

LL Funds, LLC
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Part 2A of Form ADV: Firm Brochure

March 31, 2017

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

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

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

Item 2: Material Changes

No material changes have been made to our firm brochure since the last annual update of our firm brochure. Our last annual update of our firm brochure occurred on March 31, 2016.

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Item 4: Advisory Business

A. General Description of Advisory Firm

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

The principal owner of the Firm is Roberto Sella.

B. Description of Advisory Services

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

The Funds to which we provide advisory services are:

- Permit Capital Mortgage Fund, L.P. (“PCMF”),
- LL Opportunistic Mortgage Fund, L.P. (“LLOMF”),
- LL Capital Partners I, L.P. (“LLCP I”),
- LL Mortgage Fund, L.P. (“LLMF”),
- LL Mortgage Fund II, L.P. (“LLMF2”),
- LL Private Lending Fund, L.P. (“LLPLF”),

PCMF is a Delaware series limited partnership and each series of PCMF (each, a “PCMF Series”) has its own investment strategy and group of investors and owns its own portfolio of securities. LLOMF is a Delaware series limited partnership and each series of LLOMF (each, a “LLOMF Series”) has its own investment strategy and group of investors and owns its own portfolio of securities. LLCP I, LLMF, LLMF2 and LLPLF are Delaware limited partnerships.

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

From time to time, we may provide investment advice to newly formed private investment funds, newly formed LLOMF Series and newly formed segregated portfolios of LLF Offshore Fund and LLF

Offshore II Fund. In this brochure, we sometimes use the term “Fund Client” to refer to a private investment fund or a series or segregated portfolio of a Fund. We manage the assets of Fund Clients in accordance with the investment strategies and restrictions (if any) of the Fund Clients as set forth in their limited partnership agreements and confidential private placement memoranda. All investment decisions for a Fund Client are the responsibility of the general partner or directors of the Fund Client and not of the investors therein (i.e., investment decisions are not made for specific investors in the Fund).

In addition, from time to time, the Firm may manage assets of institutional investors such as pooled investment vehicles on a separate account basis (each, a “Separate Account Client”). We manage the assets of Separate Account Clients in accordance with the investment strategies and restrictions (if any) of the Separate Account Clients as set forth in their governing documents (i.e., limited partnership agreements) and/or investment advisory agreements with the Firm. Our Separate Account Clients may invest side by side with a Fund Client in the same assets as are acquired by the Fund Client, and may own additional assets as well.

We do not provide investment advice to individuals.

C. Assets Under Management

As of December 31, 2016, we managed \$1,343,587,883 on a discretionary basis. We do not manage any accounts on a non-discretionary basis.

Item 5: Fees and Compensation

A. Advisory Fees and Compensation

1. Fund Clients

As compensation for our investment advisory services, we are paid a management fee. With respect to the management fees payable by the Funds or Series listed below, an invoice for the management fees payable by such Fund or Series is calculated and prepared by its third party administrator. The management fee due is then deducted from the respective Fund custody account.

Below is a summary of the management fees payable to the Firm by our sponsored private investment funds. The management fee payable is not negotiable. However, the general partner, in its sole discretion, may waive the management fee with respect to any Fund or Series or any investor of a Fund or Series, in whole or in part. Principals of the Firm, such as Mr. Sella, who are invested in a Fund Client may not pay management fees.

Fund/ Series	Management Fee
PCMF Series A Series B Series C Series D Series E Series F Series G Series H Series I	<ul style="list-style-type: none"> • 0.0834% (1.00% annualized) of each limited partner’s capital commitment in respect of its investment in the applicable PCMF Series. • The management fee terminates upon the earlier of (i) five years from the start of PCMF Series, and (ii) the date on which PCMF Series starts to distribute its “Carried Interest” with respect to such PCMF Series. • All management fees are payable monthly in arrears.
PCMF Series J Series K Series L Series M	<ul style="list-style-type: none"> • 0.0834% (1.00% annualized) of each limited partner’s called capital in respect of its investment in the applicable PCMF Series. For Series II-D the management

Fund/ Series	Management Fee
Series II-C Series II-D	<p>fee is reduced to 0.0625% (0.75% annualized) on the third anniversary of when the capital call was due.</p> <ul style="list-style-type: none"> • The management fee is charged until the earlier of (i) fifth anniversary of the date the capital was called, and (ii) the date on which PCMF Series starts to distribute its “Carried Interest” with respect to such PCMF Series. • All management fees are payable monthly in arrears.
LLMF	<ul style="list-style-type: none"> • 0.0625% (0.75% annualized) of LLMF’s net asset value up to and including \$250 million as of the last day of each month. • Plus 0.05% (0.60% annualized) of LLMF’s net asset value in excess of \$250 million and up to and including \$500 million. • Plus 0.0417% (0.50% annualized) of LLMF’s net asset value in excess of \$500 million. • All management fees are payable monthly in arrears.
LLMF2	<ul style="list-style-type: none"> • 0.0417% (0.50% annualized) of LLMF2’s net asset value as of the last day of each month. • All management fees are payable monthly in arrears.
LLOMF 2014 Series	<ul style="list-style-type: none"> • 0.0834% (1.00% annualized) of each limited partner’s called capital in respect of its investment in the applicable LLOMF Series. • The management fee is charged until the earlier of (i) fifth anniversary of the date the capital was called, and (ii) the date on which the LLOMF Series starts to distribute its “Carried Interest” with respect to such LLOMF Series. • All management fees are payable monthly in arrears.
LLCP I	<ul style="list-style-type: none"> • 0.0834% (1.00% annualized) of each limited partner’s called capital in respect of its investment in LLCP I. • The management fee will be charged until the earlier of (i) fifth anniversary of the date the capital was called, and (ii) the date on which the LLCP I starts to distribute its “Carried Interest”. • All management fees are payable monthly in arrears.
LLPLF	<ul style="list-style-type: none"> • 0.0625% (0.75% annualized) of LLPLF’s net asset value up to and including \$250 million as of the last day of each month. • Plus 0.05% (0.60% annualized) of LLPLF’s net asset value in excess of \$250 million and up to and including \$500 million. • Plus 0.0417% (0.50% annualized) of LLPLF’s net asset value in excess of \$500 million. • All management fees are payable monthly in arrears.

Each Segregated Portfolio is invested only in a specific Fund Client or series of a Fund Client (a “Series”). Since each Segregated Portfolio is charged a management fee at the Fund Client or Series level, no management fee is charged to investors at the Segregated Portfolio level. Instead, investors of a Segregated Portfolio will bear on a pro rata basis the management fee charged by the Fund or Series in which such Segregated Portfolio is invested. LLF Offshore Fund Segregated Portfolios A, B, C, D, E, F, G, H and I are invested in PCMF Series F, G, H, I, J, II-C, L, M and II-D respectively. LLF Offshore Fund Segregated Portfolio J is invested in LLOMF 2014 Series. LLF Offshore Fund Segregated Portfolio K is invested in LLPLF. LLF Offshore II Fund Segregated Portfolio LLMF SP-1 invests in LLMF. See the chart above for the

management fees payable, indirectly, borne by investors in these Segregated Portfolios with respect to their investments in the applicable Fund Client or Series.

2. *Separate Account Clients*

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

B. *Additional Fees and Expenses*

1. *Fund Clients*

Generally, each Fund Client bears all of its operating expenses (including, but not limited to, fees and expenses relating to organizational, offering, operating, investment, fund administration, custody, audit, tax return preparation and legal counsel). Investors in each Fund Client are allocated their pro rata share of such "fund" expenses. Each Fund Client may also incur brokerage and other transaction costs. See Item 12 below (Brokerage Practices) on page 17 for additional information about these costs. The Firm pays salaries, benefits, and costs of office space and facilities.

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

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

2. *Separate Account Clients*

Generally, a Separate Account Client bears all of its expenses (including, but not limited to, fees and expenses relating to organizational, offering, operating, fund administration, custody, audit, tax return preparation and legal counsel). It does not bear any Firm expenses (salaries, benefits, and costs of office space and facilities). The Firm sometimes agrees to bear all or a portion of the formation or other expenses of a Separate Account Client.

A Separate Account Client may also incur brokerage and other transaction costs. See Item 12 below (Brokerage Practices) on page 17 for additional information about these costs.

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

3. *Portfolio Investment Entities*

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

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

A. *Performance-Based Fees*

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

1. *PCMF, LLOMF – All Series and LLC I*

With respect to each PCMF Series (other than PCMF Series II-D), the LLOMF Series and LLC I, the performance-based fee charged to investors in such PCMF Series, LLOMF Series or LLC I is 20% of any cash distributed to investors of such PCMF Series, LLOMF Series or LLC I after they have received both a return of their capital contributions and an 8.00% annualized return (“hurdle return”) on their capital contributions. The performance based fee is the same for PCMF Series II-D except that the hurdle return for PCMF Series II-D is a 6.00% annualized return. We refer to this performance-based fee as a “Carried Interest”. The Carried Interest charged to each PCMF Series is distributed to PCMF’s general partner, Permit Capital GP, L.P. The carried interest charged to each Series of LLOMF is distributed to LLOMF’s general partner, LL Funds GP, LP. The Carried Interest charged to LLC I is distributed to LLC I’s special limited partner, LLC I SLP, L.P. (“LLCP SLP”). Permit Capital GP, L.P. is the general partner of each PCMF Series and is an affiliate of Permit Capital, LLC, the former investment manager and original sponsor of PCMF. Permit Capital GP, L.P., LL Funds GP, LP and LLC I SLP, L.P. in their sole discretion, may waive the performance fee with respect to any PCMF Series, LLOMF Series or LLC I investor (respectively), in whole or in part. Distributions of any Carried Interest will depend on the amount of cash available for distribution.

Principals of the Firm and LL Funds GP, LLC (“LL Funds GP” and together with the principals of the Firm, “Related Firm Members”), an affiliate of the Firm, may be entitled to a portion of the Carried Interest paid to Permit Capital GP, L.P. With respect to PCMF Series A, B and C, the Related Firm Members are entitled to an aggregate of 90.93% of the Carried Interest distributed by such PCMF Series. With respect to PCMF Series D, E and F, the Related Firm Members are entitled to an aggregate of 95% of the Carried Interest distributed by such Mortgage Fund Series. With respect to all other PCMF Series, the Related Firm Members are entitled to an aggregate of 100% of the Carried Interest distributed by such PCMF Series. With respect to LLOMF Series and LLC I, the Related Firm Members are entitled to an aggregate of 100% of the Carried Interest distributed by each LLOMF Series and LLC I.

Since each LLF Offshore Fund Segregated Portfolio is charged a Carried Interest at PCMF or LLOMF Series level, no performance-based fee is borne by the Segregated Portfolios. Instead, investors of a Segregated Portfolio will bear on a pro rata basis the Carried Interest due from investors in PCMF or LLOMF Series in which such Segregated Portfolio is invested.

2. *Separate Account Clients*

The Related Firm Members may be entitled to a performance-based fee with respect to Separate Account Clients. The method of calculating performance-based fees is negotiated with the investor to

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

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

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

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

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

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

For purposes of allocating investment opportunities on a pro rata basis based on Investable Capital, the Investable Capital of a client which is a pooled investment vehicle (i.e., a Fund or Series) means the aggregate amount of the capital commitments that such pooled investment vehicle may call for investment in new securities in accordance with its governance agreement. In making such determination, capital which is reserved for investment in pre-existing investments or reserved for current or future obligations of a pooled investment vehicle will be excluded. To the extent that a pooled investment vehicle has called all of its capital commitments, the portion of the capital contributions which has not been invested and is not otherwise committed to another investment will be such pooled investment vehicle's Investable Capital, provided that such pooled investment vehicle's investment period has not expired. For any client which is not a pooled investment vehicle, Investable Capital means the amount of liquid assets of such client that is available for investment by the Firm on a discretionary basis.

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

Item 7: Types of Clients

We provide investment advice to pooled investment vehicles and other institutional investors. We may provide investment advice to these clients as the primary investment adviser or as a sub-adviser.

With respect to any Fund or Series and any Segregated Portfolio, we do not require any minimum account size in order for us to provide investment advice to them. However, each Fund or Series (and its related Segregated Portfolio) has a minimum investment amount that is listed below.

- PCMF Series A or Series B: \$1,000,000
- PCMF Series – all other series: \$5,000,000 (for each other Series of PCMF)
- LLOMF Series - \$5,000,000
- LLCP I - \$5,000,000
- LLMF - \$5,000,000
- LLMF2 - \$5,000,000
- LLPLF - \$5,000,000
- All Segregated Portfolios – The minimum investment amount for each Segregated Portfolio will be the same as the minimum investment amount of the Fund or Series in which such Segregated Portfolio is invested.

PCMF Series are not taking any new investments. When they were taking in investments, Permit Capital GP, L.P. could, in its sole discretion, waive the minimum investment amount for any investor with respect to any PCMF Series and any Segregated Portfolio invested therein. With respect to any LLOMF Series, LLMF, LLMF2, LLPLF and any Segregated Portfolio invested therein, LL Funds GP, LP, in its sole discretion, may waive the minimum investment amount for any investor therein. LLCP I GP, LLC in its sole discretion may waive the minimum investment amount for any investor with respect to LLCP I.

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

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

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

Our primary investment strategy is to seek investments in fixed income markets, with particular emphasis on mortgage-backed securities to generate attractive, risk-adjusted, absolute returns. In

furtherance of this strategy, we may pursue investments in mortgage-backed securities that are issued by both government sponsored agencies and non-agency issuers, collateralized mortgage obligations or equity and/or debt investments in, including warehouse loan facilities, real estate focused financial businesses.

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

We do not attempt to set or meet any specific portfolio turnover rate. We do not intend to turn over investment portfolios frequently. Instead, we typically hold most investments until we determine, in our sole discretion, that such investment no longer meets the investment criteria or profile for a Firm client. In the case of LLCP, we make equity investments in business with a focus on loans collateralized by real estate or real estate related instruments. We generally expect our equity investments to be longer term in nature than investments in fixed income securities.

B. Material Risks

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

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

1. Material Risks Applicable to All Clients

Inadequate Return. There can be no assurance that the return of the investments in any account of a Client will commensurate with the risk of investment therein.

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

Illiquid Investments. We anticipate that a substantial portion or all of each Client’s investments will consist of securities for which there is no public market and/or that are subject to restrictions on resale because they were acquired from the issuer in “private placement” transactions or because such restrictions were imposed as a condition of such client’s purchase. Limitations on resale of these investments could prevent a successful sale thereof, delay sales at times that may be the most opportune or reduce the amount of proceeds that might otherwise be realizable.

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

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

Investments in Interest Only Loans. We may select investments for Clients in loans when the borrower is not required to pay any principal on the borrower's loan during an interest-only period but thereafter is required to make monthly payments sufficient to amortize the loan over its remaining term. These loans are sometimes referred to as interest-only loans. Interest-only loans have only recently been originated in significant volumes. As a result, the long-term performance characteristics of interest-only loans are largely unknown. Because interest-only loans initially require only the payment of interest, a borrower may be able to borrow a larger amount than would have been the case for a fully amortizing mortgage loan. Interest-only loans may have risks and payment characteristics that are not present with fully amortizing mortgage loans. For example, if an interest-only loan defaults, the severity of loss may be greater due to the larger unpaid principal balance.

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

against them, which would reduce the value of the debt of those borrowers held by a Client. Loans that are rated below investment grade or unrated also may have less liquidity and experience greater fluctuations in price than highly rated investments.

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

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

The availability of financing for certain real estate sectors has been substantially reduced or eliminated in the past several years, including the residential mortgage sector and the home builders sector, as well as the financial sector. This has significantly impaired the realizable value of, and returns on, some of a Client's investments, and their ability to finance those investments at acceptable rates, or at all. A Client may hold investments in companies whose businesses have or will have exposure, directly or indirectly, to the residential mortgage sector or homebuilder sector. Moreover, a Client also may hold investment grade and non-investment grade mortgage-backed securities representing interests in pools of residential mortgage loans, some of which may be characterized as subprime loans. While we will properly record the carrying value of all of their investments, third parties may value these investments differently than we do which may further affect the value of, and a Client's cost of financing, these investments.

If a Client directly or indirectly invests in residential mortgage loans and are thereby exposed to changes in the value of residential mortgage loans, the value of a Client's investment in those companies may be temporarily or permanently impaired by movements in the market for residential mortgage loans or securities backed by such loans.

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

Maturity of Investments. We expect that investments held in a Client's portfolio may take several years to mature. Accordingly, there can be no assurance as to when or if distributions of the proceeds from repayment of mortgage loans or the disposition of an investment will be made. To the extent a Client invests in 40 year loans instead of the traditional 30 year loan, that Client's yield may be adversely affected. Furthermore, limitations on resale of these investments could prevent a successful sale thereof,

delay sales at times that may be the most opportune or reduce the amount of proceeds that might otherwise be realizable.

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

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

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

Subprime Mortgage Loans. Clients may be invested in mortgage-backed securities backed by collateral pools of subprime residential mortgage loans. "Subprime" mortgage loans refers to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and

mortgage loans made to borrowers whose income is not required to be disclosed or verified. Due to economic conditions, including increased interest rates and lower home prices, as well as aggressive lending practices, subprime mortgage loans have in recent periods experienced increased rates of delinquency, foreclosure, bankruptcy and loss, and they are likely to continue to experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of the higher delinquency rates and losses associated with subprime mortgage loans, the performance of mortgage-backed securities backed by subprime mortgage loans in which the Related Pools of the Designated Series may invest could be correspondingly adversely affected, which could adversely impact the Related Pools' results of operations, financial condition and business.

Interest Rates. Clients may be invested in real estate-related assets indirectly by purchasing mortgage-backed securities backed by real estate-related assets. Under a normal yield curve, an investment in these assets will decline in value if long-term interest rates increase. Declines in market value may ultimately reduce earnings or result in losses to Clients. A significant risk associated with these investments is the risk that both long-term and short-term interest rates will increase significantly. If long-term rates were to increase significantly, the market value of these investments would decline, and the duration and weighted average life of the investments would increase. Clients could realize a loss if these assets were sold. Market values of investments may decline without any general increase in interest rates for a number of reasons, such as increases in defaults, increases in voluntary prepayments for those investments that are subject to prepayment risk and widening of credit spreads.

Asset-Backed Securities. Asset-backed securities may be difficult to value and may involve risks that are different from or more acute than risks associated with other types of debt instruments. Such risk include risks associated with their structure and the nature of the assets underlying the security and the servicing of those assets. Payment of interest and repayment of principal on asset-backed securities is largely dependent upon the cash flows generated by the assets backing the securities and the values of asset-backed securities may be substantially dependent on the servicers of the underlying asset pools. Debtors may be entitled to the protection of a number of state and federal consumer credit laws with respect to the assets underlying these securities, which may give the debtor the right to avoid or reduce payment.

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

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

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

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

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

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

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

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

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

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

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

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

SME Loans are Subject to Special Risks. The businesses of small and medium enterprise (SME) loan borrowers may not have steady earnings growth, may be operated by less experienced individuals, may have limited resources and may be more vulnerable to adverse general market or economic

developments, among other concerns, which may adversely affect the ability of such borrowers to make principal and interest payments on the SME loans.

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

Political Environment and Tax Reform. The United States recently elected a new president and tax (and other) reforms are expected during his administration. Although no legislation encompassing the current proposals for tax reform has yet been drafted, the changes to the tax law that are being discussed would represent a dramatic change from current tax law, if enacted into law in the form currently discussed. Current discussions include plans to permit current expensing of most capital expenditures. However, one plan would, in conjunction with such immediate expensing, disallow the deduction for interest. Another plan would permit taxpayers to choose either immediate expensing or the interest deduction, and if the interest deduction was selected, no expensing would be permitted. Additionally, significant changes in how international operations of domestic businesses are taxed have been proposed. One of those proposals would impose a tax on items and services imported into the United States, but would exempt from that tax items and services exported from the United States. As legislation has not yet been drafted, it is unclear precisely how these proposals or others that might become law would affect the companies in which our Clients invest or the companies which are the obligors on the loans acquired by our Clients, but the impact could have an adverse effect on such companies.

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

Series Partnerships -- PCMF, LLOMF and their Segregated Portfolios. PCMF, LLOMF and LLF Offshore Fund are "series-based" investment vehicles. The investment objective of each PCMF Series and LLOMF Series is to invest in fixed income securities, with particular emphasis on mortgage-backed securities, in order to generate attractive, risk-adjusted, absolute returns. Each PCMF Series and LLOMF Series owns its own pool of securities and may concentrate its investments in a particular company,

industry or sector. Each Segregated Portfolio will invest substantially all of its assets in a specific PCMF or LLOMF Series. Within PCMF Series, within the LLOMF Series, and within each Segregated Portfolio, each Series or Segregated Portfolio is intended to be insulated from the others but there no guarantees that such insulation will be respected.

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

C. *Recommendation of Particular Securities*

We provide investment advice primarily with respect to fixed income securities and mortgage-backed securities, such as collateralized mortgage obligations, and other asset-backed securities or real estate related lending securities. As a result, it may be viewed that we recommend a particular type of security for our clients. While they remain focused on asset-backed related lending, our more recent Funds have targeted a broader array of loan and loan-related securities. See Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) for additional information on the material risks of investments in securities we target for our Clients.

Item 9: *Disciplinary Information*

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

Item 10: *Other Financial Industry Activities and Affiliations*

Our sole business is to provide investment management services to PCMF, LLOMF, LLCP I, LLMF, LLMF2, LLPLF, LLF Offshore Fund, LLF Offshore II Fund and Separate Account Clients. LLF Offshore Fund, LLF Offshore II Fund, LL Funds GP are related persons of the Firm.

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

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

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

Generally, when a Client has an open investment period and we are actively making investment decisions for the acquisition of securities for that Client, employees of the Firm are not permitted to trade in the same securities for their own accounts that are being acquired for such Client. The Firm's founder holds securities (the "Grandfathered Securities") that are similar to the securities held by certain PCMF

Series. The Grandfathered Securities were acquired by the founder prior to the Firm's appointment as the sub-adviser to PCMF. We will allow the founder to dispose of the Grandfathered Securities at any time. A conflict could arise if market or other conditions or events trigger the founder's need to trade a Grandfathered Security which may be concurrent with our desire to dispose of or hold the same security for our clients.

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

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

We do not recommend to clients, or buy or sell for client accounts, securities in which we have a material financial interest. We note, however, that we provide investment advice to PCMF and LLOMF Series and Related Firm Members have an interest in the carried interest distributable by PCMF and LLOMF Series to Permit Capital GP, L.P. and LL Funds GP, LP, and in the carried interest distribution by LLC I to LLC SLP.

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

Item 12: Brokerage Practices

A. *Research and Soft Dollar Benefits*

We are authorized to determine the broker or dealer to be used for each securities transaction for our Clients. In selecting brokers or dealers to execute transactions, we do not need to solicit competitive bids and we do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates, thus we may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

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

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

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

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

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

B. Brokerage for Client Referrals and Directed Brokerage

We do not select or recommend broker-dealers on the basis of whether they provide us or any of our related persons with referrals. In addition, we do not recommend, request or require that a client direct us to execute transactions through a specific broker-dealer.

However, we may hire separate independent trading firms in order to obtain better prices and/or execution, and such trading firms will be paid through additional commissions to be borne by the clients for whom such arrangements were made.

C. Aggregation of Purchase and Sales of Securities

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

Item 13: Review of Accounts

Our portfolio managers continuously review each Client’s portfolio. For example, our portfolio managers will continuously review the investment portfolio of PCMF, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF.

Investors in PCMF, LLOMF and LLCP I receive quarterly account statements from the Fund's administrator. Investors in LLMF, LLMF2 and LLPLF receive monthly account statements from LLMF's, LLMF2's and LLPLF's fund administrator. All investors also receive a monthly review letter from the Firm.

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

Item 14: Client Referrals and Other Compensation

We do not compensate, directly or indirectly, any person who is not a supervised person for client referrals.

Item 15: Custody

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

As general partner of LLOMF, LLMF, LLMF2 and LLPLF, LL Funds GP, LP is deemed to have custody of the assets of LLOMF, LLMF, LLMF2 and LLPLF.

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

LL Funds GP, LP and LLCP I GP, LLC are related persons of the Firm and since they are deemed to have custody of the assets of LLF Offshore Fund, LLF Offshore Fund II, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF, the Firm also is deemed to have custody of the assets in those Funds. Nevertheless, the assets of LLF Offshore Fund, LLF Offshore Fund II, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF are held by a qualified custodian as described below.

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

Qualified Custodians. The Bank of New York Mellon maintains the assets held by PCMF, LLF Offshore Fund, LLF Offshore Fund II, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF in segregated custodial accounts. The Bank of New York is a qualified custodian.

Audited Financial Statements and Audit by PCAOB Accounting Firm. The financial statements of PCMF, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF, and of LLF Offshore Fund and LLF Offshore Fund II, are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and are audited by Grant Thornton, LLP ("GT"). GT is an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

Upon liquidation, each of PCMF, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF, and of LLF Offshore Fund and LLF Offshore Fund II will undertake a final audit in accordance with GAAP and distribute its audited financial statements to all of its investors promptly after the completion of such audit.

Delivery of Audited Financial Statements. With respect to PCMF, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF, and LLF Offshore Fund and LLF Offshore Fund II, investors of each PCMF, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF, and LLF Offshore Fund and LLF Offshore Fund II respectively, are sent audited financial statements of PCMF, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF, and LLF Offshore Fund and LLF Offshore Fund II respectively, within 120 days after their fiscal year end.

Item 16: Investment Discretion

We have discretionary authority to manage PCMF, LLOMF, LLCP I, LLMF, LLMF2 and LLPLF, and LLF Offshore Fund and LLF Offshore Fund II, subject to the investment strategies and restrictions (if any) that are detailed in their limited partnership agreement (or other similar governing document) and Confidential Private Placement Memorandum.

We have discretionary authority to manage the assets of Separate Account Clients, subject to the investment strategies and restrictions (if any) that are detailed in their limited partnership agreement (or other similar governing document).

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

Item 17: Voting Client Securities

We have discretion to vote the proxies of our clients, and will vote those proxies in the best interest of our client and in accordance with any written policies and procedures that are communicated to us.

- Generally, we will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.
- Generally, we will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.
- For other proposals, we will determine whether a proposal is in the best interests of our clients.

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

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

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

Item 18: Financial Information

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