

**Item 1. Cover Page**

**Brochure of  
Colchis Capital Management, L.P.**

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This brochure provides information about the qualifications and business practices of Colchis Capital Management, L.P. (“**Colchis**”). If you have any questions about the contents of this brochure, please contact Andrea Peters at (415) 400-8600 or [apeters@colchiscapital.com](mailto:apeters@colchiscapital.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.

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

**Item 2. Material Changes**

There have been no material changes to this brochure since the previous Annual Updating Amendment to the Form ADV filed on April 5, 2019.

**Item 3. Table of Contents**

<b>Item 1.</b>	<b>Cover Page .....</b>	<b>1</b>
<b>Item 2.</b>	<b>Material Changes .....</b>	<b>1</b>
<b>Item 3.</b>	<b>Table of Contents.....</b>	<b>2</b>
<b>Item 4.</b>	<b>Advisory Business.....</b>	<b>3</b>
<b>Item 5.</b>	<b>Fees and Compensation .....</b>	<b>5</b>
<b>Item 6.</b>	<b>Performance-Based Fees and Side-By-Side Management.....</b>	<b>6</b>
<b>Item 7.</b>	<b>Types of Clients .....</b>	<b>6</b>
<b>Item 8.</b>	<b>Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>6</b>
<b>Item 9.</b>	<b>Disciplinary Information .....</b>	<b>15</b>
<b>Item 10.</b>	<b>Other Financial Industry Activities and Affiliations .....</b>	<b>15</b>
<b>Item 11.</b>	<b>Code of Ethics, Participation or Interest In Client Transactions and Personal Trading .....</b>	<b>16</b>
<b>Item 12.</b>	<b>Brokerage Practices .....</b>	<b>17</b>
<b>Item 13.</b>	<b>Review of Accounts .....</b>	<b>19</b>
<b>Item 14.</b>	<b>Client Referrals and Other Compensation .....</b>	<b>19</b>
<b>Item 15.</b>	<b>Custody.....</b>	<b>19</b>
<b>Item 16.</b>	<b>Investment Discretion .....</b>	<b>19</b>
<b>Item 17.</b>	<b>Voting Client Securities .....</b>	<b>20</b>
<b>Item 18.</b>	<b>Financial Information .....</b>	<b>20</b>
<b>Item 19.</b>	<b>Requirements for State-Registered Advisers.....</b>	<b>20</b>
	<b>Privacy Policy .....</b>	<b>20</b>
	<b>Trade Error Policy.....</b>	<b>21</b>

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

Colchis is a Delaware limited partnership that has been in business since March 2012. It serves as the investment adviser to several investment funds (each referred to herein as a “**fund**” and collectively as the “**funds**”). Colchis’s controlling owners are Robert J. Conrads and Edward M. Conrads. As of December 31, 2019, Colchis had total discretionary net assets under management of approximately \$976,728,928 (calculated by summing the net assets held by Colchis Income Fund, L.P., Colchis Income Fund, Ltd., Colchis/Marlette Income Fund, L.P. and Colchis/Marlette Income Fund, Ltd., and the net assets plus uncalled capital commitments of Colchis Opportunities Fund, L.P., Colchis Opportunities Offshore Fund, L.P., Colchis Real Properties Income Fund, L.P., Colchis Real Properties Income Fund II, L.P. and Colchis Pacific Advisors, LLC). Colchis only manages assets on a discretionary basis.

##### *Income Funds*

Colchis manages Colchis Income Fund, L.P., a Delaware limited partnership, and Colchis Income Fund, Ltd., a Cayman Islands company, each of which invests substantially all of its assets in Colchis Income Offshore Master Fund, L.P., a Cayman Islands limited partnership (“**Income Master**,” and collectively with the other funds, the “**Income Funds**”). In turn, Colchis invests or expects to invest substantially all of Income Master’s assets directly, and indirectly through various special purpose vehicles (“**SPVs**”), in (a) notes, certificates and other securities that derive their value from loans facilitated by a variety of financing platforms (whether based in the U.S. or outside the U.S.) to consumers, small and medium sized enterprises (“**SMEs**”) and other businesses, and owners of residential and commercial property, (b) future receivables due to SMEs or medical providers, (c) bonds and structured notes, (d) collateralized debt obligations, structured notes or equity interests (“**Collateralized Obligations**”) of securitization vehicles (which may be structured as U.S. or non-U.S. trusts, partnerships, limited liability companies or other pools of U.S. or non-U.S. denominated assets) that hold similar fixed-income securities to those described above (“**Securitization Vehicles**”), and (e) certain illiquid investments, which are held in side pockets only for electing investors. Income Master also, directly or indirectly through SPVs, provides or may provide credit facilities or term loans to certain borrowers.

Currently, Income Master holds certain investments indirectly through the following SPVs, although Income Master may invest in other SPVs in the future: (a) Colchis/LC Income Offshore Master Fund, L.P., a Cayman Islands limited partnership (“**LC Master**”); (b) various Delaware business trusts for which Colchis is the administrator (each, a “**Funding Trust**” and together, the “**Funding Trusts**”); (c) Series 2 of Marlette Funding Trust, a Delaware business trust for which Colchis is the administrator (“**Marlette Trust**”); and (d) Pacific Financing, LLC, a Delaware limited liability company.

Marlette Trust, derives its value primarily from loans it purchases from Marlette Funding LLC (“**Marlette**”), as well as other investments that the Marlette Trust acquires, including derivatives. Certain SPVs also purchase loans from Marlette. Colchis has certain conflicts of interest with respect to the operation of Marlette and the Income Funds described in Item 8 below.

Income Master also invests, directly and indirectly through the SPVs, in investments facilitated, and in Collateralized Obligations issued by Securitization Vehicles sponsored or otherwise facilitated, by some of the Opportunities' Funds' portfolio companies or other financing platforms in which Colchis, Colchis's principals and/or certain employees have invested. These relationships create the conflicts of interest described in Item 8 below.

In the future, Colchis may invest Income Master's assets in other consumer-related, SME-related, commercial-related or real estate-related fixed-income investments as well as other types of financial and income-generating investments in the U.S. and globally, including, but not limited to, extensions of credit facilities to financing platforms or other borrowers.

#### Marlette Funds

Colchis manages Colchis/Marlette Income Fund, L.P. and Colchis/Marlette Income Fund, Ltd. (together, the "**Marlette Funds**"), each of which invests or intends to invest principally, but not solely, in Series 1 of the Marlette Trust, Series 1 of Pacific Funding Trust 1005, and in Collateralized Obligations issued by various Securitization Vehicles, including Securitization Vehicles sponsored or otherwise facilitated by Marlette. Colchis has certain conflicts of interest with respect to the operation of Marlette and the Marlette Funds described in Item 8 below.

#### Opportunities Funds

Colchis manages Colchis Opportunities Fund, L.P., a Delaware limited partnership, and Colchis Opportunities Offshore Fund, L.P., a Cayman Islands limited partnership, each of which invests substantially all of its assets in Colchis Opportunities Master Fund, L.P., a Cayman Islands limited partnership ("**Opportunities Master**," and collectively with the other funds, the "**Opportunities Funds**"). Colchis invests substantially all of Opportunities Master's assets in equity and debt securities issued by privately held companies, primarily in the financial technology sector (whether based in the U.S. or outside of the U.S.).

#### Real Properties Funds

Colchis manages Colchis Real Properties Income Fund, L.P., a Delaware limited partnership ("**RP Fund I**") and Colchis Real Properties Income Fund II, L.P., a Delaware limited partnership ("**RP Fund II**," and together with RP Fund I collectively, the "**Real Properties Funds**"). Colchis invests substantially all of the Real Properties Funds' assets in residential rental properties ("**Properties**"), and aims to target Properties for purchase based on Colchis's projected cash flow expectations and potential for appreciation of the Properties. The Real Properties Funds have engaged Colchis's affiliate, Imagine Homes Management, LLC ("**Imagine Homes**"), to act as the Real Properties Funds' agent and property manager. Colchis controls, and Colchis and certain of its or its Affiliates' principals or employees directly or indirectly have significant equity interests in, Imagine Homes, and thus Colchis has an incentive to cause the Real Properties Funds to engage Imagine Homes.

#### General Matters

The investors in the funds that Colchis manages have no opportunity to select or evaluate any fund investments or strategies. Colchis selects all fund investments and strategies. Colchis may maintain idle cash or other short-term investments and is authorized to enter into any type of investment transaction that it deems appropriate under the terms of the funds' governing documents.

Colchis does not participate in wrap fee programs.

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

Colchis is an SEC-registered adviser that delivers this brochure to prospective investors in the Income Funds, the Marlette Funds and the Opportunities Funds that are qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. Therefore, information on how Colchis is compensated for its advisory services and its fee schedule with respect to those funds are not included here.

With respect to the Real Properties Funds, Colchis's charges a management fee with respect to each investor equal to 0.25% (RP Fund I) and 0.375% (RP Fund II) per calendar quarter (approximately 1% to 1.5% per year) of such investor's capital commitment or remaining invested capital, as described in each Real Properties Fund's offering documents. Colchis also receives from each investor a carried interest distribution of up to 20% of distributions from each Real Properties Fund (subject to certain adjustments as described in detail in each Real Properties Fund's offering documents). Carried interest distributions may create an incentive for Colchis to make more risky and speculative investments than it would otherwise make.

Colchis deducts management fees, performance-based special profit allocations and carried interest distributions, if any, directly from the applicable fund.

Colchis complies with Rule 205-3 under the Investment Advisers Act of 1940, as amended, to the extent required by applicable law. Colchis believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in a Colchis fund, to use the "alternative reporting option" to report Colchis's and its affiliates' compensation as "eligible indirect compensation" on the Schedule C of the plan's Form 5500 Annual Return/Report of Employee Benefit Plan.

Relationships with Colchis's investment funds, other than the Real Properties Funds and the Opportunities Funds (which are fixed term funds), are terminable on specified prior written notice.

In all cases, expenses and the performance-based special profit allocation or carried interest distributions through the date of termination are charged to the applicable investor. An investor who withdraws from a fund on a date other than the last day of a quarter does not receive a

refund of the management fee previously paid. Investors may not withdraw from the Opportunities Funds or the Real Properties Funds.

Each fund is responsible for its own costs and expenses, including trading costs and expenses (such as brokerage commissions, expenses related to short sales or derivative positions, and clearing and settlement charges), ongoing legal, accounting and bookkeeping fees and expenses, and the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services. Colchis bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. All or part of these costs and expenses may be paid, however, by securities brokerage firms and futures commission merchants that execute clients' securities trades, as discussed in Item 12 below.

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

Colchis currently manages investment funds (the Income Funds, the Opportunities Funds and the Real Properties Funds) that charge performance-based special profit allocations or carried interest distributions and other investment funds (the Marlette Funds) that do not charge performance-based special profit allocations or carried interest distributions. The Income Funds and Marlette Funds may invest in similar instruments and Colchis has an incentive to allocate investments to whatever funds will pay the highest fees, including performance-based special profit allocations or higher management fees. Colchis attempts to address this conflict by reviewing its investment allocations on a regular basis to attempt to ensure that no such disproportionate allocation occurs.

#### **Item 7. Types of Clients**

Colchis provides investment advice to investment funds. Investors must invest a minimum of \$1,000,000 in the Income Funds and Marlette Funds. Investors must invest a minimum of \$500,000 in RP Fund II. Colchis may and sometimes does waive these minimums. The Opportunities Funds and RP Fund I are closed to new investors.

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

##### Investment Strategies

Colchis is the investment adviser to several investment funds that follow different investment strategies, although some funds may follow the same strategy as another fund and may invest collectively through a master-feeder structure. Colchis provides to every prospective investor a copy of the applicable fund's offering documents containing a complete description of its investment strategy.

The investment strategies summarized in the applicable offering documents represent Colchis's intentions as of the date of such documents, are general in nature and are not exhaustive. There are no limits on the types of securities or Properties, as applicable, in which Colchis may take positions on behalf of the funds, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. Colchis may use any trading or investment techniques, whether or not contemplated by the expected investment strategies

described in its offering documents. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities, commodities and properties markets and the economy generally, Colchis may pursue any objectives or use any techniques that it considers appropriate and in the funds' interests. A potential investor should discuss with Colchis's representatives any questions that such person may have before investing in a fund.

### Risk Factors

Investing in securities or Properties involves risk of loss that investors should be prepared to bear. Below are some of the risks that investors should consider before investing in any fund that Colchis manages. Any or all of such risks could materially and adversely affect investment performance, the value of any fund or any investment held in a fund, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that an investor may encounter. Potential investors in a fund should review such fund's offering circular or private offering memorandum carefully and in its entirety, and consult with their professional advisers before deciding whether to invest.

#### *Risks Specific to the Income and Marlette Funds*

- The funds' investments may be concentrated in loans, certificates, notes or beneficial interests related to underlying debt obligations. Those funds may be subject to more risk than would be the case in a diversified securities portfolio. Markets for such loans, certificates, notes or beneficial interests fluctuate and the market value of any particular underlying debt obligation may vary substantially over time.
- The loans, certificates, notes and beneficial interests in which the funds invest generally represent only the right to receive payments received with respect to the loans corresponding to those loans, certificates or notes or the loans to which the value of the beneficial interests are substantially tied. Such securities are not obligations of the underlying borrowers, the applicable financing platform, the banks involved in the transactions or any other party. None of the loans, certificates, notes, beneficial interests or underlying loans is (a) secured by any collateral or (b) guaranteed or insured by any governmental agency or instrumentality or any third party. The funds must rely on the applicable financing platform and its designated third-party collection agency to pursue collection against any borrower.
- The funds invest in Collateralized Obligations, which have unique risks, including: limited recourse if assets or collateral of the applicable Securitization Vehicles are insufficient to meet obligations in accordance with the Securitization Vehicles' priorities of payment; subordination of each class of Collateralized Obligations to higher-ranking classes and to payment of certain fees and expenses to the extent provided under the priorities of payment of the applicable Securitization Vehicle; levered nature of subordinated Collateralized Obligations; exposure to the skill of the Securitization Vehicle's collateral manager to analyze, acquire and manage such Securitization Vehicle's assets and structure; limited liquidity of Collateralized Obligations; many of the Collateralized Obligations will be below investment grade or may be unrated (such

securities are commonly known as “junk bonds” or high/yield/high risk”), which generally indicates a higher risk of default or bankruptcy; risks associated with an inaccurate credit rating, including higher default or bankruptcy risks than expected; and limited available information concerning the applicable Collateralized Obligations.

- The Income Funds directly provide credit facilities or term loans to financing platforms or other borrowers. The risks of direct lending include, in addition to the risks associated with investing in fixed-income instruments generally as described herein, the heightened risks of lender liability or other claims against the funds themselves, increased regulatory burden for the funds to comply with applicable lending laws and obligations, costs and expenses of directly enforcing defaults or collecting collateral, and potential adverse tax consequences for investors in the funds. Additionally, in the event of a borrower’s bankruptcy and depending on the subordination of the credit facility or the loan arrangement, Colchis may not receive all the loan repayments, which may cause the funds and their investors to lose some or all of their investments.
- Colchis relies on proprietary technology that may be adversely affected by technological errors and intellectual property infringement, whether by or against Colchis. Colchis’s technology may also be found to infringe a third party’s intellectual property.
- Colchis relies on receiving information directly from the financing platforms. Any disruption in the flow of information or inaccuracies may adversely affect Colchis’s ability to make investment decisions.
- Colchis makes a significant portion of the funds’ investments through the financing platforms’ passive allocation programs. Before purchasing or agreeing to a passive allocation on a financing platform, Colchis evaluates the general credit and other criteria that all loans must meet. In certain instances, some financing platforms must allocate a portion of such loans to other investors accepting similar criteria. Thus, Colchis’s ability to make investments may be limited by the demand for those investments.
- Colchis will be competing for investments through financing platforms (whether by actively selecting investments or through the passive allocation programs described above) with institutional investors, investment managers, industrial groups and merchant banks owned by larger and well-capitalized investors, and may not be able to select attractive investments.
- In the event of a financing platform’s bankruptcy various legal and administrative restrictions may limit or entirely prohibit Colchis from receiving funds invested in the notes or certificates related to that platform, which may cause the funds and their investors to lose some or all of their investments.
- The Income Funds have the ability to place, and have placed, certain illiquid securities in accounts (via side pockets) that may not be withdrawn or redeemed from the Income Funds. As a result, the investors who elect to participate in side pockets will have more limited liquidity with respect to their investments in such side pockets of the Income Funds.



- Colchis, its affiliates and personnel sponsor, manage and participate in other activities in addition to managing the Colchis funds, and they intend in the future to be engaged in these and other investment activities. Colchis's, its affiliates' and its employees' engagement in these activities may cause various conflicts of interest. For example, Colchis's principals and its employees control, and have, directly and indirectly, significant equity interests in, Marlette, and Colchis, Colchis's principals and employees also hold investments in a variety of other privately-held financing platforms, including, but not limited to SoFi. Colchis also manages the Colchis Opportunities Funds, which have made and expect to continue to make equity investments in various financing platforms through which the Income Funds invest. Colchis, its principals and employees and the funds it manages may in the future make additional investments in or enter into additional arrangements with those financing platforms or other platforms. Due to the Income Funds' and Marlette Funds' investments through these platforms, Colchis, its principals and employees and certain funds may receive preferential investment terms or other economic or other rights with respect to their equity investments, none of which benefit the Income Funds or the Marlette Funds. For these purposes, those financing platforms in which such persons have direct or indirect equity interests are called **"Portfolio Companies."**
- The Income Funds' and Marlette Funds' economic interests conflict with the economic interests of Colchis, its affiliates, its principals, its employees or other funds. Colchis may have an incentive to cause the Income Funds and the Marlette Funds to make investments that protect or enhance the value of the Portfolio Companies. There are cases, however, in which the Income Funds have not invested in loans or other instruments facilitated by Portfolio Companies when those instruments do not meet the Funds' risk-adjusted return targets or for other reasons.
- Colchis and other invested persons will benefit if a Portfolio Company charges the Income Funds or the Marlette Funds high servicing fees or if the Income Funds or the Marlette Funds engage in a high volume of transactions, regardless of the quality of the loans that the Portfolio Company issues or facilitates. The Income Funds and Marlette Funds may be adversely affected if Colchis perceives that it will receive better overall compensation and benefits due to its other arrangements with the Portfolio Companies, and favors itself or its other funds in connection with the Income Funds' or Marlette Funds' negotiations with a Portfolio Company. Colchis addresses the potential conflicts by adhering to its fiduciary duties for all the funds it manages.
- Marlette's management team determines the terms and conditions on which Marlette sells loans to Marlette Trust or the other Marlette SPVs, which form a substantial basis for the value of the indirect interests held by the Marlette Funds and Income Master. Because Colchis's principals and its employees control, and have, directly and indirectly significant equity interests in, Marlette there may be a substantial conflict of interest in the operations of Marlette, on the one hand, and the Marlette Funds or Income Master, as applicable, on the other hand, regarding the negotiation, administration and enforcement of the various loans and agreements between Marlette, the Marlette Trust, the other Marlette SPVs, the Marlette Funds or Income Master, as applicable.

- Conflicts could arise if Marlette defaults on any obligations related to the Marlette Funds or Income Master. For example, the timing or election of certain remedies by Marlette Trust or the Marlette SPVs, the Marlette Funds or Income Master could be affected by considerations other than the best interests of the investors in the Marlette Funds or Income Master. In addition, certain circumstances about the Marlette loans underlying a portion of the indirect value of the Marlette Funds and Income Master could exist which could violate the terms of the applicable agreements and instruments, but Colchis and its affiliates may decide that such circumstances do not warrant any action on the grounds that similar circumstances on loans made by unaffiliated third-party lenders do not generally result in any default notice or enforcement activity. Marlette Trust, the Marlette SPVs, Marlette Funds and Income Master intend to comply with industry standards for enforcement of the loans held by Marlette Trust and the Marlette SPVs.

#### *Risks Specific to the Opportunities Funds*

- The Opportunities Funds invested substantially all of their assets in securities issued by a small number of Portfolio Companies that are primarily in the financial technology sector. Accordingly, their portfolios will not be diversified beyond those investments, idle cash, money market instruments or other short-term investments.
- Colchis is not in a position to confirm the completeness, genuineness or accuracy of the information and data provided by potential Portfolio Companies during its due diligence, and such due diligence may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.
- Venture capital investments involve special risks, including, but not limited to: (i) no liquidity; (ii) extraordinarily high degree of business and financial risk and potential need for additional capital; (iii) substantial variation in operating results from period to period; (iv) additional funding requirements (which may not be available) and potential dilution; and (v) significant time required for investments to mature and profits (if any) to be realized.
- Colchis does not intend to seek control over the management of any of its Portfolio Companies and therefore will have no control over the conduct of its Portfolio Companies.
- The Opportunities Funds will be subject to a variety of litigation risks, particularly in consequence of the substantial likelihood that one or more Portfolio Companies will face financial or other difficulties during the term of the funds' investment and may be required to indemnify Colchis and its personnel for their losses and defense costs and expenses in connection with such litigation.
- Colchis's management of the Income and Marlette Funds may cause conflicts of interest in relation to the Opportunities Funds. Colchis may use the Opportunities Funds' investments in Portfolio Companies to secure better terms for the investments made by the Income Funds and Marlette Funds in loans facilitated by those Portfolio Companies, or to support previous investments made by Colchis or its personnel or affiliates in those

Portfolio Companies. In addition, the Opportunities Funds' economic interests conflict with the economic interests of the other Colchis funds (e.g., lower servicing fees negotiated by Portfolio Companies may benefit the other Colchis funds at the expense of the Opportunities Funds).

#### *Risks Specific to the Real Properties Funds*

- The Real Properties Funds will invest substantially all of their available capital in residential rental Properties. Identifying, purchasing, renovating, renting, maintaining, improving and disposing of Properties are all difficult tasks. Many competent investors in Properties have been unsuccessful. The Real Properties Funds' investment portfolios may not generate any income or appreciate in value.
- Colchis, with the assistance of the Imagine Homes, conducts such due diligence as it deems relevant before investing in a Property. Colchis and Imagine Homes may not inspect each prospective Property and may not uncover all relevant facts that may be helpful or necessary in evaluating each Property (such as changing neighborhood profiles, the degree of competition for Properties, defects in Properties and other relevant facts). Any failure to learn all relevant information concerning an investment could result in losses for the applicable Real Properties Fund.
- Colchis and Imagine Homes may use algorithms and other data systems to help identify and analyze potential Properties. Any inaccuracies in such systems or data could lead to losses for the applicable Real Properties Fund.
- The Real Properties Funds are likely to be limited in terms of the number and types of Properties purchased and the geographic location of the Properties. The Real Properties Funds' concentration in a single class of property or particular geographic region may increase the risk of loss to the Real Properties Funds if that class of properties or region suffers economic reversals or other material adverse conditions occur.
- Ownership of rental Properties involves unique risks, including: (i) competition for tenants; (ii) difficulties maintaining rental rates and occupancy levels in highly competitive markets; (iii) rental income that is insufficient to meet operating expenses; (iv) risks associated with applicable tenancy laws (such as rent control and other regulations) and other applicable regulatory laws and requirements; (v) risks of uninsured losses with respect to the Properties; (vi) unexpected costs in maintenance, improvements or other renovations for the Properties; (vii) limited availability of financing for the Properties; (viii) liabilities associated with hazardous waste and other environmental matters; and (ix) changes in governmental factors, such as zoning ordinances, school districting, property taxes or other changes in local housing policy. Any one of the above risks could lead to substantial losses for the applicable Real Properties Fund.
- Imagine Homes is an affiliate of Colchis. Colchis controls, and Colchis and certain of its or its Affiliates' principals or employees directly or indirectly have significant equity interests in, Imagine Homes. Accordingly, Colchis has a conflict of interest in the appointment of and continuing relationship with Imagine Homes. Imagine Homes

charges the Real Properties Funds (a) an acquisition fee, (b) a fee with respect to each newly occupying tenant, (c) a monthly property management fee and fees for renovation and construction, and (d) a disposition fee with respect to any Property for which Imagine acts as the broker, all described in more detail in the offering materials for the Real Properties Funds. These fees may be higher than the fees that would be charged by other third parties. Subject to restrictions in its agreement with each Real Properties Fund, Imagine Homes may spend time advising other funds and investors that may compete with the Real Properties Funds. Imagine Homes has discretion to determine how to allocate Properties in such circumstances, and shall have no obligation to present any opportunity to the Real Properties Funds.

#### *Other Material Risks Applicable to All Funds*

- The funds typically use leverage by borrowing capital to invest in securities or Properties. Any violation of the related credit agreements could result in the acceleration of the maturity date of the applicable loans and the seizure and liquidation of the funds' assets pledged as collateral for those loans. Any such action could cause investors to lose some or all of their investment in the applicable fund. Certain funds also may have exposure to leverage and risk of loss through derivatives or Collateralized Obligations.
- Certain funds are exposed directly and indirectly to hedging and positions in derivatives, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. Colchis is not obligated to hedge a fund's portfolio positions, and it frequently may not do so.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities and properties markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which Colchis does business on behalf of the funds may default on their obligations. For example, a fund may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- The funds hold investments that are illiquid, are difficult or impossible to sell and may never become publicly traded.
- The funds may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Certain investment funds that Colchis manages have only a limited operating history on which prospective investors may evaluate their performance.

- Investor sentiment on the “marketplace lending” sector, fixed-income investments generally, real estate or particular segments of those sectors is not predictable and can adversely affect a fund’s investments.
- Colchis determines the values of the funds’ investments in good faith, whether or not a public market exists for such investments. Colchis generally intends to engage various third party valuation firms to assist in Colchis’s valuation of each fund’s investments. If Colchis’s or such firm’s valuation is inaccurate, Colchis and its affiliates might receive more compensation in certain funds than that to which they are entitled, a new investor in such funds might receive an interest that is worth less than the investor paid and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- Each fund, and not Colchis, is responsible for any trade errors that Colchis makes in a fund, even when the error hurts the fund.
- Subject to limited exceptions, (i) Colchis and its affiliates and agents generally are not responsible to any investor for losses incurred in a fund, and (ii) the funds indemnify Colchis and its affiliates broadly for their activities on behalf of the funds.
- With respect to funds that allow withdrawals/redemptions:
  - Such a fund may not be able to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force Colchis to liquidate investments too rapidly, and may so reduce the size of such a fund that it cannot generate returns or reduce losses.
  - Such a fund may limit or suspend withdrawals or redemptions of an investor’s assets.
  - Such a fund may establish a reserve for contingencies if Colchis considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- If the assets that Colchis and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for Colchis to find attractive investments as the amount of assets that it must invest increases.
- No fund or investor has been represented by separate counsel. The attorneys who represent Colchis do not represent the funds or the investors. Investors should hire their own counsel for legal advice and representation.
- A fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- Colchis, an administrator or any government agency may freeze assets that any of them believes a fund holds in violation of anti-money laundering laws or rules or on behalf of a

suspected terrorist, and may transfer such assets to a government agency. None of Colchis, a fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.

- The business models employed by the financing platforms in or through which the Income, Marlette and Opportunities Funds invest are fairly new, and their compliance with various aspects of regulatory regimes applicable to consumer or commercial credit transactions is untested. A federal or state regulator or private plaintiff could take a position that any such financing platform's activities (and perhaps any investors in it, such as the Colchis funds) do not comply with applicable law, and any such action could adversely affect the funds and their investors.

For example, some federal and state courts have held that non-bank assignees of loans originated by national banks are not entitled to preemption of state usury laws or otherwise may be required to obtain state credit services or other lending licenses. In addition, the Colorado Attorney General initiated litigation (which remains ongoing) against Marlette, another financing platform and various purchasing entities of loans facilitated by those platforms (including the trustee of Pacific Funding Trust 1005) regarding alleged violations of Colorado's Uniform Commercial Credit Code citing the court decisions described above. The above actions, or similar complaints, court decisions or regulatory actions in other states, could adversely affect the funds.

In addition, various U.S. federal and state and international regulators have indicated an increased interest in the marketplace lending industry. These developments could have a variety of implications for the yields, availability and liquidity of loans through financing platforms, as well as the servicing and other fees associated with investments in those loans and the profitability of the financing platforms themselves. The U.S. Supreme Court recently declined to hear an appeal of one of those court decisions, and thus the law applicable to some of the funds' investments likely will be unfavorable in the jurisdictions subject to that decision, and will be unsettled in other jurisdictions and conflicting between jurisdictions for a significant period of time.

- Some financing platforms in or through which Income Master and the Opportunities Funds invest may facilitate subprime loans. The Consumer Financial Protection Bureau ("CFPB") has broad authority over lending activities. The CFPB or other regulatory agencies could impose regulations with respect to subprime lending, examine subprime lending arrangements more closely than other types of lending activities or prioritize enforcement of its regulations with respect to subprime lending. Any such actions could adversely affect those financing platforms and therefore the funds and their investors.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds, derivative securities or participants in the real estate market, which may increase the time and resources that Colchis must devote to regulatory compliance, to the detriment of investment activities.
- Colchis is not registered as a finance lender or broker-dealer with any federal or state regulatory authority, with the Commodity Futures Trading Commission as a commodity

pool operator or as a real estate agent or broker. The equity interests in the funds are not registered under the Securities Act of 1933, and the funds are not registered investment companies under the Investment Company Act of 1940. Colchis believes that none of these registrations is required. If a regulatory authority deems that any of these registrations is required, Colchis and any fund could be subject to expensive legal action and potential termination. In addition, investors in the funds do not have certain regulatory protection that they would have if these registrations were in place.

- Colchis's activities could cause adverse tax consequences to the funds and investors, including liability for interest and penalties.
- Colchis's activities may cause a fund that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- If a fund becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.
- Colchis and its affiliates may spend time on activities that compete with a fund without accountability to investors, including investing for other clients and their own accounts. If Colchis receives better compensation and other benefits from managing other assets or client accounts compared to managing a fund, it has incentive to allocate more time to those other activities. These factors could influence Colchis not to make investments on a fund's behalf even if such investments would benefit the fund.
- Colchis may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and withdrawal or redemption rights that it does not provide to other investors or clients.

The above is only a brief summary of some of the important risks that an investor may encounter. Before deciding to invest in a fund that Colchis manages, you should consider carefully all of the risk factors and other information in the applicable fund's offering circular or private offering memorandum.

#### **Item 9. Disciplinary Information**

Not applicable.

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

Robert J. Conrads and Edward M. Conrads indirectly wholly own (i) Colchis Income Advisors I, LLC, which is the general partner of Colchis Income Fund, L.P., Income Master and LC Master, (ii) Colchis Income Advisors II, LLC, which is the general partner of Colchis/Marlette Income Fund, L.P. and (iii) Colchis Pacific Advisors, LLC, which is the managing member of Pacific Financing, LLC. Robert J. Conrads, Edward M. Conrads and certain employees of Colchis directly or indirectly wholly own Colchis Opportunities GP, LLC, which is the general partner of each of the Opportunities Funds. Colchis and certain of its or its Affiliates' principals or

employees directly or indirectly own Colchis RP GP, LLC, which is the general partner of the Real Properties Funds.

Robert J. Conrads and Edward M. Conrads currently are directors of Colchis Income Offshore Fund, Ltd. and Colchis/Marlette Income Fund, Ltd. Colchis's principals and its employees also control and have, directly and indirectly, significant equity interests in, Marlette. Colchis controls, and Colchis and certain of its or its Affiliates' principals or employees directly or indirectly have significant equity interests in, Imagine Homes.

Colchis's personnel attempt to address the conflicts in the above described relationships by adhering to their fiduciary duties as directors (in the case of Robert J. Conrads and Edward M. Conrads) of the funds mentioned above and causing Colchis to adhere to its fiduciary duties to the funds it manages.

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

Colchis has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, which establishes standards of conduct for Colchis's supervised persons. The Code of Ethics includes general requirements that Colchis's supervised persons comply with their fiduciary obligations to the funds that Colchis manages and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to Andrea Peters, Colchis's Chief Compliance Officer (the "CCO"), and requires the CCO to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the CCO. Each supervised person of Colchis receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Quarterly, each supervised person must certify that he or she complied with the Code of Ethics during the preceding quarter. Clients and prospective clients may obtain a copy of Colchis's Code of Ethics by contacting Andrea Peters at [apeters@colchiscapital.com](mailto:apeters@colchiscapital.com).

Under Colchis's Code of Ethics, except in specified limited circumstances, Colchis and its partners, officers and employees generally may not invest in securities in which the Income and Marlette Funds have invested that are issued or sold by financing platforms. Colchis and its partners, officers and employees may, however, buy or sell other types of securities and any types of Properties for their own accounts, even if those securities or Properties may be appropriate for the funds. Colchis's affiliates may choose not to purchase those investments on behalf of the Colchis-managed funds even if those investments might be appropriate for those funds.

Because Colchis manages more than one fund, there may be conflicts of interest over its time devoted to managing any one fund and allocating investment opportunities among all funds that it manages. For example, Colchis selects investments for each fund based solely on that fund's investment strategy. Different clients may have differing investment strategies and expected levels of trading. Colchis may buy or sell a security or Property for one type of fund but not for



another, or may buy (or sell) a security or Property for one type of fund while simultaneously selling (or buying) the same security or a similar Property for another type of fund. Colchis attempts to resolve all such conflicts in a manner that is generally fair to all of the funds. Colchis may give advice to, and take action on behalf of, any fund that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other fund so long as it is Colchis's policy, to the extent practicable, to allocate investment opportunities among the funds fairly over time in a manner consistent with each fund's investment strategy. Colchis is not obligated to acquire for any fund any security or type of Property that Colchis or its partners, officers or employees may acquire for its or their own accounts or for any other fund, if in Colchis's absolute discretion, it is not practical or desirable to acquire a position in such security or type of Property for that fund.

## **Item 12. Brokerage Practices**

Income Master and the Marlette Funds invest directly, and indirectly through various SPVs, in notes, certificates and other securities that derive their value from loans facilitated by a variety of financing platforms, future receivables, structured notes and Collateralized Obligations of Securitization Vehicles or providing credit facilities or term loans. The Real Properties Funds use licensed real estate brokers to purchase and sell Properties, as described in their offering documents. Potential investors should review the applicable offering documents for brokerage or similar practices that relate to the applicable fund.

If Colchis chooses to use brokers (which term includes futures commission merchants), Colchis has complete discretion in selecting the broker that it uses for fund transactions and the commission rates that funds pay such brokers. In selecting a broker for any transaction or series of transactions, Colchis may consider a number of factors, including, for example:

- net price, clearance, settlement and reputation;
- financial strength and stability;
- efficiency of execution and error resolution;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- special execution capabilities;
- order of call;
- offering to Colchis on-line access to computerized data regarding clients' accounts;
- computer trading systems; and
- the availability of stocks to borrow for short trades.

If Colchis chooses to use a broker for fund transactions in the future, Colchis may also purchase from a broker or allow a broker to pay for the following (each a "**soft dollar**" relationship):

- research reports, services and conferences, including third-party research fees;
- technical data;
- periodical subscription fees;
- consultations;
- performance measurement data;

- on-line pricing;
- news wire and data processing charges; and
- quotation services.

Colchis may receive soft dollar credits based on principal, as well as agency, securities transactions with brokers or direct a broker that executes transactions to share some of its commissions with a broker that provides soft dollar benefits to Colchis.

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If Colchis uses commission dollars to pay for products or services that provide administrative or other nonresearch assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor.

If Colchis chooses to use a broker for fund transactions in the future, Colchis may pay to a broker commissions and mark-ups that exceed those that another broker might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker provides. Colchis determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or Colchis’s overall fiduciary duty to the funds. A fund may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. The research and other benefits resulting from Colchis’s brokerage relationships benefit Colchis’s operations as a whole and all funds that it manages, including those that do not generate the soft dollars that pay for such research and other benefits. Colchis does not allocate soft dollar benefits to funds proportionately to the soft dollar credits that the funds generate.

If Colchis chooses to use a broker for fund transactions in the future, Colchis’s relationships with any such broker that provides soft dollar services influence Colchis’s judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not. Colchis will have an incentive to select or recommend a broker based on Colchis’s interest in receiving soft dollar services rather than clients’ interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that Colchis uses soft dollars to pay expenses it would otherwise be required to pay itself.

Colchis will address any such conflicts of interest by annually evaluating the trade execution services that Colchis receives, if any, from the brokers that it uses to execute trades for the funds. Such evaluation will include comparing those services to the services available from other brokers. Colchis will consider, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers, increasing or decreasing targets for each broker and the appropriate level of commission rates.

Colchis may aggregate orders for one fund with similar orders being made contemporaneously for other funds that Colchis manages or with accounts of its affiliates. In such event, Colchis may charge or credit a fund the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the fund than it would be if Colchis were not executing similar transactions concurrently for other funds. Colchis may also cause a fund to buy or sell securities directly from or to another fund, if such a cross-transaction is in the interests of both funds.

Colchis may direct a certain amount of brokerage to a broker in return for the broker's referral of prospective clients or investors. Directing brokerage in exchange for client or investor referrals creates a conflict of interest in that Colchis has an incentive to refer its clients' brokerage business to brokers to which it might not otherwise direct transactions. During its last fiscal year, Colchis did not direct client transactions to a particular broker in return for client referrals. Colchis has policies and procedures to review its brokerage practices regularly, including its use of brokers from which Colchis receives client or investor introductions.

### **Item 13. Review of Accounts**

The Colchis Income Funds, Marlette Funds and Opportunities Funds receive ongoing and continuous investment management and are overseen by Robert J. Conrads, Colchis's Chief Investment Officer. Matthew C. Pry directs the Real Properties Funds' day-to-day investment activities, subject to the oversight of Robert J. Conrads and Edward M. Conrads. Matters generally reviewed include adherence to guidelines established by Colchis relating to specific securities or Properties held. Investors receive a monthly or quarterly statement with the applicable investor account's performance and the investor's capital account balance or the net asset value of the investor's investment, as applicable.

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

Colchis engages solicitors to whom it pays cash or a portion of the advisory fees paid by investors referred to it by those solicitors. In such cases, this practice is disclosed in writing to the investor and Colchis complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

### **Item 15. Custody**

This Item is not applicable, as Colchis complies with the exceptions to the account statement delivery requirements as provided in the Investment Advisers Act of 1940 Rule 206(4)-2 and related SEC guidance.

### **Item 16. Investment Discretion**

Colchis has discretionary authority to manage the investment funds pursuant to a grant of authority in each fund's investment adviser agreement.

## **Item 17. Voting Client Securities**

Colchis decides whether to vote proxies on behalf of each fund over which Colchis has proxy voting authority after considering whether the proposal will have a material effect on the fund's investment strategy. This analysis typically leads Colchis to not vote proxies. In determining whether a proposal serves a fund's best interests, Colchis considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

Colchis abstains from voting proxies when Colchis believes that it is appropriate to do so.

If a material conflict of interest over proxy voting arises between Colchis and a fund, Colchis will vote all proxies in accordance with the policy described above. If Colchis determines that this policy does not adequately address the conflict of interest, Colchis will notify the fund of the conflict and request that the fund consent to Colchis's intended response to the proxy solicitation. If the fund consents to Colchis's intended response or fails to respond to the notice within a reasonable time specified in the notice, Colchis will vote the proxy as described in the notice. If the fund objects in writing to Colchis's intended response, Colchis will vote the proxy as the fund directs.

An investor can obtain a copy of Colchis's proxy voting policy and a record of votes cast by Colchis on behalf of the applicable fund by contacting Colchis.

## **Item 18. Financial Information**

This Item is not applicable, because Colchis is not required to report financial information.

## **Item 19. Requirements for State-Registered Advisers**

Not applicable.

## **Privacy Policy**

Colchis and its affiliates, and the investment funds which they advise (collectively for this Privacy Policy disclosure, "**Colchis**"), are committed to safeguarding the confidential information provided by their clients, investors in the funds, former clients and investors in the funds and persons who have applied to be clients and investors in the funds (together, "**Investors**"). This notice provides information about the privacy policies and practices of Colchis.

Colchis collects nonpublic personal information about Investors from the following sources: interviews and other conversations between Investors and representatives of Colchis; subscription agreements, offering questionnaires and other documents provided by Investors; information about Investors' transactions with a fund and others; and information that Colchis receives from consumer reporting agencies.

Colchis does not disclose any nonpublic personal information about any Investor to anyone, except as permitted by law. Disclosures that are permitted by law include disclosures that are necessary to effect, administer or enforce a transaction that an Investor requests or authorizes. Other examples of disclosures that are permitted by law are disclosures to Colchis's accountants, auditors and lawyers, disclosures to regulators that examine Colchis's business and disclosures that Investors specifically request.

Colchis does not provide personal information about Investors to mailing list vendors or solicitors for any purpose. Colchis restricts access to nonpublic personal information about Investors to those employees of Colchis who have a business or professional need to know such information. In addition, Colchis maintains a secure office and computer environment to ensure that the confidentiality of Investors' information is not placed at unreasonable risk.

### **Trade Error Policy**

Colchis enters into various transactions on behalf of the funds directly as well as through third parties. The trading process is complex and can vary for different types of securities. Moreover, Colchis may be required to break up orders, or may buy or sell the same security for more than one fund, further complicating the trading process. Colchis might make or cause errors in trading. Subject to the specific provisions in the applicable fund's governing documents, each fund (not Colchis or its affiliates) is responsible for any such trade errors. Colchis and its affiliates will not be required to bear the cost of any trade error or reimburse a fund for resulting costs or losses.

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