

PART 2A OF FORM ADV: FIRM BROCHURE

PRANA CAPITAL MANAGEMENT LP

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March 30, 2020

This brochure provides information about the qualifications and business practices of Prana Capital Management LP (“Prana” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (203)-487-5185 or protondi@pranacap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority, and references in this Brochure to Prana Capital Management LP as a “registered investment adviser” are not intended to imply a certain level of skill or training.

Additional information about Prana Capital Management LP also is available on the SEC’s website at www.adviserinfo.sec.gov.

This brochure does not constitute an offer to sell or the solicitation of an offer to purchase interests in funds managed by Prana Capital Management LP or its affiliates. The securities of the funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Any offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

ITEM 2 – MATERIAL CHANGES

Prana is submitting the Annual Amendment to its Brochure as of March 30, 2020. Since Prana submitted its most recent annual amendment on March 19, 2019, the following material changes have been made:

- Item 4 has been updated to reflect Prana's Regulatory Assets Under Management as of December 31, 2019;
- Paul Rotondi joined Prana and replaced Peter Seuss as Chief Compliance Officer; and
- Prana moved its office to 200 Greenwich Avenue, Suite 3100, Greenwich, Connecticut 06830.

Please review this Brochure carefully and in its entirety.

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ITEM 4 – ADVISORY BUSINESS

Prana Capital Management LP (“Prana” or the “Adviser”), a Delaware limited partnership, is an investment adviser formed on June 28, 2016. Prana Capital Management GP, LLC, a Delaware limited liability company, is the general partner of Prana, and Peter Seuss (the “Portfolio Manager”) is the principal owner and managing member of Prana Capital Management GP, LLC.

Prana provides discretionary investment advisory services to the following private pooled investment vehicles: Prana Absolute Return Fund LP, a Delaware limited partnership, and PARF-Offshore Ltd., a Cayman Islands exempted company (collectively referred to herein as the “Partnership”). An affiliate of Prana serves as the sponsor and general partner of the Partnership (the “General Partner”). Prana’s clients also include private funds for which Prana is a sub-adviser (collectively, the “Sub-Advisory Funds”). Prana, in the future, may decide to sponsor or manage additional private investment funds or separately managed accounts (collectively with the Partnership and the Sub-Advisory Funds, the “Clients”).

Pursuant to the Clients’ offering memorandum, limited partnership agreements, articles of memorandum and association, subscription documents and/or sub-advisory agreements, as applicable (collectively the “Governing Documents”), the Clients engage in long/short equity strategies focused on the financial services and business services sectors in order to pursue attractive absolute rates of return and low relative volatility in any market environment. The Clients attempt to profit by focusing on fundamental investing within the context of a proprietary, custom-built analytical framework, the natural knowledge advantage created from sector specialization, and superior portfolio construction capabilities.

The Partnership offers interests (“Interests”) to certain qualified investors as described in response to Item 7, below (such investors or prospective investors, collectively with investors in the Sub-Advisory Funds unless the context requires otherwise, are referred to herein as “Investors”).

Advisory services are tailored to achieve the Clients’ investment objectives. Generally, Prana has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Clients or their Investors. Prana does not tailor its advisory services to the individual needs of investors in the Partnership (“Partnership Investors”) and does not accept Partnership Investor imposed investment restrictions.

Prana does not participate in wrap fee programs.

As of December 31, 2019, Prana manages \$767,510,621 regulatory assets under management on a discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Management Fee and Performance Allocation

Management Fee

Prana is compensated by certain Partnership Investors in the form of a quarterly management fee (the “Management Fee”) payable in advance as of the beginning of each quarter. The Management Fee is calculated based on the balance in each Partnership Investor’s capital account and equals 1.5% annualized. The Management Fee is prorated for partial quarters.

Performance Fee

Prana generally receives a performance fee from Partnership Investors (the “Performance Fee”) equal to a percentage of the net income (including realized and unrealized gains and losses) allocated to each Investor for the year, but only to the extent net income allocated to that Investor exceeds any cumulative losses that were allocated to such Investor for earlier periods and that have not been recovered (a “high water mark”). This incentive allocation is generally 20% and is typically made at the end of each calendar year.

In connection with the advisory services provided to the Sub-Advisory Funds, Prana will receive compensation that is negotiated with each Sub-Advisory Fund adviser on an account-by-account basis.

Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Investor or Client may vary.

Management fees, incentive performance fees, and third-party fees (discussed below) are deducted from Partnership assets. For Partnership Investors, management fees, which are paid in advance, are withdrawn at the beginning of the quarter. Incentive allocations are allocated as of the last business day of the calendar year and as of any date on which an Investor makes a withdrawal or receives a distribution from such Investor’s capital account(s).

In connection with the investment management services Prana provides, it will bear all of its own normal and recurring operating expenses and overhead costs, except that research and research-related expenses may be paid for through the permitted use of “soft dollars” (as described in Item 12 - Brokerage Practices). The Management Fee may exceed the expenses borne by Prana on behalf of certain of the Clients.

Expenses & Other Fees

In addition to fees payable to Prana, the Clients (and therefore Investors) may pay a variety of expenses related to each Client’s investments and operations, including, without limitation, (i) management fees; (ii) all general investment expenses (i.e., expenses which Prana reasonably determines to be directly related to the investment of the Client’s assets); (iii) all administrative, legal, accounting, auditing, recordkeeping, and tax form preparation expenses; (iv) fees, costs, and expenses of third-party service providers that provide such services; and (v) any extraordinary expenses, among other expenses.

In addition to the operating expenses discussed above, the Partnership will also bear its own organizational expenses. The organizational and initial offering expenses of the Partnership will either be

expensed as incurred or, where permitted by applicable rules, amortized over a period not to exceed 60 months beginning at the commencement of the Partnership's operations.

A portion of each Clients' expenses may be shared with other investment entities or accounts managed by Prana, the General Partner or their affiliates on an equitable basis.

The expenses to be paid by the Clients (and therefore Investors) are set forth in detail in the applicable offering documents. Thus, although the foregoing is a brief summary of the types of expenses the Clients (and therefore Investors) will generally bear, it is not an exhaustive or complete list. Investors and prospective investors should therefore review the applicable offering documents carefully because such documents, and not this brochure summary, describe the exact expenses the Clients (and therefore Investors) will bear.

Neither Prana nor its supervised persons accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products, including interests in the Clients.

Please refer to Item 12 of this Brochure for a description of Prana's brokerage practices.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in Item 5 above, Prana (or an affiliate) may receive performance-based compensation from the Clients. All Clients are subject to performance-based fees. The Partnership has issued several classes of interests, Series A and Series B. The Series A Interests and Series B Interests are identical, except with regard to the Management Fee and Performance Fee. Series A Interests will only be available for subscription by certain employees, friends and family of the Investment Manager. Series A Interests are not subject to a Management Fee or Performance Fee, as described above.

It should be noted that the possibility that Prana (or an affiliate) could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Prana to effectuate larger and more risky transactions than would be the case in the absence of such form of compensation. Since the performance-based fees are calculated on a basis that includes unrealized appreciation of Client assets, such allocation may be greater than if it were based solely on realized gains. Investors are provided with clear disclosure as to how performance-based compensation is charged with respect to a particular Client and the risks associated with such performance-based compensation prior to making an investment.

Prana is required to act in a manner that it considers fair, reasonable, and equitable in allocating investment opportunities to the Clients. Prana is subject to certain restrictions related to investment allocation as determined by each Sub-Advisory Client on an account-by-account basis. Prana recognizes that it is a fiduciary and as such must act in the best interests of the Clients.

ITEM 7 – TYPES OF CLIENTS

As previously described in Item 4, Prana provides investment advice and management to the Partnership and Sub-Advisory Funds and may in the future provide the same or similar services to other privately placed investment funds and/or separately managed accounts. With respect to the Partnership, Prana intends to offer Interests only through non-public transactions in order to maintain the Funds' exclusion from "investment company" status under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Prospective Investors must meet eligibility criteria, and are subject to certain withdrawal requirements and limitations. Prospective Investors are encouraged to thoroughly review the applicable Governing Documents, which set forth all of the terms in detail. Though the Clients generally pursue the same strategy, offering terms may differ.

The minimum investment in the Partnership is \$5,000,000, which may be reduced by the General Partner in its sole discretion.

Interests in the Clients may only be purchased by investors that are "accredited investors," as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers" or "knowledgeable employees," each as defined in the Investment Company Act of 1940, as amended (the "1940 Act").

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

Strategy & Process

Prana deploys a sector-focused, low-net, coverage model investing in the financial services and business services sectors. Prana generally seeks to invest in longs that will outperform its shorts in any macro environment. The majority of the portfolio is constructed using “pairs,” in which a long position is paired with short positions with similar macro exposures. Prana seeks to invest in pairs in which the outperformance of the longs is driven by change-in-perception catalysts as well as relative estimate revision tailwinds. Examples of change-in-perception catalysts include, but are not limited to, new management teams, business model modifications, mergers & acquisitions, controversial situations, and operational initiatives. Prana believes that running a portfolio of relatively highly correlated long and short positions is the optimal active management strategy. Prana believes that such a strategy offers the potential for a higher Sharpe ratio return profile as the returns are predominately driven by company-specific idiosyncratic factors which are inherently more predictable than various market factors such as beta, sector, momentum, valuation, etc.

Prana utilizes a proprietary, custom-built framework to help identify, analyze, and size positions. Prana will invest in companies of all sizes, though the vast majority of investments will be in mid and large-cap companies. Prana will meet with company management teams, sellside analysts, buy-side analysts, and industry experts as part of its due diligence process.

Prana currently covers 180 companies with a median daily dollar volume of approximately \$85 million and a median market cap of approximately \$12 billion. Prana is able to generate ideas from its coverage by combining the knowledge gained through extensive company due diligence with its proprietary, custom-built analytical framework.

Risk Management

Risk control and capital preservation is a central focus of Prana’s management. Risk management is performed from a bottom-up and top-down perspective. Prana believes that its most important tool for risk management is to maximize its understanding of its investments by implementing a thorough research process. Additionally, Prana seeks to hedge out most macro and technical exposures in the Clients’ portfolios through bottom-up pair construction and top-down factor analysis.

In general, although there are specific investment guidelines inherent in the model and investment philosophy summarized above, the investment strategy of the Funds has been structured to provide Prana with flexibility to achieve the Funds’ investment objectives. No guarantee or representation is made that the Funds’ investment programs will be successful.

Investing in securities involves a risk of loss that investors should be prepared to bear. Investors should consider the following risk factors before investing in one of the Clients. The following list does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Clients. Prospective Investors are urged to consult their professional advisers and to review the legal documents for each particular Client before deciding to make an investment in a Client.

Material Risks

General Investment and Trading Risks

All investments risk the loss of capital. Prana believes that the Clients’ investment programs, research, and possible board participation may moderate this risk. However, there can be no assurance that the

Clients' investment programs will be successful or that investments made by the Clients will increase in value. An Investor could lose its entire investment in a Client. All Investors should consult their own legal, tax, and financial advisors prior to investing in a Client.

Prana has considerable discretion in the types of financial instruments which the Clients may trade. Any of these new trading techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Clients. In addition, any new investment strategy or hedging technique developed by Prana may be more speculative than earlier techniques and may increase the risk of an investment in a Client.

Each Clients' investment program should be evaluated on the basis that there can be no assurance that any of Prana's strategies will be executed in whole or in part, or that the Client will achieve its investment objective.

Risks – Investment Strategy

Prana will have broad discretion in making investments for the Clients. Investments will generally consist of equity securities and other instruments and assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that Prana will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Clients' activities and the value of its investments. No guarantee or representation is made that the Clients' investment objective will be achieved, or that the Clients will be able to generate any return for investors.

Concentrated Investment Strategy. The Clients may not be broadly diversified. To the extent the Clients' portfolios are not diversified, the Clients may be subject to increased performance volatility and risk.

Equity Securities Generally. The Clients expect to engage in trading equity securities. Market prices of equity securities generally, and of certain companies' equity securities more particularly, frequently are subject to greater volatility than prices of fixed-income securities. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumors of accounting irregularities.

Small and Medium Capitalization Companies. The Clients may invest a portion of its assets in the securities of companies with small to medium-sized market capitalizations. While Prana believes such securities often provide significant potential for appreciation, the securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

Preferred Stock. The Clients may invest in preferred stock. Preferred stock typically has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuers in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Non-U.S. Securities. The Clients may invest a portion of its assets in the equity or other securities and instruments of issuers located outside the United States. In addition to the business uncertainties, such investments may be affected by political, social, and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States and the Clients will be subject to fiscal and taxation policies, regulatory regimes, including securities regulations, market and settlement practices and sovereign and political risks of the countries in which the Clients invest. As a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

ETFs. Exchange-traded funds ("ETFs") are publicly traded unit investment trusts, open-ended funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Clients' expenses, (e.g., Management Fees, Incentive Allocation and operating expenses), Limited Partners may also indirectly bear similar expenses of an ETF.

Currency Risks. The Clients may invest a portion of its assets in securities denominated in non-U.S. currency and in other financial instruments, the price of which will be determined by reference to those currencies, whereas the Interests are denominated and valued in U.S. dollars. Direct and indirect Partnership investments that are denominated in non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Dramatic fluctuations in the value of a country's currency could have an adverse impact on the profitability of the Clients. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. To the extent that the U.S. Dollar appreciates relative

to these currencies, the U.S. Dollar value of these investments is likely to be adversely affected. In addition, if the currency in which the Clients receives dividends, interest or other types of payments (such as liquidating payments) declines in value against the U.S. Dollar before such payments are distributed, the U.S. Dollar value of these payments could be adversely affected if not sufficiently hedged. Furthermore, the ability of the Clients and companies in which it invests to convert freely between the U.S. Dollar and other currencies may be restricted or limited and, in a number of instances, exchange rates and currency conversion are controlled directly or indirectly by governments or related entities. Many of the currencies of emerging markets have been subject to large fluctuations in value in recent years and may be subject to significant fluctuations in the future. The economies of many emerging markets have been characterized by high inflation rates. Inflation in the countries where the Clients makes investments may adversely affect the Clients' results and value.

The General Partner and Prana intend, but are under no obligation, to employ hedging techniques to minimize these risks, but there can be no assurance that such strategies will be effective. In particular, Prana may seek to offset the risks associated with such exposure, in part, through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialized, and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency.

High Yield Securities. Prana may invest in preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be bought or sold. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Investments in Undervalued Assets. Prana may invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Clients' investments may not adequately compensate investors for the business and financial risks assumed. An investor should be aware that it may lose all or part of its investment in the Clients.

Price Risk. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which

the Clients' investments may decline or rise substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even more "undervalued" levels at the time of sale. Similarly, shorting assets at what may appear to be "overvalued" levels is no guarantee that these assets will not be trading at even more "overvalued" levels at the time of sale.

Directional Trading. Certain of the positions taken by the Clients may be designed to profit from forecasting absolute price movements in a particular instrument or asset class. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.

Derivative Instruments. Prana intends to use various derivative instruments which may be volatile and speculative, and which may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. For example, the Clients may enter into interest rate swaps and similar transactions primarily as a means of hedging its own borrowing against fluctuations in interest rates or preserving or enhancing a return or spread on a particular investment or portion of its portfolio. The Clients may enter into interest rate swaps on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities. The Clients may also enter into credit default swaps and may either buy protection or sell protection from losses caused by the occurrence of a negotiated default event (a "credit event"). The parties with which the Clients enter into such derivatives are expected to be banks, broker dealers, and other financial institutions.

Use of derivative instruments presents various risks, including the following:

Tracking – When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent Prana from achieving the intended hedging effect or expose the Clients to the risk of loss.

Liquidity – Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets Prana may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative positions limits on exchanges on which Prana may conduct its transactions in certain derivative instruments may prevent prompt liquidation of positions, subjecting the Clients to the potential of greater losses.

Leverage – Trading in derivative instruments can result in large amounts of synthetic leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by the Clients and could cause the Clients' NAV to be subject to wider fluctuations than would be the case if Prana did not use derivative instruments that provide leverage.

Over-the-Counter-Trading – Derivative instruments that may be purchased or sold by Prana include instruments not traded on an exchange. Over-the-counter options, unlike exchanged-traded options, are bilateral contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on

such an instrument may be greater and the ease with which Prana can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

Futures Trading Is Speculative. Prana may engage in futures trading. A principal risk in trading futures is the traditional volatility and rapid fluctuation in the market prices. The profitability of such futures trading will depend primarily on the prediction of fluctuations in market prices. Price movements for futures are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the psychological emotions of the market place. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets to move rapidly.

Futures Trading Is Highly Leveraged. The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investors. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged investments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied in trading will increase the risk of loss by the amount of additional leverage applied.

Options. The successful use of options depends on the ability of Prana to forecast interest rate and market movements correctly. In addition, when it purchases an option, the Clients run the risk that it will lose its entire investment in the option in a relatively short period of time, unless the Client exercises the option or enters into a closing transaction with respect to the option during the life of the option. If the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, the Client will lose part or all of its investment in the option. Although the Clients will take an option position only if Prana believes there is a liquid secondary market for the option, there is no assurance that the Clients will be able to affect closing transactions at any particular time or at any acceptable price. In the event of the bankruptcy of a broker through which the Clients engage in transactions in options, the Clients could experience delays and/or losses in liquidating open positions purchased or sold through the broker.

Short Selling. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Clients of buying those securities to cover the short position. There can be no assurance that the

Clients will be able to maintain the ability to borrow securities sold short. In such cases, the Clients can be “bought in” (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Clients may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Clients will secure a “good borrow” of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Clients to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Clients.

Use of Swap Agreements. The Clients may use equity, credit, credit default, contingent recovery, interest rate, index, total return, commodity and currency swap agreements as well as enter contracts for difference and swap-type agreements on derivatives and complex instruments. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns earned on specified assets, such as the return on, or increase in value of, a particular dollar amount invested at a particular interest rate, in a particular non-U.S. currency or in a “basket” of securities representing a particular index. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary securities transactions. Interest rate swaps, for example, do not typically involve the delivery of securities, other underlying assets or principal. Accordingly, the market risk of loss with respect to an interest rate swap is often limited to the amount of interest payments that the Clients are contractually obligated to make on a net basis.

Other Derivative Instruments. Prana may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objectives of the Clients and legally permissible. Special risks may apply to instruments that are invested in by the Clients in the future that cannot be determined at this time or until such instruments are developed or invested in by the Clients.

Availability of Suitable Investment Opportunities. The Clients will compete with other potential investors to acquire interests in its targeted investments. Certain of the Clients’ competitors may have greater financial and other resources and may have better access to suitable investment opportunities. There can be no assurance that the Clients will be able to locate and complete suitable investments that satisfy the Clients’ objectives. Whether or not suitable investment opportunities are available to the Clients, the Clients will bear the Management Fees and other expenses described herein.

Crowded Trades. Prana may acquire long or short positions that become crowded trades. With respect to a given investment, a crowded trade occurs when investors in the aggregate have unusually large exposure (either as a result of a large number of participants or outsized positions), and a similar belief regarding the direction of the trade (i.e., long or short). Investments in crowded trades are subject to the risk that there will be insufficient liquidity and significant volatility if investors seek to unwind their positions at or around the same time. Investments in crowded trades could lead to significant losses by the Clients. There can be no assurance Prana will be able to avoid significant losses if a position becomes a crowded trade.

Purchasing Securities of Initial Public Offerings. The Partnership may purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Clients to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

Non-Controlling Investments. If the Clients make non-controlling investments, the Clients may have a limited ability to protect its investments.

Hedging. The success of the Fund's hedging strategy will depend, in part, upon Prana's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many assets change as markets change or time passes, the success of the Fund's hedging strategy will also be subject to Prana's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it has not engaged in any such hedging transactions. For a variety of reasons, Prana may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. Prana may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Fund's portfolio holdings. It should be noted that the portfolio will always be exposed to certain risks that cannot be hedged. Moreover, the Fund is not obligated to seek to hedge against fluctuations in the value of the Fund's portfolio positions as a result of changes in market interest rates or any other developments, and there is no assurance that such strategies, when utilized, will always be successful.

Leverage. The Clients may buy securities on margin, borrow from brokers, banks and others on a secured or unsecured basis, and employ derivative instruments in order to provide leverage as Prana deems appropriate. The Clients may also achieve leverage in certain transactions through

the use of structured products which may include the use of recourse and non-recourse borrowings to the Clients. While such borrowing will increase the investment opportunities available to the Clients, it will also increase the risk of loss on such investments. The amount of financial leverage will vary and may at times be important in relation to each Clients' capital. While leverage can potentially increase the returns of the Clients, conversely, it also has the potential to magnify losses, and therefore the overall losses the Clients may incur will be greater than if the Clients had not obtained financial leverage.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any Client. Prospective investors should read the applicable Governing Documents and consult with their own legal, tax, and financial advisers before deciding to invest in a Client.

ITEM 9 – DISCIPLINARY INFORMATION

There are no legal or disciplinary events to report that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Prana nor its management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither Prana nor its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Prana Absolute Return Fund GP, LLC serves as general partner to the Partnership, and is controlled by Peter Seuss.

The General Partner and certain of Prana's principals and employees may invest directly in the Partnership. Employees of the Adviser may invest in the Partnership. The Adviser has adopted a Code of Ethics concerning trading by personnel of the Adviser that is designed to detect and prevent potential conflicts of interest between the Adviser and the Partnership and Investors. Please refer to Item 11 below for additional information regarding the Adviser's Code of Ethics.

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

Prana's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act"). The Code applies to Prana's "Access Persons." Access Persons include, generally, any partner, officer or director of Prana and any employee or other supervised person of Prana who, in relation to the Advisory Clients, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All Prana employees are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Prana's status as a fiduciary and requires Access Persons to place the interests of Advisory Clients above their own interests and the interests of Prana. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Prana's Chief Compliance Officer (the "Chief Compliance Officer"). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1. Additionally, Access Persons are required to adhere to strict pre-clearance policies and procedures with respect to certain Reportable Securities, as more fully described in the Code.

The General Partner and Prana employees may also invest directly in the Clients. It should be noted that investments in the Clients made by such parties generally will not be subject to the Management Fee and Performance Allocation described in Item 5 above.

The fact that the General Partner and Prana's employees may have financial ownership interests in the Clients creates a potential conflict in that it could cause Prana to make different investment decisions than if such parties did not have such financial ownership interests. Prana addresses this potential conflict by impressing upon Access Persons their fiduciary duty to act in the best interests of advisory clients and Investors and by requiring Access Persons to submit securities holdings and transaction reports in accordance with Rule 204A-1, and by mandating pre-clearance process for certain personal securities transactions.

The Code also seeks to ensure the protection of nonpublic information about the activities of the Clients. Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer, Paul Rotondi, at protondi@pranacap.com

As explained in Item 10 above, Prana Absolute Return Fund GP, LLC serves as general partner to certain of the Funds. Prana believes that when Access Persons invest in the Partnership it aligns Access Persons' interests with those of Partnership Investors.

Prana and its affiliates have a material financial interest with respect to fees paid by Clients' Investors. Management fees are payable without regard to the overall success or income earned by the Clients and therefore may create an incentive on the part of Prana to raise or otherwise increase assets under

management to a higher level than would be the case if Prana were receiving a lower or no management fee. Performance-based fees may create an incentive for Prana to make investments that are riskier or more speculative than in the absence of such incentive allocations.

Prana addresses these potential conflicts through regular monitoring of the Clients' portfolios for consistency with Client objectives, strategies, and target capacity. Further, Prana carefully considers the risks involved in any investments and Prana provides extensive disclosure to Partnership Investors regarding the potential risks that come with an investment in the Partnership.

ITEM 12 – BROKERAGE PRACTICES

Prana is authorized to determine the broker-dealers used to execute trades and to negotiate any commissions paid on such transactions. Prana's primary consideration in placing transactions with particular broker-dealers is to obtain execution in the most effective manner possible. Prana also takes into account a variety of other factors, including the financial strength, integrity, and stability of the broker-dealer and the commissions to be paid. Prana may also consider the quality comprehensiveness and frequency of available research and other products and services considered to be of value. The products and services furnished by broker-dealers may include, among other things, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, statistics and pricing or appraisal services, discussion with research personnel, special execution capabilities, order of call and the availability of stocks to borrow for short trades.

Prana is authorized to pay higher prices for the purchase of securities from, or accept lower prices for the sale of securities to, brokerage firms that provide it with such research and trading related products and services or to pay higher commissions to such firms if Prana determines such prices or commissions are reasonable in relation to the overall services provided. Accordingly, the Funds may be deemed to be paying for research and other products and services with "soft" or commission dollars.

Any use of commissions or "soft dollars" generated by the Funds to pay for brokerage and research products or services will fall within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Funds, Prana will make a reasonable allocation of the cost that may be paid for with soft dollars.

When Prana uses soft dollars to obtain research or other products or services from broker-dealers, it receives a benefit because it does not have to produce or pay for the research, products or services. Prana also has the authority to cause the Funds to pay brokers directly for research.

Further, Prana has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on a client's interest in receiving most favorable execution.

Such soft dollar benefits may be used to service all of Prana's clients and not just those that paid for the benefits. It is anticipated that any soft dollar benefits received by Prana will be applicable to all of Prana's Clients, excluding any Clients without contractual consent to participate in such soft dollar arrangements.

When the purchase and sale of securities is considered to be in the best interest of more than one Client, the securities to be purchased or sold may be aggregated in order to obtain superior execution and/or lower brokerage expenses. Advisory execution prices for identical securities purchased or sold on behalf of multiple accounts in any one day may be (but are not required to be) averaged. In such instances, allocation of prices, as well as expenses incurred in the transaction, will be made in a manner that Prana considers to be equally as favorable to the Clients as to any other party.

Allocation of investment opportunities among the Partnership and Sub-Advisory Funds will be made by Prana based upon the investment objectives and restrictions of the Clients, which generally transact on a "pari-passu" basis.

In selecting or recommending broker-dealers, Prana does not consider Client referrals from a broker-dealer. Prana may receive referrals in the future and if it does it will appropriately amend this Brochure.

Prana does not direct brokerage and does not permit any Client to direct brokerage.

ITEM 13 – REVIEW OF ACCOUNTS

The Clients are under continuous review by the Portfolio Manager. Such reviews include a review of existing investments, potential investments, investment policy, the suitability of the investments used to meet policy objectives, cash availability, and investment objectives. The Portfolio Manager considers, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

Partnership Investors are expected to receive the following: unaudited monthly statements; annual audited financial statements within 120 days of the fiscal year end; and a Schedule K-1.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Prana does not receive economic benefits from non-clients for providing investment advice or other advisory services. Prana does not, directly or indirectly, currently compensate any person for client referrals.

ITEM 15 – CUSTODY

Prana and the General Partner are deemed to have custody of Partnership's assets and securities by virtue of their status as investment manager or general partner. The qualified custodian of the Partnership is Morgan Stanley & Co. LLC.

To ensure Prana is in compliance with Rule 206(4)-2 under the Advisers Act, Prana or the Partnership's administrators provide Partnership Investors with audited financial statements within 120 days of the end of the Partnership's fiscal year (i.e., generally by April 30). Partnership Investors should carefully review such statements.

Prana does not have custody of the Sub-Advisory Funds' assets.

ITEM 16 – INVESTMENT DISCRETION

The Governing Documents generally authorize Prana to invest and trade the Clients' assets in a broad range of investments, to be selected at Prana's sole discretion, with no specific limitations as to type, amount, concentration, or leverage. Further, Prana may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate.

Pursuant to the Partnership's Governing Documents, each Partnership Investor designates Prana as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Partnership's business and affairs, including execution of the Partnership's governing documents. An Investor's execution of the Partnership's subscription agreement constitutes its execution of the Partnership's governing documents.

Pursuant to the Sub-Advisory Funds' sub-advisory agreements, the Sub-Advisory Funds designate Prana as their limited attorney-in-fact. Notwithstanding the previous sentence, Prana shall not have authority to withdraw, pay or transfer monies or deliver or transfer securities out of Sub-Advisory Fund Investor accounts or to deposit additional funds into Sub-Advisory Fund Investor Accounts, such rights having been reserved exclusively to the Sub-Advisory Fund.

ITEM 17 – VOTING CLIENT SECURITIES

Prana has authority to vote the securities of the Clients. Prana understands and appreciates the importance of ensuring that its proxy voting procedures are clearly described to Clients and Investors.

All proxies will be provided to the Portfolio Manager (or his Designated Person) who, prior to voting any proxies, will determine if there are any conflicts of interest related to the proxy in question. The Portfolio Manager will make a determination as to whether the conflict is material. If no material conflict is identified, Prana will vote the proxy in question in accordance with the best interest of the relevant Client(s).

If a material conflict is identified by the Portfolio Manager, Prana will generally seek to mitigate the conflict by either appointing an independent third party to vote such proxies or disclosing the conflict to affected Clients (or Partnership Investors) and giving such Clients (or Partnership Investors) the opportunity to vote the proxies in question themselves.

Prana delivers completed proxies in accordance with instructions related to such proxy. Prana keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, communications received and internal documents created that were material to voting decisions and Investor requests for proxy voting records and Prana's response.

Investors do not have the ability to direct proxy votes.

Investors may obtain additional information regarding how Prana voted proxies and may obtain a copy of Prana's proxy voting policies and procedures by contacting the Chief Compliance Officer, Paul Rotondi, at protondi@pranacap.com.

ITEM 18 – FINANCIAL INFORMATION

Prana is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.