

ITEM 1 – COVER PAGE



**THE PALISADES GROUP, LLC
PALISADES INVESTMENT PARTNERS I, LLC
PALISADES ADVISORY SERVICES, LLC**

PART 2A FIRM BROCHURE

March 28, 2024

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This Firm brochure provides information about the qualifications and business practices of The Palisades Group, LLC ("TPG"), Palisades Investment Partners I, LLC ("PIP I") and Palisades Advisory Services, LLC ("PAS" and, collectively with TPG and PIP I, "Palisades"). TPG is the filing adviser, PIP I and PAS are relying advisers. If you have any questions about the contents of this brochure, please contact us at (512) 361-2148. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Palisades is available on the SEC's website at www.adviserinfo.sec.gov.



ITEM 2 – MATERIAL CHANGES

This brochure contains the following material change from the previous annual amended version filed on March 28, 2023:

Items 4 and 10 have been updated to reflect the addition of Palisades Advisory Services, LLC as a relying adviser.

This brochure also has been updated to reflect Palisades' assets under management and certain other information contained herein. While we do not view these as material changes, we nevertheless encourage all recipients of this brochure to read it carefully in its entirety. A free copy of our brochure may be requested by contacting us at (512) 361-2148.



ITEM 3 – TABLE OF CONTENTS

ITEM 1 – COVER PAGE	1
ITEM 2 – MATERIAL CHANGES	2
ITEM 3 – TABLE OF CONTENTS	3
ITEM 4 – ADVISORY BUSINESS	4
ITEM 5 – FEES AND COMPENSATION	5
ITEM 6 – PERFORMANCE-BASED COMPENSATION AND SIDE-BY-SIDE MANAGEMENT	9
ITEM 7 – TYPES OF CLIENTS	9
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS	9
ITEM 9 – DISCIPLINARY INFORMATION	14
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	15
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	17
ITEM 12 – BROKERAGE PRACTICES	18
ITEM 13 – REVIEW OF ACCOUNTS	19
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION	20
ITEM 15 – CUSTODY	21
ITEM 16 – INVESTMENT DISCRETION	21
ITEM 17 – VOTING CLIENT SECURITIES	21
ITEM 18 – FINANCIAL INFORMATION	21

This brochure does not constitute an offer, solicitation, or recommendation to sell or an offer to buy any securities, investment products or investment advisory service.

ITEM 4 – ADVISORY BUSINESS**A. Principal Owners and Background**

The Palisades Group, LLC (“TPG”), a Delaware limited liability company, is a mortgage credit, real estate, and fixed income investment advisory firm that was formed in 2012. TPG is a wholly owned subsidiary of Palisades Holdings II, LLC (“Holdings II”), which is in turn a majority owned subsidiary of Palisades Holdings I, LLC (“Holdings I”). Jack L. Macdowell, Jr. is the principal owner of Holdings I.

Palisades Investment Partners I, LLC (“PIP I”) was formed in 2017 to act as a sub-adviser to an unaffiliated investment adviser for a privately offered pooled investment vehicle. PIP I is a wholly-owned subsidiary of TPG and is a relying adviser with respect to TPG’s investment adviser registration.

Palisades Advisory Services, LLC (“PAS”) was formed in 2016 and was appointed in 2021 to act as asset manager to a securitization vehicle that holds residential transition loans. PAS is a wholly-owned subsidiary of Holdings II and is a relying adviser with respect to TPG’s investment adviser registration. TPG, PIP I and PAS are collectively referred to herein as “Palisades”.

Mr. Macdowell is the Chief Investment Officer and manages the investment advisory business.

B. Types of Advisory Services

Palisades provides investment management and advisory services on both a discretionary and non-discretionary basis.

Palisades’ discretionary strategies involve making direct investments in residential mortgage loans and other real estate-related assets on behalf of privately offered pooled investment vehicles (the “Discretionary Funds”). Palisades provides sub-advisory services to privately offered pooled investment vehicles, separate accounts, insurance companies, and other institutional clients whose portfolios consist of a variety of residential loans, real estate related assets, and consumer loans (the “Non-Discretionary Clients” and together with the Discretionary Funds, the “Clients”).

As part of the advisory services, Palisades provides investment advice regarding the acquisition and management of mortgage loans and real estate related assets including sourcing, valuation, analytical services, and portfolio and risk management strategies. Palisades also provides transaction settlement and mortgage loan document remediation services to its advisory Clients. As part of the normal course of managing certain mortgage loan portfolios, Palisades performs due diligence on mortgage loan servicing partners, negotiates terms of servicing arrangements, and retains certain rights to direct the servicers’ activities, and transfer the servicing duties with or without cause.

Services and activities performed by Palisades for Clients may include one or more of the following:

- (i) investigating, identifying, analyzing, evaluating, and selecting possible investment opportunities on a discretionary and non-discretionary basis, and negotiating, acquiring, financing, managing, monitoring, selling, restructuring, or disposing of assets consistent with a Client’s investment or asset management guidelines;

- (ii) negotiating financing arrangements, including credit facilities (including term loans and revolving credit facilities), securitizations, warehouse facilities, repurchase agreements, and similar agreements and engagements;
- (iii) evaluating hedging activities on a Client's behalf;
- (iv) performing due diligence on, negotiating commercial arrangements with and supervising parties and independent contractors that provide real estate, investment banking, mortgage brokerage, mortgage loan servicing, appraisal, securities brokerage, underwriting review, due diligence, insurance, legal and accounting, and other legal, or administrative financial services, and similar services; and
- (v) performing management services as may be required from time to time and other activities relating to a Client's assets and business as a Client shall reasonably request.

C. Tailoring of Advisory Services

Palisades tailors its investment advisory services in accordance with the investment objectives and strategies of its Clients. Investment advisory services may be provided on either a discretionary or non-discretionary basis. Clients that grant Palisades discretionary authority may restrict the types of investments that Palisades will make on their behalf.

D. Wrap Fee Programs

Palisades does not participate in wrap fee programs.

E. Amount of Client Assets We Manage

As of December 31, 2023, Palisades has regulatory assets under management of approximately \$15,183,512,221 on a non-discretionary basis and \$624,605,733 on a discretionary basis.

ITEM 5 – FEES AND COMPENSATION

A. Our Compensation for Advisory Services

The types and amounts of, and the related limitations and restrictions on, fees charged by Palisades may not be uniform among Clients and may be affected by the extent of services to be provided or the size of the account. Therefore, Palisades does not maintain a fee schedule. Palisades' fees are negotiable. Palisades has entered into side letter arrangements with certain investors in the Discretionary Funds granting preferential fee terms.

Base Management Fee

Investors in the Discretionary Funds may be charged a base management fee based on contributed capital used to purchase investments and excluding capital used for operating expenses and other fees, the fees associated with each Discretionary Fund are set forth in their respective offering documents. Investors' interest in the Discretionary Funds may also be subject to performance-based compensation as described in

Item 5 below. The fees and expenses related to Discretionary Funds are fully specified in the offering materials related to each Discretionary Fund. These materials are available from Palisades upon request.

Non-Discretionary Clients typically pay a monthly base management fee based on either (i) unpaid principal balance of the mortgage loans or (ii) amortized cost basis of the mortgage loans either gross or net of outstanding financing arrangements depending on what we have agreed with the Non-Discretionary Client to use as a basis for calculation of our base management fee. We have agreed with certain Non-Discretionary Clients that the base management fee will vary depending on the delinquency status of the mortgage loan(s) as defined in the Non-Discretionary Client's advisory agreement.

Incentive Fee

Certain Non-Discretionary Clients also pay incentive fees if mortgage loans are resolved through a short payoff, note sale, repurchase, or other types of loss mitigation outcomes. Non-Discretionary Clients generally pay incentive fees on a monthly basis. Incentive fees are typically based on a percentage of the liquidation proceeds or other agreed upon metric for non-resolution-based outcomes as defined in each Non-Discretionary Client's advisory agreement. Incentive fees are negotiable. No incentive fee is charged to the Discretionary Funds.

Settlement Fee

For certain Non-Discretionary Client accounts, a settlement fee is payable upon achieving certain transaction settlement milestones, in most cases such milestones represent the completion of the transaction. Generally, settlement fees are not based on a formula relating to assets under management and do not fluctuate based upon the future performance of Non-Discretionary Client assets, rather, they are generally payable based upon a percentage of the purchase price or notional principal balance of the mortgage assets being acquired or sold on behalf of the Non-Discretionary Client account. Any settlement fee generally is payable to Palisades at the closing of such transactions.

Termination Fee

In some instances, Clients have agreed to pay Palisades a termination fee if the Non-Discretionary Client chooses to terminate Palisades as the investment advisor, or sub-advisor prior to the stated termination date of the applicable advisory agreement.

Fees for Other Services

Certain Clients pay Palisades and its affiliates fees for performing other services. For example, Palisades receives fees for performing analytical services for Clients, including the review and analysis of Client portfolios. In addition, Palisades receives a fee for performing mortgage loan document remediation services. Certain Clients also pay structuring, acquisition, and ancillary fees. Such fees are negotiated by the parties in advance. Generally, these fees are not based on a formula relating to assets under management and do not fluctuate based upon the future performance of Client assets, rather, they are generally payable based upon a flat fee per asset, a time allocation with respect to such services, a percentage of notional principal balance or amortized cost basis of the assets for whom Palisades has provided such service, or other Client negotiated formula. Fees for other services are paid on terms as agreed to with our Client.

B. How We Collect Fees

With respect to Non-Discretionary Client accounts, applicable advisory agreements generally provide that all fees are deducted from Client accounts, subject to Client approval, or paid directly by the Client upon invoicing by Palisades.

With respect to Discretionary Client accounts, fees are deducted from Client accounts when due.

C. Other Fees and Expenses

Each Discretionary Fund bears and is charged with all costs and expenses relating to the activities and operations of the Fund, including but not limited to: (i) administrative fees, costs and expenses related to the operation of the Discretionary Fund (including fees, costs and expenses of accountants, auditors, administrators, lawyers, independent fiduciaries and other professionals incurred in connection with the Discretionary Fund's annual audit, legal compliance, investor record-keeping, financial reporting, legal opinions, tax strategy and tax return preparation, as well as expenses associated with the distribution of reports); (ii) fees, costs and expenses related to the acquisition, holding, management, development, financing, hedging, refinancing, monitoring and sale or other disposition of investments and the evaluation of potential investments (regardless of whether the potential investments are consummated), including any travel, financing, legal, accounting, advisory and consulting expenses in connection therewith; (iii) brokerage commissions, custodial expenses and other investment costs actually incurred, (iv) fees, costs and expenses related to making temporary investments and any interest or hedging expenses; (v) principal, interest on and fees and expenses arising out of all borrowings made by the Discretionary Fund (including any costs related to arranging, establishing or maintaining any subscription facility; (vi) expenses of liquidating the Discretionary Fund; (vii) any taxes, fees or other governmental charges levied against the Discretionary Fund and all costs and expenses incurred in connection with any tax audit, investigation, settlement or review of the Discretionary Fund; (viii) fees, costs and expenses related to litigation, director and officer liability, other insurance and indemnification obligations; (ix) the expenses of the Discretionary Fund's Investor Advisory Committee; (x) expenses related to organizing persons through or in which investments may be made, including fees, costs and expenses of service providers of such entities; (xi) certain organizational expenses of the Discretionary Fund, as detailed in the offering documents of such Discretionary Fund; (xii) insurance premiums, costs or expenses (including litigation costs, any costs and expenses related to any retention or deductibles, broker fees, costs and commissions, and fees for advisors or consultants) in connection with protecting the Discretionary Fund, its general partner, its investment manager (acting in such capacity), the members of its investment committee and its Investor Advisory Committee and other indemnified persons (including errors and omissions, fidelity, crime, cybersecurity, general partner liability, directors and officers and other forms of liability insurance); (xiii) extraordinary administrative or operating fees or expenses that have not been recovered under applicable insurance policies (if any) or from a third party, including litigation and indemnification expenses; (xiv) filing and other related fees, costs and expenses; (xv) any and all fees, costs and expenses incurred in implementing or maintaining third-party or proprietary software tools, programs or other technology for the benefit of the Discretionary Fund (including any and all fees, costs and expenses of any investment, books and records, portfolio compliance and reporting systems and services, including consultant, software licensing, data management and recovery services fees, and any tools, programs, subscriptions or other systems providing market data, analytical, database, news or third-party research or information services to the Fund); (xvi) any and all fees, costs and expenses incurred in connection with distributions to the partners in the Discretionary Fund; (xvii) allocated fees, costs and expenses associated with the meetings of the Discretionary Fund's Investor Advisory Committee and

partners, including annual meetings (including for members of the Investor Advisory Committee, in addition to any other costs and expenses to be borne by the Discretionary Fund in respect of them under the Discretionary Fund's limited partnership agreement in their capacity as limited partners, general partner and investment manager of the Discretionary Fund, any transportation costs in connection with attendance at an Investor Advisory Committee meeting (which may include business class airfare for international travel and coach class airfare for domestic travel) and other reasonable out-of-pocket expenses (including travel, meal and lodging expenses) of members of the Investor Advisory Committee, the general partner and the investment manager of the Discretionary Fund with respect to their attendance at meetings of the Investor Advisory Committee and ancillary activities related thereto); and (xviii) amounts contributed or advanced to any entity or investment for the purpose of such entity or investment paying any cost of the type described in the foregoing clauses (i) through (xvii).

These expenses generally are allocated amongst the Discretionary Funds and any parallel vehicles pro rata or otherwise in a manner that Palisades believes is fair and equitable to all entities bearing such costs and expenses.

Reimbursement of Expenses

Clients pay or reimburse Palisades for certain expenses incurred in connection with its services. These reimbursed expenses include other expenses actually incurred by Palisades which are reasonably necessary for the performance of its duties and functions under the operative investment advisory agreement.

Clients do not reimburse Palisades for the salaries and other compensation of its personnel unless specifically agreed to in writing by the Client.

D. Advance Payment

Neither Palisades nor any of its affiliates charge fees in advance. Base fees, performance-based compensation, and fees for other services payable by Clients to Palisades are generally paid in arrears.

E. Compensation for Sales of Securities

Neither Palisades nor any of its supervised persons accepts compensation for the sale of securities.

ITEM 6 – PERFORMANCE-BASED COMPENSATION AND SIDE-BY-SIDE MANAGEMENT

With respect to certain Client accounts, Palisades or one of its affiliates earns performance-based compensation based on a share of income, in some cases above a specified return threshold, if any, after the return of invested capital to the Client, and subject to clawback provisions. This type of performance-based compensation is generally payable simultaneous with Client distributions pursuant to the applicable Client agreement.

With respect to Aero Credit Opportunities Fund I, LP ("Fund I"), Palisades earns a performance-based allocation (the "Fund I Performance Allocation") based on a share of income, if any, after the return of invested capital to the Client with respect to an individual investment, and subject to a holdback reserve and clawback provisions. The Fund I Performance Allocation has been waived for certain employees of Palisades

and their family members.

With respect to Aero Credit Opportunities Fund II, LP ("Fund II"), Palisades earns a performance-based fee (the "Fund II Performance Fee") equal to the excess of (A) the sum of all prior distributions to the limited partners and the amount that would be distributed to the limited partners if all of the assets of Fund II were sold as of the end of such calendar year at fair market value and all liabilities of Fund II repaid, over (B) the aggregate amount of capital contributions that have been made by the limited partners of Fund II. The Fund II Performance Fee is subject to certain holdback provisions until the final disposition of all assets of the fund. The Fund II Performance Fee has been waived for TPG, certain employees of Palisades, and friends and family members of employees of Palisades.

With respect to Aero Credit Opportunities Fund III, LP ("Main Fund") and Aero Credit Opportunities Fund III PF-1, LP ("Parallel Fund", and together with Main Fund, "Fund III"), Palisades earns a performance-based allocation (the "Fund III Performance Allocation") as set forth in their respective offering documents. The Fund III Performance Allocation is subject to certain holdback provisions until the final disposition of all assets of the fund. The Fund III Performance Allocation is also subject to reaching a hurdle rate of return. The Fund III Performance Allocation has been waived for TPG, certain employees of Palisades, and friends and family members of employees of Palisades.

With respect to ACOF III CIV-1, LP ("CIV Fund"), Palisades earns a performance-based allocation (the "CIV Fund Performance Allocation") as set forth in the limited partnership agreement of CIV Fund. The CIV Fund Performance Allocation is subject to certain holdback provisions until the final disposition of all assets of the fund. The CIV Fund Performance Allocation is also subject to reaching a hurdle rate of return.

The use of performance-based compensation may create an incentive for us to choose an investment strategy that may carry a higher degree of risk. In addition, since we manage portfolios for Clients that are not charged performance-based compensation, we may have an incentive to favor Client accounts for which we are entitled to receive performance-based compensation. We have implemented policies and procedures to ensure that investment opportunities are allocated in a fair and equitable manner based on the investment capacity and investment guidelines of each Client.

ITEM 7 – TYPES OF CLIENTS

Palisades provides investment advice to privately offered pooled investment vehicles, insurance companies, private equity firms and other institutional Clients. Information regarding minimum investment amounts in each discretionary fund are set forth in the respective offering documents and may be waived at Palisades' discretion. Palisades does not generally offer its services to the public.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

A. Analysis and Strategies

Palisades utilizes proprietary and licensed analytical tools to make investment decisions and manage portfolio risk. These tools include customized mortgage credit risk modeling that focuses on borrower credit attributes, mortgage loan characteristics, and econometric trends that are specific to a property's geography. Mortgage loans and related assets are evaluated under a variety of scenarios which may include varying home price forecasts, interest rate environments and other factors that may influence prepayment

potential, default probability, loss mitigation techniques, and loss severity.

Palisades' investment process considers and evaluates the following criteria and attributes, among others, when assessing the appropriateness of any investment:

- Acquisition Price. An acquisition price that is at a considerable discount to current property value in distressed situations and, for all investments, a price that Palisades believes provides adequate compensation relative to the intrinsic risk and/or operational complexities of the investment.
- Seller Motivation. Existence of motivated or disinterested sellers, or sellers that require liquidity for loan production that may offer capacity rights with respect to a loan originator's production volume and/or preferred pricing.
- Sources of Competitive Edge. Ability to access or leverage Palisades' (i) network of sourcing channels and/or repeat trading counterparties, (ii) experienced due diligence personnel, (iii) analytical capabilities that have access to a proprietary database of loans managed by Palisades, (iv) willingness and proven ability to invest in operationally complex loan sectors exhibiting less price competition and (v) ability to control asset performance through loan servicing or other market inefficiencies and informational arbitrage.
- Appropriate Risk/Reward Profile. Investments with actual or potential cash flow characteristics that maintain a positive risk skew with downside protection, upside potential and/or stable cash flow with acceptable default risk.
- Underwriting and Due Diligence. Ability to perform loan level diligence, obtain and reconcile asset valuations and review borrower credit attributes and servicing notes.
- Financing Alternatives. Ability to secure prudent leverage and flexibility of financing structures available for the assets.
- Quality of Loan Servicing Partners. Previous experience with management, unique industry expertise, aligned interests and commitment to integrity of relationship.
- Control. Ability to determine or influence the performance of the investment, a financing edge and/or the resolution or exit strategy.
- Competition Risk. Whether or not competition for the investments has driven prices to levels that create unacceptable returns given the assessed risk in the asset.

As it relates to certain investment strategies, Palisades performs, or causes to be performed, various functions prior to investment:

- Sourcing assets from key relationships, including but not limited to banks, broker-dealers, lenders, and other financial institutions;
- Analyzing investments and deriving a top-down view as to the appropriateness of the assets within the context of the overall Client portfolio;

- Valuing investment opportunities using a variety of quantitative econometric variables and home price estimates;
- Preparing trade strategies with counterparties; and
- Performing loan level due diligence, including but not limited to, compliance reviews, title reviews, and property value reconciliations.

Palisades' investment approach is driven by a discipline focused on identifying areas with below market risk relative to potential for above market returns. The objective is to generate risk-adjusted returns through a combination of income and capital appreciation by making investments in various types of residential mortgage loans, commercial loans, residential and commercial bridge loans, and residential and commercial property rehabilitation and construction loans, and other real estate related assets.

In order to execute the Client's investment strategies, Palisades continually analyzes relevant market, property, and borrower data. We make use of proprietary data as well as licensed information from key statistical sources. Such data is used to define new investment targets as well as observe and manage potential concentration risk.

B. Material Risks

Investing in residential mortgage loans, real estate, and real estate related assets as well as securities (including both public and private companies) involves the risk of loss. While Palisades' ultimate goal is to provide attractive risk-adjusted returns over a long period of time, there can be no assurance we will achieve this goal. Investments made by Palisades on behalf of Clients may involve a high degree of business and financial risk that can result in substantial or even total loss that Clients should be prepared to bear. A more detailed discussion of the risks related to the investment strategies of the Funds is set forth in the offering materials for each Fund.

Other risks associated with Palisades' services to Clients include:

- General Risks of Real Estate. All real estate investments, including debt investments, are subject to some degree of risk. Real estate investments commonly experience significant fluctuation in value, which may be caused by local or regional economic, legal or other market conditions or pandemics such as the global outbreak of COVID-19, and are relatively illiquid investments. Therefore, the Clients' ability to vary the investment portfolio promptly in response to changes in economic or other conditions will be limited. No assurances can be given that the fair market value of any debt or real estate investments held by a Client will not decrease in the future or that the Client will recognize full value for any investment that the Client is required to sell for liquidity reasons. The value of, and cash flow derived from, investments will depend on many factors beyond the control of Palisades and its Clients.
- Competition. Palisades operates in a competitive market, and competition may result in reduced risk-adjusted returns. In particular, while Palisades believes that meaningful investment opportunities in residential mortgage and real estate related assets exist, these opportunities may become scarce as additional knowledgeable investors enter the market for such assets.
- Economic Slowdown. Palisades believes the risks associated with its strategies will increase during

periods of economic slowdown or recession, especially if these periods are accompanied by declining real estate values.

- Dependence on our Firm and Key Personnel. The success of our Clients is largely dependent upon employees of our firm. There is no guarantee that our firm or the individuals employed by our firm will remain willing or able to provide advice to the Clients' accounts or that trading on this advice by our firm will be profitable in the future. The performance of our firm depends upon certain key personnel, particularly Mr. Macdowell, who manages our firm and is involved in all of our investment decisions. If any of these personnel become incapacitated, the performance of our Clients may be adversely affected.
- Loan Modification and Government Intervention Initiatives. Mortgage loan modification and refinancing programs and future legislative action may adversely affect the value of, and the returns on, the portfolios of Clients. In particular, Palisades cannot at the present time predict the consequences and market distortions that may stem from anticipated far-ranging governmental intervention in the economic and financial system or from regulatory reform related to the oversight of financial markets, including consumer financial markets.
- Default & Liquidity Risk. Mortgage related assets are subject to delinquency, foreclosure, and loss. Many of these assets may be illiquid, which may adversely affect Palisades' ability to value and sell its assets and accordingly the asset's performance.
- Market Value Risk. The market value of residential loans varies based on numerous factors, including changes in interest rates, capital markets environment, labor market conditions, availability of consumer credit and the level of consumer defaults, property values, and other extraneous factors impacting the value of future financial asset cash flows, property values, and consumer credit.
- Valuation and Client Reports. Client investments will not be in readily marketable assets for which prices are available from third parties. Where applicable, or required by Client accounts, we may report investments at estimated market value, unpaid principal balance, or amortized cost basis, as determined in good faith by Palisades. We may also report forecasted cash flows for investments, as determined in good faith by Palisades. There can be no assurance that the value assigned to, or cash flows forecasted for, an investment at a certain time will equal the value or cash flows that the Client is ultimately able to realize.
- Borrowing/Leverage. With respect to the Discretionary Funds, Palisades determines the amount of leverage, if any, to utilize in connection with the management of the related investment strategy. Depending on the nature of the Non-Discretionary Client account, in some instances Palisades may recommend that a Client utilize leverage. Borrowing involves risk to Clients because the interest on the borrowed amount may be greater than the income from or increase in the value of the assets purchased with the borrowed amount. Also, there is always a possibility that the value of the assets purchased with the borrowed amount can decline below the amount borrowed. Generally, borrowing-type techniques used to increase potential returns are all forms of leverage.
- Hedging. With respect to the Discretionary Funds, Palisades determines whether or not to hedge various portfolio risks, most notably interest rate risk, in the management of the related investment strategy. Depending on the nature of the Non-Discretionary Client account, in some instances

Palisades may assist a Client in hedging certain portfolio risks. In either case, such hedging transactions could expose its Clients to contingent liabilities in the future.

- Mortgage Loan Investments. The acquisition of mortgage loans is subject to certain risks, such as the “as is” basis, with limited or no representations or warranties, on which a loan is usually acquired, fraud in connection with the origination of the loan, uninsured title defects and casualty losses to the underlying real estate improvements, and foreclosure or other collection proceedings. Such collection or foreclosure proceedings could be prevented or delayed due to claims, counterclaims, offsets or other defenses asserted by borrowers and guarantors in the event of a default and the initiation of foreclosure proceedings, or by a borrower’s bankruptcy and other civil or criminal proceedings. Collection or foreclosure proceedings could also be prevented or delayed due to missing or deficient documents, such as promissory notes, mortgages, guarantees, assignments, title work, surveys, appraisals, environmental and other reports, and closing documents. Clients, and third-party mortgage loan servicers, may be restricted in their foreclosure and debt collection practices by various laws that regulate debt collection and unfair credit collection practices as well as temporary mandates that address pandemics such as the global outbreak of COVID-19. Clients are also exposed to the risk of increases in interest rates that would diminish the value of fixed-interest-rate loans acquired by Clients.
- Whole Loans. Whole loan mortgages generally are not government guaranteed or privately insured. A whole loan mortgage is directly exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying property, the creditworthiness of the borrower and the priority of the lien are each of great importance. Whether or not Palisades or its affiliates have participated in the negotiation of the terms of any such mortgages, there can be no assurance as to the adequacy of the protection of the interests of Clients, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted that might interfere with enforcement of the rights of Clients. In the event of a foreclosure, Clients may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may be less than the Client’s adjusted purchase price for the related whole loan mortgage, resulting in a loss to the Client. In such a circumstance, any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the liquidation proceeds and thus increase the loss to the Client.
- Suitable Investments. Palisades may not be able to source suitable investments on favorable terms that satisfy the Client portfolio objectives. In the case of the Discretionary Funds, we invest capital in performing, re-performing (“RPL”), non-performing (“NPL”) whole mortgage loans and other real estate related investments. Depending on the nature of the Non-Discretionary Client account, we may recommend performing loans, RPLs, NPLs and other real estate related investments. The supply of such loans and investments may decline over time as a result of uncertainty in the lending industry and the governmental sector and/or as a result of general economic trends.
- Due Diligence. In conducting due diligence regarding prospective investment opportunities, Palisades’ investment professionals will use publicly available information as well as information from their relationships with current and former management teams, consultants, vendors, competitors and investment bankers. Such level of due diligence may not reveal all matters and issues, material or otherwise, relating to a prospective investment, which could materially affect

the performance of Client assets.

- Tax reform. Recent changes to the federal income tax laws could have an adverse impact on the value of Client investments. The new tax law reduces the number of homeowners that can rely on the mortgage interest deduction, and imposes limitations on deduction of state and local taxes. This could impact both existing and potential homeowners and may negatively impact home values, which could in turn, negatively impact the value of Client investments.
- Whole Loan Securitizations. Our Clients may acquire whole loans with the intention of securitizing them and retaining all or a part of the securitized assets. In a securitization, notes or certificates will be issued backed by the whole loans. Typically the securitizations will sell the most senior notes or certificates and retain the junior notes or certificates. Clients will be required to retain certain junior notes or certificates associated with a securitization under applicable risk retention rules. As a holder of the junior notes or certificates, Clients will be more exposed to losses because the equity retained interest in the subsidiary issuing such notes or certificates would be subordinate to the more senior notes issued to investors and Clients would, therefore, absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the more senior notes or certificates experience any losses.
- Mortgage-Backed Securities. We may recommend that our Clients invest in residential mortgage-backed securities (“RMBS”) backed by mortgage loans, some or all of which may be RPLs and NPLs. Investing in RMBS has similar risks to investing in whole mortgage loans as discussed above. Some or all of the RMBS acquired by our Clients may not be rated, or may be rated lower than investment grade by one or more nationally recognized rating agencies. Subordinated mortgage-backed securities in particular will be first in line among debt holders to bear the risk of loss from collateral delinquencies and defaults. Existing credit support may be insufficient to protect the security holder from incurring a loss.
- Artificial Intelligence. Artificial intelligence (“AI”) is a term that is used to encompass a broad spectrum of different technologies and applications. Palisades defines AI as computer systems able to perform tasks that normally require human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages, more commonly known as generative AI. As part of our investment management process, Palisades may use AI for investment research or decision processes. When relying on AI, there are certain risks involved, including data quality, copyright and trade secret violations, confidentiality breaches, unauthorized access or malware risks, insider trading, breach of contract, cybersecurity, and privacy law violations. Data inputs and outputs are assessed and evaluated for data integrity, however, there is no assurance of accuracy, and your account may be negatively affected.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client’s or prospective Client’s evaluation of an adviser or the integrity of its management. Neither Palisades nor its management persons have been involved in any such legal or disciplinary events and thus there is no information to disclose with respect to this Item 9.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**A. Broker-Dealer Registration**

Palisades is not registered as a broker-dealer or registered as a representative of a broker-dealer, nor does it have any pending application to register. In addition, Palisades and its management persons are not affiliated with any broker-dealer.

B. Futures and Commodities Registration

Neither Palisades nor any of its management persons is registered as a futures commission merchant, commodity pool operator, commodity trading adviser, or associated party of any of those, nor does it have any pending application to register as such.

C. Related Persons

Palisades has related entities, under common control, who serve as the general partners of certain clients. These related entities include PIP I, PAS, Palisades Investment Partners II, LLC ("PIP II"), Palisades Investment Partners III, LLC ("PIP III"), and Palisades Investment Partners IV, LLC ("PIP IV" and collectively with PIP I, PAS PIP II and PIP III, the "General Partners"). In addition, Palisades has relationships with related persons and certain third parties that create conflicts of interest, as described below. Except as otherwise disclosed in this brochure, Palisades has no current relationships that are material to its advisory business or to its Clients with any related person of the type listed below:

1. Broker-dealer, municipal securities dealer, or government securities dealer or broker;
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
3. Other investment adviser or financial planner;
4. Futures commission merchant, commodity pool operator, or commodity trading advisor;
5. Banking or thrift institution;
6. Accountant or accounting firm;
7. Lawyer or law firm;
8. Insurance company or agency; or
9. Pension consultant.

D. Conflicts of Interest

Palisades may have relationships with third parties or affiliates that create conflicts of interests. Certain fees earned by Palisades may also create conflicts of interest.

Affiliates of Palisades may perform other services for Clients that could potentially create conflicts of interest. For example, Palisades Advisory Services, LLC ("PAS") is an affiliate of TPG and the General Partners that provides advisory services to Clients that are unrelated to the firm's core investment advisory services. Such advisory services include valuation services related to retained securitization interests subject to the SEC's risk retention rules, among other services. We may have an incentive to charge more for these services; however, any fees earned by PAS are approved by the Client prior to proceeding with such services.

Stori Holdings, LLC ("Stori") is an affiliate of Palisades. Stori is a joint venture with a third party that has developed proprietary risk management software. Palisades may utilize Stori's software as part of the advisory services that Palisades provides with respect to a Client account. This may create a conflict of interest if a Client's account is charged a fee for such utilization since Stori and Palisades are affiliated entities. No such fees will be charged to a Client's account without the prior consent of such Client.

An affiliate of Palisades owns the controlling interest in Global Mortgage Group, LLC ("Moxi"). Moxi is a US-based company with operations in Mexico that lends to US citizens financing second homes in resort towns in Mexico. One of our Discretionary Funds has purchased loans from Moxi. This creates a conflict of interest in that affiliates of Palisades may directly or indirectly profit from the sale of the loans by Moxi. This conflict is mitigated by obtaining the approval of a limited partner advisory committee established on behalf of the Discretionary Fund prior to such transactions.

Bespoke Real Estate Services, LLC ("Bespoke") is an affiliate of Palisades. Bespoke provides property asset management and disposition services, property inspection, property preservation, general contractor, and construction services on certain properties. Bespoke has partnered with a vendor procurement firm that maintains a national network of pre-qualified contractors to perform property inspections, design construction budgets, assess net benefit at time of sale, and undertake construction and rehabilitation projects on real estate owned properties when appropriate. Bespoke provides services to certain of our Clients, including the Discretionary Funds (as defined in Item 4); however, Bespoke does not charge a fee on the services provided to our Discretionary Funds, other than reimbursement of third party expenses incurred on behalf of the Funds. In certain cases, the fees charged to different Clients may be different and more or less advantageous to Palisades, which could incentivize Palisades to favor one Client over another Client with regard to the allocation of an investment (or the relative portion thereof). We manage this conflict through written policies and procedures which require the allocation of investment opportunities in a fair and equitable manner based on the investment guidelines and investment capacity of our Clients.

Sidewalk Lending, LLC ("Sidewalk") is an affiliate of Palisades. Sidewalk provides short term financing to residential developers and builders seeking to pursue property rehabilitation and construction projects. Sidewalk also services loans that it originates as well as loans originated by third party lenders. Sidewalk has not originated and sold any loans to Clients. If Sidewalk sells loans to any Client account, however, this would create a conflict of interest in that affiliates of Palisades may directly or indirectly profit from the sale of the loans by Sidewalk. This conflict would be mitigated by obtaining the approval of a limited partner advisory committee established on behalf of the Discretionary Fund prior to such transactions. Sidewalk does not charge any fees in connection with loan servicing activities that it performs on behalf of a Discretionary Fund.

Palisades may accept compensation related to the sale of assets managed by Palisades, or the purchase of assets to be managed by Palisades on behalf of a Client account, including the sale of mortgage loans and real estate from one Client to another (such transactions, "Cross Trades"). This may create an incentive to



recommend the purchase of these assets to a particular Client based on the compensation received rather than on the Client's needs. In those circumstances, the transaction itself as well as any associated fees are contingent upon receiving approval from both Clients in advance.

Palisades will only engage in a Cross Trade when the transaction is:

- a) in the interests of, and consistent with, the investment objectives and policies of both Client accounts involved in the transaction;
- b) effected in an equitable and fair manner for all Clients involved; and
- c) not accompanied by any brokerage commission, fee (except for customary transfer fees), or other remuneration paid to Palisades or an affiliate unless such remuneration is disclosed and approved in advance by both of Clients involved in the transaction.

We will review the foregoing and any other transactions involving actual or potential material conflicts of interest and take such steps as we deem necessary and/or appropriate to ensure that the terms thereof are fair and reasonable under the circumstances and, if required by applicable law or the applicable client governing documents, seek the consent of clients.

Management of our Conflicts of Interest is addressed in our Code of Ethics, as discussed below.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Palisades has a fiduciary responsibility to treat Clients fairly and avoid actual or potential conflicts of interest to the extent possible and to manage conflicts that cannot be avoided. The employees of Palisades have an obligation to act solely in the best interests of Clients, and to make full and fair disclosure of all material facts, particularly where the Clients' interests may conflict with the interests of Palisades or its affiliates.

A. Code of Ethics

Palisades has adopted, and requires all employees to understand, acknowledge, and follow, a Code of Ethics. The fiduciary principles that govern personal investment activities of employees are, at a minimum, the following: (1) the duty at all times to place the interests of Clients first; (2) the requirement that all personal securities transactions be conducted in a manner that is consistent with Rule 204A-1 of the Advisers Act and in such a manner so as to avoid any actual or potential conflict of interest, or any abuse of an individual's position of trust and responsibility; and (3) the fundamental standard that personnel providing services to Clients should not take inappropriate advantage of their positions. Palisades' policy is that the interest and privacy of Clients comes first, and all employees will conduct themselves in accordance with the highest standards of integrity, honesty, and fair dealing. Palisades monitors compliance with the Code on an ongoing basis, and employees may be subject to disciplinary actions as severe as dismissal for certain infractions. Palisades' Code of Ethics is available to its Clients and prospective Clients upon request.

B. Participation or Interest in Client Transactions

Palisades may recommend or effect transactions where securities or whole mortgage loans are bought or sold for the account of a Client from or to the account of another Client in which we or one of our related

persons has a financial interest. Palisades manages such conflicts by disclosing our interest to the Clients involved in the transaction.

C. Personal Securities Investing

The employees and affiliates of Palisades are permitted to invest in similar securities, assets, investments, or mortgage loans as its Clients; however, we have adopted personal trading policies and procedures to mitigate conflict of interest with our Clients. Palisades takes its role as a fiduciary of its Clients' assets very seriously. Pursuant to this duty, our Code of Ethics requires that we must—at all times—act in the Clients' best interests, and we have a duty to ensure any recommendations are suitable for Client's objective needs and circumstances.

D. Personal Securities Trading

Palisades has adopted personal trading policies and procedures to mitigate conflicts of interest with its Clients. Palisades maintains a restricted list of securities that its employees may not trade in order to avoid the misuse of material non-public information or confidential Client information.

ITEM 12 – BROKERAGE PRACTICES

A. Selecting and Recommending Broker-Dealers

1. Research and Other Soft Dollar Benefits

a. In General

Generally, Palisades does not recommend broker-dealers to our Non-Discretionary Clients because they have pre-existing broker-dealer relationships. Palisades selects brokers-dealers to execute the purchases and sales of the Discretionary Funds' investments by seeking to obtain best execution on each transaction.

Best execution may be achieved over time through several transactions rather than a single transaction. Our Clients generally do not pay commissions on investment transactions as substantially all transactions are on a principal basis with dealers or directly with the sellers which may or may not include a markup or a markdown. No Client will be favored over any other Client that participates in an aggregated order. Transaction costs are shared on a pro rata basis depending upon each Client's participation in the transaction. Palisades' investment opportunities will be allocated at all times in a fair and equitable basis, which is generally based on the available investment capacity and investment guidelines for each Client.

b. Soft Dollars and Research

Palisades does not use soft dollars. We may receive proprietary market research from brokers; however, we do not consider the provision of such research in the recommendation or selection of brokers.

2. Brokerage for Client Referrals

Palisades does not generally use or recommend broker-dealers to its Clients and does not consider Client referrals when selecting or recommending broker-dealers.

3. Directed Brokerage

Palisades does not routinely recommend, request, or require that a Client execute transactions through a specified broker-dealer. Our Non-Discretionary Clients have pre-existing relationships with brokers and generally direct us to effect transactions through those brokers. Clients should be aware that where the Client has directed that we use a particular brokerage firm, we may not be able to get best execution.

B. Aggregating Orders and Allocation of Investments

Palisades generally does not place bids for investments on behalf of its Non-Discretionary Clients. Our Clients generally submit bids on pools of mortgages directly to the seller or broker. In instances where Palisades is submitting a bid to purchase a pool of mortgage assets on behalf of multiple Clients, we will allocate investment opportunities among Client accounts in a manner which we believe to be fair and equitable, which is generally based on the investment requirements and the available investment capacity for each Client.

As the investment programs of the various accounts managed by Palisades change and develop over time, additional issues and considerations may affect the investment allocation policy and Clients' expectations with respect to the allocation of investment opportunities among the various entities and accounts managed. Palisades relies on its investment allocation policy. To the extent that investment periods and investment strategies of any Discretionary Funds overlap, Palisades will allocate investments in a fair and equitable manner based upon factors it deems appropriate, including but not limited to (i) each individual Discretionary Fund's portfolio construction objectives, (ii) the relative amount of capital allocated to a particular asset category by the Discretionary Fund, (iii) the Discretionary Fund's access to financing for such investment, and (iv) the structuring costs associated with establishing trusts and acquisitions entities necessary for the Discretionary Fund to own such investment. Notwithstanding Palisades' intention to effect fair and equitable allocations of investment opportunities, it is expected that the performance of each Client's account will differ from the performance of other Client accounts for many reasons, including differences in the legal or regulatory characteristics, or tax classification, of the entities or accounts or due to differing fee structures or the idiosyncratic differences in the outcome of individual mortgage loans.

CIV Fund is a vehicle formed to make co-investments in certain business purposes loans, home equity investments and excess servicing strips alongside Main Fund. Palisades allocates such co-investment opportunities on terms and conditions that it deems to be fair and reasonable.

ITEM 13 – REVIEW OF ACCOUNTS

A. Review of Client Accounts

Portfolios are reviewed for performance, concentration limits, risk factors, and other metrics to ensure conformity with Client investment guidelines. Portfolio reviews are conducted on a monthly basis, by investment professionals in Palisades' portfolio management group.

B. Frequency of Review

Portfolios and portfolio positions are monitored on a daily basis and reviewed on a monthly basis, or more frequently as market conditions or client objectives may necessitate.

C. Content and Frequency of Regular Reports

Generally, Palisades will provide weekly, monthly and/or quarterly reports to its Non-Discretionary Clients, at that Clients' request, including performance information Palisades believes is relevant to evaluate the portfolio and any other additional information requested by the Client.

With respect to the Discretionary Funds, the following information will be provided to the limited partners within 120 days of fiscal year end:

- Financial statements prepared in accordance with generally accepted accounting principles and audited by an independent PCAOB registered and inspected accounting firm;
- Summary description of each investment, material event regarding the business and each disposition of an investment during the year; and
- Statement, or estimated statement, of the amount of each limited partner's share of the partnership's taxable income or loss and information relating to the nature thereof during such fiscal year (including Schedule K-1).

With respect to the Discretionary Funds, the following information will be provided to the limited partners within 60 days of quarter end:

- Quarterly unaudited financial statements of the partnership; and
- Summary description of each investment, material event regarding the business and each disposition of an investment during the quarter.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**A. Third Party Compensation**

No third party provides any economic benefit to Palisades for providing investment advice or other advisory services to any Client.

B. Client Referrals

We have entered into a placement agreement with Old City Securities, LLC ("Old City"), a broker-dealer registered with the United States Securities and Exchange Commission ("SEC"), pursuant to which Palisades will pay Old City a solicitation fee equal to a percentage of the management fee and incentive compensation received by Palisades in respect of any capital commitment by an investor introduced to Palisades by Old City to Palisades Residential Credit Fund IV LP (for which an initial closing is expected during 2024) ("Fund IV") and certain capital commitments to a successor fund of Fund IV.

We have entered into a placement agreement with CAVU Securities, LLC ("CAVU"), a broker-dealer registered with the SEC, pursuant to which Palisades will pay CAVI a solicitation fee equal to a percentage of the management fee and incentive compensation received by Palisades in respect of any capital commitment by an investor introduced to Palisades by CAVU to Fund IV and certain capital commitments to a successor fund of Fund IV.

ITEM 15 – CUSTODY

Palisades is deemed to have custody of funds or securities on behalf of certain Clients, including where affiliates of Palisades serve as the general partner of pooled investment vehicles managed by Palisades. As noted above, investors in the Discretionary Funds will receive annual financial statements audited by an independent PCAOB-registered and inspected accounting firm, and such audited financial statements will be distributed to the investors of each respective Discretionary Fund. Investors should carefully review those financial statements and compare them to other financial information provided by Palisades.

Where we have custody, all funds and securities are held by an independent qualified custodian. The qualified custodian will make account statements available via their online website, whereby our Clients have electronic access to such account statements. Clients should carefully review these statements and compare such information to other financial information provided by Palisades.

ITEM 16 – INVESTMENT DISCRETION

Palisades has been appointed as the general partner of the Discretionary Funds. Palisades has full discretionary authority with respect to investment decisions, and its advice with respect to the Discretionary Funds is made in accordance with the investment objectives and guidelines as set forth in each Discretionary Fund's respective constituent documents. Palisades assumes discretionary authority to manage the Discretionary Funds through the execution of investment management agreements and through the organizational documents of the Discretionary Funds (e.g., limited partnership agreements).

With regard to the Non-Discretionary Clients, Palisades acts as a sub-adviser with limited or no investment discretion with respect to allocation or disposition decisions, and rather provides certain advisory and credit risk management services based upon the mandate and subject to the oversight of the Non-Discretionary Client's adviser.

ITEM 17 – VOTING CLIENT SECURITIES

Palisades does not vote Client securities because the investments managed by Palisades do not have conventional voting rights.

ITEM 18 – FINANCIAL INFORMATION**A. Prepayments**

Palisades does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet.

B. Potential Financial Impairment

Palisades does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to Clients.

C. Bankruptcy

Palisades has not been the subject of a bankruptcy proceeding.