect the side-by-side management of multiple Funds and the conflicts of interest associated with such side-by-side management and receiving performance fees.
- Item 8 has been updated with additional discussion of the material risks associated with PCP's investment strategies, including, but not limited to, concentrated positions, illiquid investments, hedging transactions, portfolio valuation and inflation
- Item 10 has been updated to more fully discuss PCP's affiliated broker-dealer and investment advisers and the conflicts of interest associated with such affiliates.

### Full Brochure Availability

We may, at any time, amend this document to reflect changes in PCP's business practices, policies, procedures, or updates as mandated by securities regulators. Annually and as necessary, due to material changes, we will provide clients (either by electronic means or hard copy) with a new Brochure or a summary of material changes from the document previously supplied, with an offer to deliver a full Brochure upon request. Please retain this for future reference as it contains essential information concerning our advisory services and business.

You can view our current disclosure documents at the SEC's Investment Adviser Public Disclosure ("IAPD") website at <http://www.adviserinfo.sec.gov> by searching our name or CRD #285635. The SEC's website also provides information about any PCP-affiliated person registered or required to be registered as an Investment Advisor Representative of the Firm. You may also request a copy free of charge by contacting us at (770) 777-9373 or by email at [cco@phorcyscp.com](mailto:cco@phorcyscp.com).

Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees & Compensation.....	5
Item 6: Performance-Based Fees & Side-by-Side Management.....	6
Item 7: Types of Clients.....	7
Item 8: Methods of Analysis, Investment Strategies & Risk of Loss.....	7
Item 9: Disciplinary Information.....	12
Item 10: Other Financial Industry Activity & Affiliations.....	12
Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading.....	14
Item 12: Brokerage Practices.....	16
Item 13: Review of Accounts .....	17
Item 14: Client Referrals & Other Compensation .....	17
Item 15: Custody .....	18
Item 16: Investment Discretion .....	18
Item 17: Voting Client Securities .....	18
Item 18: Financial Information .....	19

#### Item 4: Advisory Business

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**Phorcys Capital Partners, LLC** ("PCP") is an alternative investment management firm headquartered in Alpharetta, Georgia, focused on investing in underperforming micro-issue municipal bonds and revenue bonds supported by underlying assets such as hospitals, senior care facilities, affordable housing, university dorms, recreational centers, public utilities and infrastructure projects and PCP's advice is limited to these types of investments. PCP commenced operations in February 2009.

The principal owners of PCP ("Principal Owners") are Vasileios A. Sfyris, W. Heath Hawk and The Estate of Benjamin T. Eiler.

PCP provides investment management services to affiliated private pooled investment vehicles (each a "Fund") and sub-advisory services to an unaffiliated pooled investment vehicle advised by a third-party institutional asset manager ("Third-Party Vehicle" and collectively with the Funds, "Clients") offered to accredited and qualified client investors ("Investors") on a private placement basis. The affiliated Funds are structured as Delaware limited liability companies and Delaware limited partnerships. PCP and its affiliate, Phorcys Senior Housing Recovery Fund GP LLC ("Senior Housing GP"), is the manager of the Ops Fund (defined below) and general partner of the Senior Housing Fund (defined below), respectively, with discretionary trading authority over the investment management services provided.

Investors and prospective investors in a Fund should refer to the confidential private offering memoranda, limited liability company agreements, limited partnership agreements and/or other governing documents for the applicable Fund (the "Governing Documents") for complete information on such Fund's investment objectives and investment restrictions for such Fund. The scope of the services provided to each Fund is governed by the terms and conditions of the Fund's Governing Documents and may differ with other Funds. There is no assurance that a Fund's investment objectives will be achieved. PCP does not tailor advisory services to the individual needs of its clients. The Funds do not impose any restrictions on investing in certain securities or types of securities. Phorcys can only provide recommendations on investments in high yield or distressed municipal bonds meeting certain investment criteria to the Third-Party Vehicle.

After the applicable Fund has received their desired portion of a new investment or follow-on investment opportunity, PCP in certain cases, may make additional amounts with respect to such investment opportunity (if any) available for co-investment to one or more investors in the Fund or other third parties (each, a "Co-Invest SPV"). If PCP expects to offer any such co-investment opportunity to one or more limited partners of a Fund, PCP will offer such opportunity to participate in such co-investment in accordance with the applicable provisions of the Funds' Governing Documents and PCP co-investment allocation policies in effect from time to time. Co-investments by investors in the Funds or third parties may be made directly in the applicable portfolio company or may be made through "special purpose vehicles" or other entities formed by PCP or its affiliates. PCP or its affiliates may (but are not obligated to) receive fees, carried interest or other compensation in connection with such co-investments (and the terms of any such fees, carried interest or other compensation may differ from the terms applicable to an investment in the Funds with regard to such matters).

PCP recommends that its Fund clients invest in promissory notes, among other instruments or securities. The Funds have invested in, and may in the future continue to invest in, promissory notes issued by private fund affiliates of PCP (discussed in Item 10, below).

PCP does not participate in, nor is it a sponsor of, wrap fee programs.

As of September 30, 2024, PCP directly manages approximately \$134,022,573 million on a discretionary basis and \$31,506,022 million on a non-discretionary basis. PCP also views itself as an "operationally integrated" adviser with its affiliates, PRCE (defined below) and FSAM (defined below), in accordance with the doctrine established in the *Richard Ellis* no-action letter (discussed in Item 10, below). PCP, PRCE and FSAM collectively manage approximately \$262.2 million in assets when considered on an operationally integrated basis.

## Item 5: Fees & Compensation

### Compensation & Fee Schedules

The fees applicable to each Fund are outlined in detail in each Fund's Governing Documents. A summary of those fees is provided below.

Investors in the Phorcys Opportunities Fund I LLC ("Ops Fund") pay a quarterly management fee in advance to PCP (the "Management Fee") for an amount equal to 0.375% of the aggregate capital account balances at the beginning of each calendar quarter. Management Fees are not refundable to the extent of a permitted withdrawal during a quarter. The Manager and its designees will receive, as of the end of each calendar year, an incentive allocation ("Incentive Allocation") of 20% of the net realized and unrealized profits attributable to each Investor during the calendar year, subject to a "high water mark."

Investors in the Phorcys Senior Housing Recovery Fund LP ("Senior Housing Fund") pay a quarterly Management Fee in advance to PCP, during the Investment Period, of 0.5% of Capital Commitments (2.0% annually) and, following the Investment Period, of 0.375% (1.5% annually) of Aggregate Drawn Capital Commitments. Investors whose aggregate Capital Commitments in the Fund exceed \$5 million will be entitled to a 0.5% reduction in the Management Fee per year (which will not be cumulative and reset annually) until aggregate commitments in the Fund exceed \$25 million. At that point, Investors will cease to be entitled to such a reduction in the Management Fee.

Fees are outlined in detail in the Funds' Governing Documents and the investment management or sub-advisory agreements related to such Funds. PCP may waive, reduce, calculate differently or otherwise modify the management fees and/or performance allocations, carried interest or other incentive compensation for any of its clients or investors in the affiliated Funds and will do so for affiliates of PCP.

PCP has entered, and may in the future enter, into "side letters" or similar agreements with certain affiliated Fund Investors granting such investors specific rights, benefits, or privileges that are not made available to other investors in the affiliated Funds or providing certain other rights related to such investors' investments, including but not limited to, more favorable terms relating to information, fees and liquidity.

### Deduction of Fees

PCP is authorized under the Governing Documents to charge and deduct advisory fees directly from the affiliated Funds' assets, at times and in the amounts described above.

### Other Fees & Expenses

In addition to the fees payable to PCP, the affiliated Funds (with certain exceptions described in the Governing Documents) pay for all costs and expenses incurred in connection with the investments in their accounts in accordance with the Governing Documents of each Fund, including (but not limited to) all costs and expenses associated with negotiating and entering into contracts and arrangements in the ordinary course of the Funds' business, all continuing costs and expenses of the offering or sale of the Funds' interests (including, without limitation, fees and expenses of attorneys and accountants, filing fees, printing and mailing costs), all costs and expenses of third party administrators retained for Funds' purposes, all costs and premiums of any fidelity and performance bonds and general partner, liability and errors and omissions insurance coverage obtained in PCP's reasonable discretion, all legal, accounting, brokerage and other professional, expert and consulting fees and expenses arising in connection with the Funds' business, all interest on Funds borrowings and other obligations, any taxes payable by the Fund, all extraordinary expenses of the Funds, such as litigation costs, and all other Funds custodial, offering, operating and portfolio transaction costs and expenses. PCP allocates expenses among participating affiliated Funds in proportion to their respective net asset values or any other manner it determines to be equitable.

Item 12, below, describes the factors PCP considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

### Transaction-Based Compensation

As discussed in Item 14, below, PCP may appoint one or more broker-dealers or placement agents to solicit prospective investors in the Funds, including its affiliated broker-dealer, First Southern, LLC ("FS"). Any such placement agents and brokers employed by FS generally receive commissions or fees, which, in some cases, includes participation in profit allocations or fees

otherwise payable to PCP, as is agreed in the particular case with appropriate disclosure to the respective Investor. Otherwise, neither PCP nor its supervised persons receive compensation for any client's purchase or sale of securities or other investment products, including the Funds.

## **Item 6: Performance-Based Fees & Side-by-Side Management**

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### **Performance-Based Fees**

PCP will receive the Incentive Allocation annually after the end of each calendar year for the Ops Fund, equaling 20% of the net realized and unrealized profits attributable to each Investor during the calendar year, subject to a "high water mark." With respect to the Senior Housing Fund, Senior Housing GP, a related person of PCP, receives a distribution of carried interest attributable to realized capital gains. PCP may also receive an performance-based fee from the Third-Party Vehicle.

Please refer to the Governing Documents of each Fund for complete information on the performance-based compensation arrangements of the respective Fund.

The performance-based fee arrangements described above comply with Rule 205-3 under the Advisers Act.

Performance-based compensation arrangements create an incentive for PCP to recommend investments that are riskier or more speculative than those that would be recommended under a different fee arrangement in an effort to generate returns and performance fees, which could increase the risk of loss. In addition, the compensation arrangements could create a conflict of interest by incentivizing PCP to overvalue investments, especially since performance fees are based on net realized and unrealized profits. To mitigate this conflict, PCP has adopted valuation procedures reasonably designed to fairly value all Fund assets.

### **Side-by-Side Management**

Side-by-Side Management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

PCP may provide concurrent advisory services to clients that are not charged a performance-based fee or allocation, or are charged a lower fee, at the same time as it provides services to clients that are charged a higher performance-based fee or allocation. The potential for PCP to receive greater fees or allocations from performance-based accounts, or accounts paying higher fees, may create a potential conflict of interest with respect to the allocation of investment opportunities, as PCP may have an incentive to direct the best investment ideas or allocate investment opportunities to a client that pays a performance-based fee or allocation or a higher performance fee or allocation. To mitigate this risk, PCP has adopted allocation policies and procedures reasonably designed to fairly allocate investment opportunities among the Funds. The allocation policies and procedures consider all factors potentially applicable to each Fund, such as investment policies, guidelines or restrictions applicable to each specific client; tax considerations; cash availability; current and anticipated market conditions, liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under the Employee Retirement Income Security Act of 1974 or other applicable laws or regulations or tax considerations; available credit lines; counterparty exposure; account size; industry and security weightings; and hedging objectives and activity.

In the event investment opportunities are suitable for more than one client, PCP will allocate such investment opportunities in accordance with its allocation policy in effect from time to time, which provides that such allocation be fair and equitable to each account over time, taking into account all relevant facts and circumstances. PCP's allocation policy is reviewed periodically and is subject to change.

The affiliated Funds may, as permitted under their respective Governing Documents, cross-invest in portfolio companies in which other Funds already hold an interest. To the extent that multiple Funds hold an interest in the same portfolio company, it is PCP's policy that disposition opportunities with respect to that investment will be determined by PCP and its affiliates on a case-by-case basis and will not necessarily be made at the same time or in proportion to dollars invested in that company or relative ownership percentages in that company. In such cases, PCP and its affiliates will allocate disposition opportunities

among the applicable Funds in their discretion, taking into account (without limitation): (i) the relevant provisions in agreements related to the applicable entities' investment in the portfolio company (such as "tag-along" or "piggy-back" rights); (ii) the ownership percentage of, and the amount invested by, each applicable entity in the portfolio company; (iii) the amount of gain (or loss), realized and unrealized, on each applicable entity's investment in the portfolio company at the time of such disposition opportunity; (iv) the type of securities held by each entity in the portfolio company; (v) liquidity needs for each applicable entity and the investment cycle of each applicable entity; (vi) respective holding periods for the investment of each applicable entity; (vii) the nature of the disposition opportunity, including the size of the opportunity; (viii) current and anticipated market conditions; (ix) tax, legal or regulatory considerations; and (x) such other factors that Atlas and its affiliates may determine to be relevant.

## Item 7: Types of Clients

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### Types of Clients

PCP provides investment advice to the Funds, which are pooled private investment vehicles. Investors in the Funds (i.e., the members or limited partners of a Fund) may include corporations, endowments, foundations, trusts, estates, individuals and pension and profit-sharing plans. An investor generally must be an "accredited investor" as defined in Regulation D under the Securities Act of 1936, as amended (the "Securities Act") and either a "qualified client" as defined in Rule 205-3 under the Advisers Act or a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), as indicated within the Fund's Governing Documents.

PCP and/or its affiliates will establish certain alternative investment vehicles, parallel funds and/or special purpose vehicles (collectively, "AIVs") for the purpose of addressing tax, regulatory and/or structural issues, and/or facilitating certain investments by one or more Funds and/or investors. Prospective investors are requested to refer to the Governing Documents of the applicable Fund for complete details on any feeder fund that may be established by such Fund and such Fund's ability to make investments through AIVs.

Investors in the affiliated Funds will generally be required to make a minimum initial investment in such amount as outlined in the Fund's Governing Documents. The minimum investment in the Ops Fund is \$500,000. The minimum investment in the Senior Housing Fund is \$1,000,000. However, PCP may accept lower amounts at its (or the relevant general partner's) discretion. Certain of the Funds (e.g., the Senior Housing Fund) have a defined term, but investors in the open-ended Funds (e.g., the Ops Fund) are also generally subject to a soft lock-up period of eight full calendar quarters after their respective contribution date ("Lock-up Period") with a 2% redemption fee if members withdraw prior to the expiration of the Lock-up Period (or a withdrawal on a day other than the last day of a calendar quarter or with less than 60 days prior written notice after the expiration of the Lock-up Period); thereafter, members can make withdrawals quarterly with 90 days prior written notice.

As noted above, PCP also provides non-discretionary investment advice, as a sub-adviser to the Third-Party Vehicle.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

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### Methods of Analysis

PCP's investment strategies include, but are not limited to, investing in underperforming micro-issue municipal bonds and revenue bonds in the \$5 million to \$25 million range that are supported by underlying assets such as hospitals, senior care facilities, affordable housing, university dorms, recreational centers, public utilities and infrastructure projects. PCP seeks to identify bonds that are available at deep discounts to estimated intrinsic value and acquire the entire issue or a majority interest directly from funds or in the secondary market, capitalizing on events such as defaults, downgrades, operational difficulties or natural disasters when interest may be weak, and valuations may be low. Once a position is established, PCP, with the assistance of third-party professionals retained by PCP, seeks to restore and improve the value of the underlying assets and exit the position once the value has been restored. Investments and potential investments are typically analyzed by PCP using industry-standard subscriptions and systems such as Bloomberg, the Municipal Securities Rulemaking Board's EMMA website, ICE Eval and Alternative Trading Systems such as Munibrokers, Creditex Bondpoint (ICE), Muni Center and Tradeweb Direct.

This description of strategies is a summary only. Under the Ops Funds' Governing Documents, PCP has broad discretion to employ investment strategies not described above that PCP, from time to time, considers appropriate. PCP's principal sources of information regarding specific investments include quarterly and annual reports, offering materials, personal interviews with officers and directors of such entities, visits to the offices of such entities, SEC filings (if available), general industry knowledge and research materials prepared by third parties.



*The investment programs of PCP's clients are speculative and entail substantial risks. There can be no assurance that PCP's investment objectives will be achieved. Accordingly, PCP's investment strategies could result in significant client losses under certain circumstances.*

**The following is a summary of material risks related to each significant investment strategy or method of analysis PCP uses. However, it is important to note that the summary of material risks below is not meant to be exhaustive or complete. Investing in securities involves a high degree of risk, including the risk that the entire amount invested may be lost. Clients should be prepared to bear such risk of loss.**

#### **Material Risks of Investment Strategies**

Prospective investors in a Fund should carefully review the risks described in the Fund's Governing Documents and evaluate the merits and risks of an investment in the context of their overall financial circumstances. The risk factors below are not intended to be exhaustive. They should be considered carefully by prospective investors, together with the full text of the applicable Governing Document.

**Competition & Supply for Investments** - PCP's success in investing will depend, in part, on its ability to obtain investments on advantageous terms PCP will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, investments could result in lower yields on such investments, reducing returns to Investors. In addition, there is no assurance that the Funds can fully invest in its available capital.

**Concentrated Positions** - The Funds' investments generally are concentrated in the securities of relatively few issuers or issuers operating similar facilities. During periods in which a Fund has concentrated investments in a small number of issuers or facility types, its risk of a substantial loss will be higher than would be the case with a diversified portfolio.

**Control Positions** - PCP expects to acquire, for a Fund, "control" positions in issuers' securities. This subjects a Fund to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

**Equity Price Risk** - The Funds may invest in long and short positions in equity securities of public and private, listed and unlisted companies. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, geographic markets, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism, natural disasters and pandemics are unforeseeable and contribute to market volatility in ways that may adversely affect investments made by PCP on behalf of one or more of the Funds.

**Event-Driven Investing** - Event-driven investing requires the investor to make estimations about (i) the likelihood that an event will occur and (ii) the impact such an event will have on the value of a company's financial instruments. In liquidations and other forms of corporate reorganization, the risk exists that the restructuring will either be unsuccessful, will be delayed, or will result in a distribution of cash or new security, the value of which may be less than the purchase price of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a wide range of factors.

**Hedging Transactions** - While a Fund, may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance than if it had not engaged in such hedging transactions. In certain circumstances, PCP will not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent PCP from achieving the intended hedge or expose a Fund to the risk of loss. PCP generally does not hedge against a particular risk if it does not regard the probability of the risk occurring to be sufficiently high to justify the cost of the hedge or if it does not foresee the occurrence of the risk. Successfully utilizing hedging and risk management transactions requires skills complementary to selecting portfolio holdings.

**Illiquid Investments** - PCP selects investments for a Fund which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable. PCP may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid assets often requires more time and results in higher brokerage charges, dealer discounts, and other selling expenses than selling assets eligible for trading on national securities exchanges or in the over-the-counter markets. PCP may not be able to dispose of such illiquid



investments readily or may be forced to do so at a price PCP deems unattractive. In some cases, PCP is contractually prohibited from disposing of such investments for a specified time. Thus, there can be no assurance as to the timing and amount of distributions from the Funds. PCP may, in its sole discretion, make an in-kind distribution of securities to a withdrawing fund investor. Restricted assets often sell at a price lower than similar assets that are not subject to restrictions on resale.

*Investments in Distressed Securities* - The Funds, invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are particularly risky investments, although they also offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is that it frequently is difficult to obtain information on the true condition of such issuers. Such investments often are adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities are considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to PCP clients' investment in any instrument, and PCP expects that a significant portion a Fund's investments will be in securities considered less than investment grade. The analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and economic difficulties is unusually high.

*Leverage & Financing Risk* - PCP, on behalf of a Fund, has the authority to borrow funds, enter into subscription credit facilities, use leverage in trading currencies, securities and derivative instruments, and use other means of financing as deemed appropriate. PCP, on behalf of a Fund, may pledge Fund assets to borrow additional funds for investment. PCP may also leverage the investment return of a Fund with options and short sales.. The amount of borrowings outstanding at any time may be substantial in relation to its capital. While leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. The anticipated use of short-term margin borrowings results in certain additional risks, such as the potential for a "margin call," pursuant to which a Fund must either deposit additional funds or assets with a broker or suffer mandatory liquidation of the pledged assets to compensate for a decline in value of such assets. In the event of a sudden drop in the value of a Fund's assets, such Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements. Asset value declines and general market instability increases the risk of default under these credit facilities. Investors in the Funds could incur significant losses, including losing their entire investment.

*Municipal Bonds* - PCP, on behalf of a Fund, will invest in municipal bonds, which generally give rise to interest exempt from U.S. federal income taxation. On the date of the initial issuance of municipal bonds, bond counsel or special tax counsel (which is not counsel to the Funds or PCP) generally renders its opinion that based on the law in effect at that time, interest on such municipal bonds will be excludable from gross income for U.S. federal income tax purposes. The Internal Revenue Code of 1986, as amended (the "Tax Code"), establishes certain requirements that an issuer must meet following the issuance and delivery of its municipal bonds for interest on such bonds to remain excluded from gross income for U.S. federal income tax purposes. Among these continuing requirements are restrictions on the issuer's investment and use of the proceeds of the bonds. Failure to comply with these requirements likely causes the interest on the bonds to be includable in gross income for U.S. federal income tax purposes retroactive to the date of issuance, regardless of when the noncompliance occurs. Issuers of municipal bonds typically covenant to comply with certain procedures and guidelines designed to ensure satisfaction with the Tax Code's continuing requirements. None of the Funds, PCP or their counsel has passed or will pass upon, nor assumes any responsibility for, any of the tax aspects of the municipal bonds in which the Funds invests, including, without limitation, bond counsel's tax opinion or the initial or continuing status of interest on the bonds as excludable from gross income for U.S. federal income tax purposes.

*Prepayment Risk* - The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying certain of PCP clients' investments will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. In general, "premium" financial instruments (financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" financial instruments (financial instruments whose principal or par amounts exceed their market values) are adversely

affected by slower than anticipated prepayments. Since PCP clients' investments may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment.

***Risks of Acquiring Real Estate Property*** – PCP, on behalf of one or more of the Funds, may invest in real estate property and such Fund's investments will be subject to various risks which among other things, may cause fluctuations in occupancy, rental rates, operating income and expenses or which may render the sale or financing of its properties difficult or unattractive. For example, following the termination or expiration of a tenant's lease there may be a period of time before a Fund will begin receiving rental payments under a replacement lease. During that period, a Fund will continue to bear fixed expenses such as interest, real estate taxes, maintenance and other operating expenses. In addition, declining economic conditions may impair a Fund's ability to attract replacement tenants and achieve rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require a Fund to make capital improvements to properties which would not have otherwise been planned. Any unbudgeted capital improvements that a Fund undertakes may divert cash that would otherwise be available for distribution to investors of such Fund. Ultimately, to the extent that a Fund is unable to renew leases or re-let space as leases expire, decreased cash flow from tenants will result, which could adversely impact such Fund's performance results.

***Bankruptcy Claims*** – PCP, on behalf of one or more of the Funds, may invest in bankruptcy claims, which are amounts owed to creditors of companies in financial difficulty. Bankruptcy claims are illiquid and generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by Federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, under certain circumstances payments and distributions may be reclaimed if any such payments are later determined to have been a fraudulent conveyance or a preferential payment. PCP, on behalf of one or more of the Funds, may invest in the debt of financially distressed companies domiciled outside the United States, which involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

***Real Estate Loans*** – The value of the real estate that underlies mortgage loans is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation. In addition, adverse changes in real estate values increase the probability of default, as the incentive of the borrower to retain equity in the property declines. Loans may become non performing for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged (and, therefore, the property is unable to generate sufficient income to meet its debt service payments), the property is poorly managed, or because the mortgaged property has a high vacancy rate, has not been fully completed or is in need of rehabilitation. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments, and a substantial write-down of the principal of the loan.

***Portfolio Valuation*** – Valuations of the Funds' holdings, which will affect the amount of the management fee and the performance allocation or carried interest, may involve uncertainties and discretionary determinations. From time to time, third party pricing information may not be generally available regarding certain holdings and other assets. In addition, to the extent third party pricing information is available, a disruption in the markets for the Funds' investments may limit the ability of the fund administrator to obtain accurate market quotations for purposes of valuing investments and calculating the net asset value of a Fund's investments. Absent bad faith or manifest error, valuation determinations in accordance with Phorcys' valuation policy will be conclusive and binding. In calculating the net asset value or assisting with projecting the fair value of a Fund, as the case may be, the fund administrator expects to rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties including automatic processing services, third party financial models, brokers, market makers, or intermediaries, PCP, and any fund administrator or valuations agent of other collective investments into which the Funds invests. To the extent that the fund administrator relies on information supplied by PCP, or any brokers or other financial intermediaries engaged by a Fund or by the fund administrator, in connection with calculating the net asset value of a Fund, the fund administrator's liability for the accuracy of such calculation is limited to the accuracy of its computations. The fund administrator is not liable for the accuracy of the underlying data provided to it. The fund administrator exercises no discretion in calculating the net asset value of the Fund and relies entirely on third party pricing vendors or models.

***Inflation Risk*** – Changes in different economic factors, including scarcity of workers, pent-up demand and insufficient supply, can lead to inflationary conditions, as recently observed when inflation hit a 40-year-high. High inflation may undermine the performance of the Funds' investments by reducing the value of such investments and/or the income received from such investments and/or increasing the borrowing costs incurred by the Funds. Generally, for example, when inflation rises, the Federal Reserve will increase interest rates to decrease borrowing, driving the value of the dollar down even as the cost of goods rises and spending power drops. This causes bond yields (interest) to increase as investors demand compensation for inflation risk. Ultimately, the price of the bonds is expected to drop as investors lose interest in it, lowering the value of any such investments. Furthermore, for example, on discounted cash flow calculations and the presumption that interest rates will change, growth stocks are typically negatively impacted by high inflation. Rising inflation is also expected to lead to general market uncertainty and therefore could impact all types of investments made by the Funds.

***Operational Risks*** - PCP is responsible for developing, implementing and operating appropriate systems and procedures to execute all investment transactions and monitor and control operational risk on behalf of the Funds. PCP relies on its execution, financial, accounting, and other data processing systems to trade, clear and settle all transactions, evaluate and monitor potential and existing portfolio investments, and generate risk management and other reports critical to oversight of client accounts. Certain of PCP's operations are dependent upon systems operated by third parties, including prime brokers, counterparties, electronic exchanges, other execution platforms and their various service providers. PCP generally cannot verify the reliability of such third-party systems or data. Failure of or errors in such systems could result in mistakes or delays in the execution, confirmation or settlement of transactions or in transactions not being correctly booked, evaluated or accounted for.

***Cybersecurity Risks*** – The increasing reliance on internet-based programs and applications to conduct transactions and store data also creates increased security risks. Targeted cyber-attacks, or accidental events, can lead to a breach in computer and data systems and access by unauthorized persons to sensitive transactional or personal information. Data taken in breaches may be used by criminals to commit identity theft, obtain loans or payments under false identities, and other crimes. Cybersecurity breaches at PCP or its service providers or counterparties may directly or indirectly affect clients. They could lead to theft, data corruption, interference with business operations, disruption of operational systems, interference with PCP's or a client's ability to execute transactions, direct financial loss or reputational damage, or violations of applicable data and privacy protection and consumer protection laws.

***Options*** - PCP, on behalf of the Funds, has discretion to purchase or write options. The purchaser of a put or call option risks losing their entire investment in a relatively short time if an option expires unexercised. The uncovered writer of a call option is subject to a risk of loss should the price of the underlying security increase, and the uncovered writer of a put option is subject to a risk of loss should the price of the underlying security decrease.

***Public Health Risk*** – A public health crisis, such as the coronavirus ("COVID-19") outbreak, can develop rapidly and unpredictably and result in significant business disruptions. Such disruptions could have adverse impacts on global, national or regional economies and financial markets, in general, and PCP, the Funds' investments, and service providers to the Funds. These conditions may have a negative impact on PCP and the Funds, their investments and performance returns. The extent of these impacts will depend on the severity of such a crisis, which are highly uncertain and cannot be predicted. In addition, such a crisis may result in Investors redeeming from a Fund or failing to meet subscription obligations or other payments when due, which may impair PCP's ability to effectively execute its investment strategy.

***Relative Value*** - The success of PCP's investment strategy depends on its ability to identify overvalued and undervalued investment opportunities and exploit perceived inefficiencies in the pricing of financial instruments and capital, financial products or markets. Identification and exploitation of such discrepancies involve uncertainty. No assurance can be given that PCP can correctly or successfully locate investment opportunities or exploit pricing inefficiencies in the capital markets. If the perceived mispricings underlying the positions of PCP clients were to fail to converge toward or were to diverge further from relationships expected by PCP, such clients may incur losses.

***Risks of Acquiring Real Property*** - PCP, on behalf of one or more of the Funds, will invest in securities supported by real property assets. The Funds' investments will be subject to various risks, which, among other things, could cause fluctuations in occupancy, rental rates, operating income, and expenses, or render the sale or financing of its properties difficult or unattractive. For example, following the termination or expiration of a tenant's lease, there may be a period before an issuer will begin receiving rental payments under a replacement lease. During that period, an issuer will bear fixed expenses such as interest, real estate taxes, maintenance and other operating costs. In addition, declining

economic conditions may impair an issuer's ability to attract replacement tenants and achieve rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require an issuer to make capital improvements to properties that would not have otherwise been planned. Any unbudgeted capital improvements that an issuer undertakes may divert cash that would otherwise be available for distribution to investors of the Funds. Ultimately, to the extent that an issuer cannot renew leases or re-let space as leases expire, decreased cash flow from tenants will result, which could adversely impact the Funds' performance results.

**Short Selling** - Short selling involves selling securities not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities later. Short selling allows the investor to profit from a decline in market price to the extent that such a decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss in that the underlying security price could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There is also no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Uncertain Exit Strategies** - Due to the illiquid nature of some or all of a Fund's positions, PCP cannot confidently predict the exit strategy for any given position or that one will be available. Exit strategies that appear viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

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## Item 9: Disciplinary Information

### Legal or Disciplinary Event Disclosure

PCP is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PCP or the integrity of its management. Neither PCP nor its management has any current disciplinary or legal proceedings or outstanding issues to disclose.

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## Item 10: Other Financial Industry Activity & Affiliations

PCP is an SEC-registered investment advisory firm that does not engage in business activities or offer services other than those described herein.

### Registered Broker-Dealers

The Principal Owners are also the indirect owners of First Southern, LLC ("FS"), a registered broker-dealer (member FINRA/SIPC). Mr. Hawk is the President, Chief Executive Officer and Managing Member of FS and Mr. Sfyris is a Managing Member of FS. In addition, Messrs. Hawk and Sfyris are registered representatives ("RRs") of FS. When acting in the capacity of an RR for FS, these employees will sell, for commissions, general securities products and receive commission-based compensation in connection with the purchase and sale of such securities. When offering brokerage products as an RR, these individuals are not acting on behalf of PCP concerning the services provided under any advisory agreement with the Funds. PCP is not involved in the transaction(s) and receives no compensation for the employee's activity in connection with these activities. Any compensation earned by the employee in the capacity of an RR is separate, in addition to, and not related to its advisory fees or agreement to provide advisory services. Clients are not obligated to use the employee's services in this different capacity as broker-dealer employees.

The above practice presents a conflict of interest because the objectivity of the advice rendered to Clients could be biased. As RRs of such broker-dealers, the Advisor Representatives providing investment advice on behalf of PCP can be incentivized to effect securities transactions to generate commissions rather than solely based on a Client's needs. PCP addresses this conflict of interest by requiring these individuals to disclose the nature of their relationship with clients regarding their outside business activities. The employees satisfy this requirement by advising their Clients of the nature of and their role in the transaction or relationship and any compensation, including commissions or otherwise, to be paid to them by the brokerage firms with which they are affiliated at the time of any recommendation is made and/or product transactions occur. PCP further mitigates conflicts through its procedures to review client accounts relative to the client or investor's financial situation to ensure appropriate investment management services. PCP is committed to ensuring that all employees adhere to the Firm's Code of Ethics and fulfill their fiduciary duty to Clients.



### Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

None of PCP or its principals or employees are registered as or affiliated with a registered futures commission merchant, commodity pool operator or trading advisor.

### Affiliated Investment Advisers

In addition to FS, PCP is affiliated through common control with, PRCE Management LLC ("PRCE"), FSAM LLC ("FSAM") each an investment adviser registered with the SEC, and Phorcys Investment Advisors, LLC ("PIA"), an SEC registered investment adviser which expects to de-register with the SEC and operate under an exemption from registration available to investment advisers in the Commonwealth of Puerto Rico. Messrs. Hawk and Sfyris are the managing members of PRCE and FSAM.

PRCE and FSAM are each related advisers to PCP under Rule 203a-2(b) of the Advisers Act because they are under common control with PCP and have the same principal office and place of business as PCP. Additionally, PCP, PRCE and FSAM also consider themselves "operationally integrated" under the *Richard Ellis, Inc.* SEC No-Action Letter (August 19, 1981), and its related regulatory progeny, as they share, among other things, common ownership, office space, technology, employees and do not maintain specific policies that address regulatory separation of these affiliated investment advisers. While Messrs. Hawk and Sfyris are control owners of PIA, they do not participate in its management and are segregated from its business activities. Accordingly, PCP, PRCE and FSAM do not consider PIA an operationally integrated affiliate.

PCP invests on behalf of the Funds in equity or debt investments in investment vehicles managed by PRCE, namely Ocean Capital LLC ("OC Fund"), a Puerto Rico domiciled limited liability company which invests solely in Puerto Rico close-ended registered investment companies. PRCE is the sole owner of the OC Fund and PRCE is owned and controlled by members of PCP. The Ops Fund has invested in promissory notes issued by the OC Fund through the debt offering made by the OC Fund as well as through a secondary transaction with an existing debt investor to the OC Fund. PCP believes that all such material transactions between the Ops Fund and the OC Fund or third party lenders to the OC Fund now or in the future will be generally on arm's length terms or on terms otherwise considered to be equitable to both parties under the circumstances. However, such transactions could benefit one Fund over the other Fund. For a discussion of how material conflicts of interest between PCP, its related persons and the Funds are addressed, please see Item 11 below.

As discussed in Item 11, below, PCP and its related persons will be, directly or indirectly, the general partner, trustee, limited partners and/or managing members of the general partner or manager of the Funds. PCP and its related persons may spend all their business time substantially on one or more of the Funds.

Employees of PCP and its affiliates may serve as officers, advisors, directors or in comparable management functions for companies or entities in which the Funds invest. Employees or partners of PCP also, from time to time, serve on the board of directors or a creditors committee of a company or be given access for other reasons to confidential information relating to companies in which the Funds invest. As a result, PCP and a Fund may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a company, which prohibition may have an adverse effect on a Fund.

Clients will be subject to a number of actual and potential conflicts of interest involving PCP and its affiliates. When a conflict of interest arises, PCP will endeavor to ensure that it is resolved fairly. PCP has policies and procedures in place, it believes, are reasonably designed to identify and resolve actual and potential conflicts of interest.

### Referral & Promoter Relationships

PCP has entered Promoter relationships with certain qualified individuals who are paid to refer clients to PCP, which can result in the provision of investment advisory services. PCP ensures that any Promoters used are licensed when required and otherwise qualified to provide investment advice. Unlicensed Promoters may only provide impersonal investment advice by recommending our services and not comment on using the PCP's services or portfolio construction. The terms of all Promoter arrangements are defined by a contract between the Promoter and PCP, which sets forth the terms of the Agreement and form of compensation to the Promoter, a percentage of the advisory fees received from referred clients.

Referral arrangements inherently give rise to potential conflicts of interest, particularly when the person recommending an adviser receives an economic benefit, as the payment received could incentivize the Promoter's referral. Accordingly, Promoters

are required to disclose to referred clients, in writing, (1) whether they are a client or a non-client, (2) that they will be compensated for the referral, (3) the material conflicts of interest arising from the relationship and/or compensation arrangement, and (4) all material terms of the arrangement, including a description of the compensation to be provided for the referral.

### Conflicts of Interest

PCP and its employees have an economic incentive to select investments or service providers to the Funds over others due to compensation received in connection with the transaction rather than Client need. PCP addresses this conflict of interest by requiring its employees to always act in each client's best interests when making such recommendations and fully disclose such relationships before the transaction. If offering clients advice or products outside of PCP, employees satisfy this obligation by advising and disclosing the nature of the transaction or relationship, their role and involvement in the transaction, and any compensation to be paid and received before transaction execution. When acting in this capacity, PCP's policy is that employees communicate clearly to prospective or existing clients that they are not acting on behalf of PCP, the investment adviser or under any PCP Advisory Agreement.

Clients are not obligated to act upon any recommendations received, implement any recommended transaction(s) through the Adviser, or purchase any additional products or services offered. The ultimate decision to accept any recommendation and retain products or services remains at the client's sole discretion.

Additional details of how PCP mitigates conflicts of interest can be found in the firm's written compliance policies and procedures and Code of Ethics. PCP's Code of Ethics is available for review free of charge to any client or prospective client upon request.

### Selection or Recommendation of Other Advisers

PCP does not recommend or select other investment advisers for its clients or receive compensation from such advisers in a manner that would create a material conflict of interest. PCP does not have other business relationships with other advisers that create a material conflict of interest.

### Other Business Relationships

PCP uses third-party resources to help run its business and provide services to its clients, mostly back-office related. PCP sources these professionals acting in a client's best interest with fiduciary responsibility while focusing on finding the highest value-added providers to service clients. While the Adviser has developed a network of professionals - accountants, lawyers, and otherwise, neither PCP nor its Associates receive compensation for such use or referrals. Outside of the information referenced herein, neither the Adviser nor its management persons have any other material relationships or conflicts of interest with other financial industry participants.

Entities affiliated with PCP and the principals, including Senior Housing GP (the "General Partners"), generally serve as general partners (or equivalent) of the Funds, and the principals of PCP are partners of one or more of the General Partners. For a description of material conflicts of interest created by the relationship among PCP and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

Outside of the items disclosed herein and our clients' advisory fees, PCP does not receive any other economic benefits, including sales awards or prizes.

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

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### Code of Ethics and Personal Trading

PCP strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, PCP has adopted a Code of Ethics (the "Code"), which is reviewed and updated (if necessary) at least annually. Under the Code, all supervised persons have a duty to act only in the best interests of the Funds and potential conflicts and violations of the Code must be promptly reported to PCP's Chief Compliance Officer ("CCO"). The Code incorporates the following general principles that all employees are expected to uphold: as mentioned above, employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code, and any actual or potential conflicts of interest must be eliminated, mitigated and/or disclosed, as appropriate; any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any



inappropriate advantage of their positions; and information concerning the identity of securities and financial circumstances of clients and the Funds, including investors in the Funds, must be kept confidential. The Code also places restrictions on personal trades by employees, including requiring them to disclose their personal securities holdings and transactions to PCP periodically and pre-clear certain types of personal securities transactions.

As part of the Code, PCP maintains insider trading policies and procedures (the "Insider Trading Policies") designed to prevent the misuse of material, non-public information. At least annually or as amended, PCP personnel must certify compliance with the Code, including the Insider Trading Policies.

The Insider Trading Policies generally prohibit PCP and its personnel from trading for the Funds or themselves, or recommend trading, in public securities of a company while in possession of material, non-public information ("Inside Information") about the company and from disclosing such information to any person not entitled to receive it. Because of its various activities, PCP may have access to inside information or be restricted from affecting transactions in certain investments that might otherwise have been initiated. PCP has designed and implemented policies and procedures reasonably designed to closely monitor the access of its investment professionals to Inside Information. Among other things, such policies seek to control and monitor the flow of Inside Information to and within PCP and prevent trading public securities based on Inside Information. The CCO will maintain and make available a list of restricted securities. Access Persons are strictly prohibited from trading on their own behalf in restricted securities without first obtaining written approval from the CCO.

Notwithstanding such policies and procedures, certain circumstances arise in which PCP receives inside information related to certain portfolio companies. As a result, PCP may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on a client or the Funds. PCP seeks to minimize those cases whenever possible, consistent with applicable law and our Insider Trading Policies. Still, there can be no assurance that such efforts will be successful and that such restrictions will not occur.

PCP, its principals and employees may buy and sell securities for themselves that they also recommend to clients and PCP and certain principals and employees are investors in the Funds. The Code of Ethics contains policies and procedures designed to prevent improper practices for such transactions, and address the conflicts of interest that arise with respect to these transactions. For example, the principals and employees of PCP are generally not permitted to execute a personal securities transaction if any client of PCP has a position in the same security.

Clients may obtain a copy of the Code by contacting PCP at the address or telephone number listed on the first page of this document.

#### Participation or Interest in Client Transactions

PCP, on behalf of a Client, may enter into a transaction in which one Client buys securities from, or sells securities to, one or more other Clients of PCP, including Clients in which PCP, its principals or employees may be investors or have some other direct or indirect financial interest and will share in any profits and losses generated by the Funds' investments. Such "cross trades" will be entered into at current market prices and will only be executed if the transaction is consistent with PCP's fiduciary obligations to each Client. Cross trades include rebalancing transactions undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. PCP has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross trades. Where required by applicable law, any such transaction will be approved in advance by the client in accordance with Section 206(3) of the Advisers Act. Typically, the Governing Documents of any Fund address permissible cross transactions or related party transactions and any applicable disclosure and/or Fund consent requirements.

In certain situations, related persons of PCP may purchase interests in portfolio investments held by the Funds. All such purchases are subject to compliance with PCP's Code of Ethics as described above. In addition, PCP and/or certain members or employees of PCP may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to the Funds, provided that the sale is consistent with PCP's fiduciary obligations to the Funds. Such transactions will be fully disclosed in writing. Where applicable law requires, the appropriate client's written consent will be obtained per Section 206(3) of the Advisers Act.

## Item 12: Brokerage Practices

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Subject to the investment objectives, policies, and restrictions of a Fund as outlined in its Governing Documents, PCP has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of a Fund, including the selection of, and commissions paid to, brokers.

In selecting broker-dealers to effect securities transactions, PCP seeks to obtain best execution by considering such factors as price, transaction costs, a broker's or dealer's ability to effect the transactions, its facilities, reliability and financial responsibility, the commitment of capital and the provision or payment by the broker of the costs of research and research-related services which are of benefit to PCP or the Funds, as well such other factors as PCP considers relevant and beneficial to the Funds. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services.

### Brokerage for Client Referrals

PCP does not consider whether PCP or its affiliates receive referrals from any broker-dealer when selecting or recommending broker-dealers for its clients.

### Research & Other Soft Dollar Benefits

Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act") provides a safe harbor that permits advisers, when selecting brokers to execute transactions for client accounts, to take into account certain research products and services provided to the Adviser by brokers. Clients may pay higher commissions than are obtainable from other brokers as a result of the consideration of research services as a factor in selecting brokers in addition to commission cost and best execution, provided that the adviser determines in good faith that the amount of commissions charged are reasonable in relation to the value of the brokerage and research services provided by such broker.

Research services offered to PCP by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; and discussions with research personnel. PCP may, at its discretion, pay the expenses and costs of third-party administrators with soft dollar arrangements. However, consistent with obtaining best execution for clients, PCP may in the future engage in such soft dollar arrangements, provided that such arrangements are of the type described in Section 28(e) of the Exchange Act and are designed to augment PCP's own internal research and investment strategy capabilities.

Receipt of research services from brokers provides PCP with a benefit because it will not have to produce or pay for the research, products or services. PCP may be incentivized to select a broker-dealer based on its interest in receiving the research or other products or services rather than a client's interest in receiving the most favorable execution.

PCP may use research services obtained with commissions from portfolio transactions in its investment activities for all its clients. Therefore, any particular client may or may not be the direct or indirect beneficiary of the research or services provided.

Subject to the considerations described above, the selection of a broker, including a prime broker, to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of the following: capital introduction, marketing assistance and consulting services for technology, operations, the commitment of capital, access to company management, and access to deal flow. Generally, neither PCP nor any a Fund separately compensates any broker for any of these other services. Since the Funds' investment programs include trading as well as investments, short-term market considerations will frequently be involved, and the turnover rate of the portfolios of a Fund in certain circumstances may be substantially more significant than the turnover rates of other types of investment vehicles.

### Directed Brokerage

Fund transactions are executed through FS, an affiliate of PCP. PCP has no other arrangements with clients that require PCP to execute transactions through a specified broker-dealer. Not all advisers require their clients to direct brokerage. By directing brokerage through FS, PCP may not be able to achieve most favorable execution for the Funds, which could cost the Funds more money. Accordingly, the use of FS, an affiliate of PCP, to execute Fund transactions creates a conflict of interest for the

Fund clients. To mitigate this conflict, FS does not charge commissions for these brokerage services (only the ticket charge is passed through to the Fund client).

#### Trade Aggregation

When it is determined that it would be appropriate for more than one Client to participate in an investment opportunity, PCP will seek to execute orders for all participating Client on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends and the investment programs and portfolio positions of the Clients for which participation is appropriate. However, PCP has no obligation to obtain any particular investment opportunity for a Client, and PCP may be precluded from offering particular securities to a Client in certain situations, including where PCP or its affiliates have a prior contractual commitment with other accounts or clients. Orders may be combined for all such accounts, and if an order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis that PCP or its affiliates consider equitable. There is no assurance that the Funds will hold the same investments or perform substantially similarly to other investment funds with similar strategies.

### Item 13: Review of Accounts

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#### Review of Client Accounts

Trade records and transaction details are reviewed daily to ensure that all trading activity is performed per the investment parameters defined in the Governing Documents. Daily reconciliations of all trading activity and cash, collateral and margin management (if applicable) among PCP, the broker-dealer and the administrator also occur. PCP's investment professionals conduct such reviews.

#### Reports to Clients

Fund Investors receive quarterly written reports. However, PCP may provide certain Investors with information on a more frequent and detailed basis if agreed to by PCP. In addition, each Fund will issue tax reports and audited financial statements to investors within 120 days of its fiscal year-end.

Investors should refer to the Governing Documents of each Fund for further information on the reports provided by a particular Fund to its investors.

### Item 14: Client Referrals & Other Compensation

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#### Economic Benefits Received from Third Parties

PCP is compensated exclusively by its clients and investors for providing investment advice.

#### Third-Party Compensation for Client Referrals

PCP or its affiliates have and may enter into arrangements with unaffiliated placement agents or third parties whereby PCP or its affiliates will pay third parties who introduce clients or investors in the Funds to PCP or its affiliates a portion of the management fees or incentive compensation received by PCP or its affiliate from such clients or with respect to such investors' investment in the Funds, which can result in the provision of investment advisory services. Any associated sales charge will ultimately be payable by PCP or its related persons, either directly or through an offset of the management fee or incentive compensation payable by the relevant client or the Funds to PCP.

PCP ensures that any Promoters used are licensed when required and otherwise qualified to provide investment advice. Unlicensed Promoters may only provide impersonal investment advice by recommending our services. The terms of all such arrangements are defined by a contract between the unaffiliated placement agent and third-party Promoters and the Adviser, which sets forth the terms of the Agreement and form of compensation to be received for client referrals, in which payment will be made as indicated above.

Referral arrangements inherently give rise to potential conflicts of interest, particularly when the person recommending an Adviser receives an economic benefit, as the payment received could incentivize the third party's referral. Accordingly, those making the client referrals under this type of arrangement are required to disclose to referred clients, in writing, (1) whether they are a client or a non-client, (2) that they will be compensated for the referral, (3) the material conflicts of interest arising from the relationship and/or compensation arrangement, and (4) all material terms of the arrangement, including a description of the

compensation to be provided for the referral. Such arrangements will be disclosed to PCP's clients following and otherwise comply with applicable Rule requirements under the Advisers Act to the extent relevant. Certain third parties may be affiliates of PCP.

#### **Item 15: Custody**

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PCP does not have physical custody of any client assets (other than certain privately offered securities to the extent permitted under the Advisers Act). PCP is deemed to have custody of the assets of the Funds and their subsidiaries due to its authority over the Funds and their subsidiaries. It is PCP's policy to cause the Funds to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles, to investors no later than 120 days after the end of each fiscal year.

All assets in the accounts of PCP clients are held by a qualified custodian, except that certain privately offered, uncertificated securities may be recorded on the books of the issuer or its transfer agent in the name of the Funds or client and are not required to be maintained with a qualified custodian.

#### **Item 16: Investment Discretion**

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Subject to the investment objectives, policies and restrictions of a Fund, as outlined in its Governing Documents, PCP has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold, including the selection of, and commissions paid to, broker-dealers. PCP is provided this authority pursuant to a limited power of attorney granted via the applicable Governing Documents.

The terms upon which PCP serves as an investment adviser with respect to any Fund are established at the time that such Fund is formed and generally are set forth in such Fund's Governing Documents. PCP's investment advice is provided directly to the Funds and not to investors in the Funds. PCP is not required to contact investors in the Funds prior to transacting any business in the Funds.

#### **Item 17: Voting Client Securities**

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Because PCP has or will accept authority to vote securities held by the Funds, it has adopted policies and procedures that have been designed to ensure that PCP complies with the requirements of Rule 206(4)-6 and Rule 204-2(c)(2) under the Advisers Act and reflect PCP's commitment to voting all client securities for which it exercises voting authority in a manner consistent with the best interest of the client.

PCP's general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities (collectively, "proxies") in a manner that serves the best interests of the Funds, as determined by PCP in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices.

In limited circumstances, PCP may refrain from voting proxies where PCP believes voting would be inappropriate considering the cost of voting the proxy and the anticipated benefit to the Funds. Prior to exercising its voting authority, if any, PCP reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of PCP, its owners, its employees or its related persons with persons having an interest in the outcome of the vote. If a material conflict exists, PCP takes steps to ensure that its voting decision is based on the client's best interests and is not a product of the conflict.

PCP may, at its discretion, disclose the conflict of interest to the Client and defer to the Client's voting recommendation, defer to the voting recommendation of an independent third-party provider of proxy voting services, or take any other action that would serve the Client's best interest. Depending on the circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another, even though the general facts underlying both conflicts may be similar or identical.

PCP will deliver to each Client upon written request a complete copy of its proxy voting policies and/or information on how it voted proxies for the Funds.

**Item 18: Financial Information**

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PCP has no financial conditions that will likely impair its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.