

**PriCap Advisors LLC**

**March 30, 2024**

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**This brochure provides information about the qualifications and business practices of PriCap Advisors LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 212-372-8922. This information has not been approved or verified by the SEC or by any state securities authority.**

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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**Material Changes**

Not Applicable.

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in New York City, New York. The Adviser commenced operations as an investment adviser on January 1, 2009. James S. Ely III is the principal owner of the Adviser.

The Adviser provides advisory services on a discretionary basis to its clients, which include individuals and institutions with separately managed accounts (the "Accounts").

The Adviser manages portfolios that invest primarily in corporate fixed income securities. For selected Accounts, the Adviser may also invest in equities and fixed income and equity mutual funds and exchange traded funds. Returns are generated from a combination of interest earned and capital appreciation. The Accounts generally invest in fixed income securities until the securities are repaid by the issuer, unless the Adviser sells a security prior to such date because the market price of the security rises to a price that the Adviser deems attractive to sell or the creditworthiness of the issuer deteriorates to a point where the Adviser deems that repayment is jeopardized.

The Adviser focuses on the evaluation and selection of fixed income securities issued by corporations with credit ratings, as reported by Standard & Poor's, Moody's and Fitch, below investment grade. Client portfolios consist of securities deemed by the Adviser to provide attractive returns given prevailing market conditions. These portfolios are diversified by issuer and industry to mitigate exposure to any one particular company or sector.

The Adviser provides advice to its clients based on specific investment objectives and strategies. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of clients. Currently, the Adviser tailors its advisory services for certain Accounts by investing the assets of the Accounts in securities with specific maturities and/or credit quality. The Accounts may impose restrictions on investing in certain securities or certain types of securities.

As of December 31, 2023, the Adviser had approximately \$34,250,000 in client assets under management, all of which are managed on a discretionary basis.

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## **Item 5. Fees and Compensation**

The Adviser charges each client an investment management fee based on the value of the client's assets under management.

Investment management fees are charged each quarter in advance based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the quarter. If a new client account is established during a quarter or an additional contribution is made to an Account during a quarter, the investment management fee will be charged as of the effective date of the investment management agreement or the date of the additional contribution based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the quarter. In the event a withdrawal is made from an Account during a quarter, the investment management fee will be refunded based on the number of days remaining in the quarter. The Adviser prepares invoices for the investment management fees with respect to the Accounts. The Adviser receives the investment management fees each quarter by instructing the custodian of the Accounts to deduct the investment management fee from each investor's account.

The Adviser (or a related person of the Adviser) may in the future also charge a performance-based fee, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a client. This compensation may be paid to the Adviser (or to a related person of the Adviser). Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate.

The Adviser may offer different investment management fee and performance-based compensation schedules to clients based on a variety of factors, including, among other things, the nature of investments and length of relationship with the Adviser or its related persons.

In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, clients bear investment expenses such as brokerage commissions, custodial fees, bank service fees and other expenses related to the purchase, sale or transmittal of client assets.

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**Item 6. Side-by-Side Management**

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

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**Item 7. Types of Clients**

The Adviser's clients consist of the Accounts.

The Adviser generally requires that a client invest a minimum of \$1,000,000 to open an account and maintain a minimum account size of \$1,000,000. If the account size falls below the minimum requirement due to market fluctuations only, a client will not be required to invest additional funds with the Adviser to meet the minimum account size.

The Adviser reserves the right to offer lower minimum amounts to clients on a case-by-case basis.

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## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

The Adviser performs fundamental credit analysis on below investment grade issuers of fixed income securities to determine whether such securities are suitable for client portfolios. The Adviser generally selects securities that rank relatively high in repayment priority from issuers with sound business fundamentals. Among other items, the Adviser evaluates each issuer's business and industry prospects, financial leverage and ability to meet continuing financial obligations in its selection process.

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research as well as use of quantitative tools and investment approaches.

The Adviser employs the following investment strategies:

Fundamental Value. The Adviser engages in a fundamental value investment strategy wherein the Adviser attempts to invest in asset-oriented securities the Adviser believes are undervalued by the market.

Buy and Hold. The Adviser engages in a buy and hold investment strategy wherein the Adviser buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the price of the security.

These methods and investments involves risk of loss to clients, and clients must be prepared to bear the loss of a significant portion of their investment.

Material risks (including significant or unusual risks) relating to the Adviser's investment strategies include:

Issuer-Specific Risk. Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

Interest Rate Risk. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Lack of Diversification. Client accounts will not be fully diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

Risks associated with types of securities that may be recommended by the Adviser (including significant or unusual risks) include:

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities

because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Distressed Securities. Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Illiquid Instruments. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing an account's portfolio.

Asset-Backed Securities. Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. In addition, asset-backed securities experience credit risk. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.



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**Item 9. Disciplinary Information**

Not applicable.

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**Item 10. Other Financial Industry Activities and Affiliations**

Not applicable.

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#### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its related persons to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Hon Cheung Ng (Chief Compliance Officer) by email at [hon.ng@pricap.com](mailto:hon.ng@pricap.com) or by telephone at 212-372-8922. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information in order to ensure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its related persons invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a related person recommends to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related persons are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients’ trades). In addition to affecting the Adviser’s or its related person’s objectivity, these practices by the Adviser or its related persons may also harm clients by adversely affecting the price at which the clients’ trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its related persons to preclear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute a transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser’s Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser’s related persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis. Trading in employee accounts will be reviewed by the Chief Compliance Officer and compared with transactions for the client accounts and reviewed against the restricted securities list.

The Adviser or a related person from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser or related person buys or sells the same securities for its own account. The Adviser will comply with the preclearance procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser or its related person to the detriment of the client.

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## Item 12. Brokerage Practices

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include the broker-dealer's ability to acquire securities considered attractive for the portfolios, net price, reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and other trader meet regularly to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

The Adviser receives research or other products or services other than execution from a broker-dealer in connection with client securities transactions. This is known as a "soft dollar" relationship. Except for services that would be a client expense, the Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer and other trader meet regularly to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including for the benefit of other client accounts. The Adviser does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research); financial newsletters and trade journals; corporate governance research and rating services; attendance at

seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; certain proxy services; services related to the execution, clearing and settlement of securities transactions and functions incidental thereto; trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

In the future, the Adviser may participate in capital introduction programs arranged by broker-dealers. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

The Adviser often purchases or sells the same security for many clients at or near the same time and using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. The Adviser will also aggregate in the same transaction the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that client's transaction with others. In such a case, the client may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

The Adviser or its related persons may also participate in an aggregated order.

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**Item 13. Review of Accounts**

Each client account is reviewed by the managing member of the Adviser on a monthly basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

Significant market events affecting the prices of one or more securities in a client account, changes in the investment objectives or guidelines of a particular client, or specific arrangements with particular clients may trigger reviews of client accounts on other than a periodic basis.

Each client that is an Account receives individual reports detailing holdings and transactions in its portfolio on a monthly basis from their respective custodians. Such reports may be delivered electronically to the client in accordance with the client's agreement with their respective custodians.

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**Item 14. Client Referrals and Other Compensation**

The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

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**Item 15. Custody**

Clients receive account statements from their respective custodians (broker-dealer, bank or other qualified custodian) and clients should carefully review those statements.

The Adviser also sends quarterly performance updates directly to clients in addition to those sent by their respective custodians. Clients should compare any quarterly statements they receive from their custodians with those received from the Adviser.



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## Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming limited discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines); (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) the tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) the size of the client account; (v) the nature and liquidity of the security to be allocated; (vi) the size of available positions; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type divided by the total assets of all accounts eligible to invest in the particular investment.

Securities acquired by the Adviser for its clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of a client and the client's investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the client of the capacity in which the Adviser or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA. Cross transactions involving a registered investment company for which the Adviser serves as adviser are permitted only in accordance with the company's rule 17a-7 procedures.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care described above are borne by the client account.

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**Item 17. Voting Client Securities**

The Adviser's clients generally invest in instruments that do not have attached voting rights. To the extent the Adviser's clients invest in instruments with voting rights and the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser will comply with proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting Hon Cheung Ng (Chief Compliance Officer) by email at [hon.ng@pricap.com](mailto:hon.ng@pricap.com) or by telephone at 212-372-8922.

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**Item 18. Financial Information**

Not applicable.