

**Brochure**  
(Part 2A of Form ADV)

**Palladin Consumer Retail Partners, LLC**  
**Palladin Capital Group, Inc.**  
**Prudential Tower**  
**800 Boylston Street, 14th Floor Boston, MA**  
**02199**  
**Tel: (617) 585-3800**  
**Website: [www.pcrp.com](http://www.pcrp.com)**

This brochure provides information about the qualifications and business practices of Palladin Consumer Retail Partners, LLC and Palladin Capital Group, Inc. (collectively, “Palladin”). If you have any questions about the contents of this brochure, please contact Mary Courtney-O’Sullivan, Chief Compliance Officer, at 617-585-3800 or [MCourtneyOSullivan@pcrp.com](mailto:MCourtneyOSullivan@pcrp.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 Palladin is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

**March 31, 2021**

**Item 2: Material Changes**

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**Annual Update**

This brochure, dated March 31, 2021, replaces the version filed on March 30, 2020 which was our last annual amendment. There have been no material changes since our last annual amendment.

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#### **Item 4: Advisory Business**

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##### **A: Firm Description**

Palladin Consumer Retail Partners, LLC, formerly known as Palladin Capital Group, LLC, is a Delaware limited liability company formed on March 16, 2012, and is wholly owned by Mark J. Schwartz and entities affiliated with Mr. Schwartz. Palladin Capital Group, Inc., (referred to herein collectively with Palladin Consumer Retail Partners, LLC, as “Palladin”) is a Delaware corporation formed on August 13, 1997, and is wholly owned by Mark J. Schwartz.

##### **B: Types of Advisory Services**

Palladin currently provides investment advisory services on a discretionary and non-discretionary basis to private pooled investment vehicles not registered under the Investment Company Act of 1940, as amended (the “Funds”). References throughout this brochure to “a Fund” or “Funds” are generally intended to cover any existing or future private fund advised or sponsored by Palladin, including any co-investment vehicles.

##### **C: Tailored Services**

Investments in the Funds are managed in accordance with the applicable Fund’s strategy and guidelines set forth in the relevant Fund documents and are generally not managed based upon the particular interests of an investor. Accordingly, investors must consider whether the Fund meets their investment objectives and tolerance prior to investing. Information about the Funds, including any relevant restrictions, can be found in the Fund offering documents, which are only provided to qualified current and prospective investors through Palladin or another authorized party. Additionally, Palladin provides services, such as monitoring, to portfolio companies held in private pooled investment vehicles to the extent set forth in the relevant limited partnership agreement.

Clients are typically not permitted to impose restrictions on investing in certain securities or types of securities, unless an exception is agreed upon by Palladin in writing.

##### **D: Wrap Fee Programs**

Palladin does not participate in any wrap fee programs.

##### **E: Client Assets Under Management**

As of December 31, 2020, Palladin managed approximately \$183,357,467 in regulatory assets under management, all on a discretionary basis.

## **Item 5: Fees and Compensation**

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### **A. Description**

Palladin is compensated through various combinations of a percentage of assets under management and performance-based fees. Such fees are disclosed in the limited partnership agreements for such Funds that are reviewed and executed by each Limited Partner in each Fund. Such fees are currently not negotiable.

### **B. Fee Billing**

Management fees are deducted in advance on a quarterly basis. Management fees are based upon a percentage of assets under management as disclosed in the Fund limited partnership agreement. Management fees based on a percentage of assets under management are based upon a formula and subject to certain reductions, but will not exceed 2%, all as defined in the applicable limited partnership agreement. Performance fees in the form of carried interest are paid to the general partner of the Fund, an affiliate of Palladin (the “General Partner”), through a waterfall provision after each partner has been returned all capital contributions and received an annual preferred return compounded annually. Management fees are prorated for any period that is less than a full period. The General Partner has waived management fees with respect to certain Funds.

### **C. Other Fees and Expenses**

For the Funds, to the extent possible, third party costs related to portfolio investments are charged to portfolio investments. The Funds shall be responsible for, or reimburse, Palladin or the General Partner as applicable for all out-of-pocket expenses incurred by the Funds, Palladin or the General Partner in connection with the organization of the Fund and the offering of interests to the limited partners (the “Limited Partners”) (including, without limitation, fees and disbursements of attorneys and other professionals); (a) organizational expenses; (b) reasonable fees and expenses of custodians, counsel, prime brokers, banks, tax advisors, auditors, administrators, consultants, compliance firms, information technology providers, depositaries and accountants and other similar advisors; (c) reasonable costs and expenses incurred in identifying, evaluating, arranging, negotiating, structuring, trading or settling any transaction contemplated for investment by the Fund, including buying and selling any portfolio investments (regardless of whether such transaction is subsequently consummated), including, without limitation, any travel, legal, tax and accounting expenses in connection therewith; (d) the reasonable out-of-pocket costs, fees and expenses of monitoring, holding, hedging, valuing or selling portfolio investments, including record-keeping expenses; (e) reasonable out-of-pocket costs of reporting to the Limited Partners, tax returns and Schedule K-1s and of any meetings of Limited Partners, and of any meeting of the investor advisory board, including costs of legal counsel retained by the investor advisory board as authorized in accordance with Fund documents; (f) any taxes, fees or other governmental charges levied against the Fund or on its income or assets or in connection with its business or operations; (g) costs and expenses of reporting software and one subscription at any one time for computer software specific to the affairs of the Fund; (h) insurance; (i) costs of any audit, investigation, proceedings, litigation and threatened litigation; (j) indemnification obligations; (k)

liquidation expenses, including the costs and expenses of any liquidating trustee; (l) capital payments, interest and other expenses in respect of indebtedness for borrowed money; (m) extraordinary expenses, including fees and expenses associated with any tax or other audit, investigation, proceeding, regulatory matter, settlement or review of the Fund; (n) costs and expenses related to the Fund's compliance with applicable laws; and (o) all other costs and expenses properly chargeable to the activities of the Fund. Certain fees and expenses may be subject to limitations.

As described in the relevant Fund documents, Palladin may also be paid monitoring and management fees by certain portfolio companies of the Funds.

Please refer to Item 12 for more information.

#### **D. Fees in Advance**

Management fees are paid in advance. Palladin offers pro rata refunds to any Limited Partners of any unearned management fees paid in advance.

#### **E. Securities Compensation**

As permitted by the Fund offering documents, Palladin receives transaction fees and / or break-up fees, and in certain instances such fees, or a portion thereof, shall be applied against the management fee. This presents a conflict of interest and gives Palladin an incentive to recommend investments based on the compensation received rather than on the Fund's needs. Palladin only recommends investments when Palladin believes it is in the best interest of the Fund and consistent with the Fund's investment objectives. Additional details regarding such fees are available in the relevant limited partnership agreement of the Fund.

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

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**Sharing of Capital Gains**

As described in Item 5, with respect to each Fund, a portion of the profits of each Fund are distributed to certain affiliates of Palladin as “carried interest”. The performance-based fee arrangements provide an incentive for Palladin to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Palladin only recommends investments when Palladin believes it is in the best interest of the Fund and consistent with the Fund’s investment objectives. Palladin periodically reviews the Funds to ensure they are invested according to any applicable restrictions set forth in the Fund offering documents.

**Item 7: Types of Clients**

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**Description**

Palladin currently provides investment advisory services on a discretionary and non-discretionary basis to private pooled investment vehicles not registered under the Investment Company Act of 1940, as amended.

**Account Requirements**

The Funds currently have no minimum investment requirement for Limited Partners. Limited Partners are required to meet certain suitability requirements such as being an “Accredited Investor”, a “Qualified Client” and/or a “Qualified Purchaser” as defined under federal laws.



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

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### **A. Methods of Analysis and Investment Strategies**

The investment objective of the Funds is to seek capital appreciation through control or minority equity or equity-linked investments in retail and consumer product companies primarily in North America, although investment opportunities also will be considered in Europe and Latin America. The Funds are managed by their respective General Partner and, certain duties are delegated through a management agreement to Palladin.

Palladin is a Boston-based private investment firm with experience in both investing in and operating retail and consumer products companies, domestically and abroad. Palladin prides itself on working closely with management teams to create value through strategic and operational initiatives. The firm invests either individually or in partnership with other investment firms, strategic partners and management through a variety of transaction structures.

The Funds advance the same investment and value enhancement strategies that Palladin's Investment Professionals have employed for themselves and on behalf of other investors and funds over the past 20 plus years. The Funds' target market includes middle market retail and consumer companies with revenues ranging from \$50 to \$200 million that are, or have the near-term potential to be, cash flow positive and meet some or all of the Investment Criteria summarized below. Investments in both larger and smaller companies also will be considered if they meet these criteria and demonstrate the ability to achieve adequate returns for the Funds, as determined in the discretion of Palladin and / or the General Partner. The Funds' target investment size is approximately \$10-\$50 million per transaction.

NO ASSURANCE CAN BE GIVEN THAT ANY OF THE FUNDS WILL ACHIEVE THEIR RESPECTIVE INVESTMENT OBJECTIVES.

### **INVESTMENT CRITERIA**

Palladin believes that the most attractive investment opportunities involve companies and situations that have, or are capable of achieving with the firm's assistance, the following characteristics:

- Well-developed and sustainable brand equity;
- A leading or defensible niche or market position;
- Capable, committed management;
- Strong existing or potential distribution channels; and
- Opportunities for growth and improvement through strategic or operational initiatives.

Palladin subjects each investment to rigorous operational, financial and legal due diligence and, in addition to numerous investment considerations, analyzes:

- What is the differentiating value proposition (i.e. the company's "reason to exist"); and
- Is the business model and investment thesis truly sustainable?

The Palladin Investment Professionals will use their previous experience in various segments of the consumer industry, including retail, wholesale, distribution, licensing and manufacturing, to evaluate investment opportunities for the Funds. In addition, Palladin has a broad network of senior executives, industry experts, management thought leaders, and other professionals to assist in conducting due diligence and managing operational and strategic issues for portfolio companies as needed. Specific areas in which these professionals may be engaged include Information Technology, Human Resource Management, Insurance, Merchandising, and Real Estate.

Palladin also has experience structuring transactions that are creative, flexible, and tax efficient. Typical investment scenarios may include the following:

- ***Management-led Buyouts and Recapitalizations.*** The Funds will consider investments in companies identified by Palladin and / or the General Partner that are deemed to be undergoing an ownership transition, subsidiary divestitures or partial recapitalizations.
- ***Growth Capital.*** The Funds will pursue investment opportunities in companies it evaluates to have later- stage growth opportunities, a proven business model, and strong management. These companies typically have a vision for growth, but need capital and sophisticated financial and operational expertise to help them reach the next level.
- ***Turnarounds and Restructurings.*** The Funds will seek to commit capital and resources in certain situations to facilitate the turnaround or restructuring of a business. As it has in the past, Palladin will undertake "turnarounds" when supported by the fundamentals of the relevant market and the company's investment prospects. The investment may be made at any part of a company's capital structure with the ultimate goal of obtaining a control or influencing position in the post-reorganization equity.

***Corporate Carve-Outs.*** The Funds will seek to acquire underperforming, non-core assets from larger corporations where Palladin sees opportunities to create value through strategic focus, operational improvements and capital investment in the business.

Investment structures will be tailored to fit each investment opportunity and may include private investments in public companies ("PIPES"), as well as more typical acquisitions of assets or stock of private companies.

The Funds only will consider start-ups or venture capital investments in special circumstances in which the General Partner believes that they can add significant value and generate superior risk-adjusted returns.

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## **B and C. Material Risks for Investment Strategies and Types of Securities**

Investing in the Funds involves a high degree of risk and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences of, and the risks associated with the investment. Some of those risks are summarized below. Investors should carefully consider all the risks discussed below and should consult their own legal, tax, and financial advisers about these risks and an investment in the Funds managed by Palladin. Investing in securities involves risk of loss that investors should be prepared to bear. Investors should refer to the offering documents for the Funds for a more detailed discussion of risks.

### **Illiquidity, Term and Concentrated Nature of the Investments and the Funds**

Investment in the Funds requires a long-term commitment, with no certainty of return. In the near-term, it is unlikely that there will be cash flow available for distribution to Limited Partners, and if there is available cash flow, it is likely to be limited. Most of the Funds' investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize on such investments in a timely manner. Dispositions of such investments may require a lengthy time period or may result in distributions in kind to the Limited Partners. Generally, the Funds will not be able to sell these securities publicly except pursuant to a registration statement filed under the Securities and Exchange Act of 1933, as amended (the "Securities Act") or in accordance with Rule 144 of the Securities Act or another exemption under the Securities Act. The securities in which the Funds will invest will generally be junior in what will typically be a complex capital structure, and thus subject to the risk of loss. Leveraged companies by their nature undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses (see below for more information on the risks of leverage). Since investment performance can be dramatically affected by the amount of capital invested in a particular portfolio company relative to total capital invested in the entire portfolio, poor performances by even a single investment could adversely affect the total returns to Limited Partners.

### **Difficulty of Locating Suitable Investments**

Despite an extensive network and Palladin's experience, the Funds may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. There can be no assurance that the Funds will be able to deploy the capital commitments made to the Funds during the investment period or realize the value of its investments.

### **Competition**

The private equity investment industry in which the Funds will be engaged is highly competitive. There can be no certainty that Palladin will identify a sufficient number of attractive investment opportunities to enable the full amount of capital committed to the Funds to be invested. Other investors may make competing offers for investment

opportunities that are identified. Even after an agreement in principle has been reached with the board of directors or owners of an acquisition target, consummating a transaction is subject to a myriad of uncertainties, only some of which are foreseeable or within the control of the General Partner.

### **Inability to Manage Fund Realizations**

It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before realization of gains on successful investments. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of a Fund investment. While a Fund investment may be sold at any time, it is not generally expected that this will occur for a period of years after the initial investment. Prior to such time, there is unlikely to be a current return on the investments.

### **Lack of Operating History**

The Investment Professionals of Palladin have extensive experience investing in the private equity market. The Investment Professionals have been working together since 2017. Despite the operating history of Palladin's Investment Professionals, certain of the Funds and their respective General Partners are recently formed. These entities have limited historical results by which their future performance may be measured. The successful investment of the Funds' assets will depend upon the skills of the General Partner and Palladin, which in turn will depend in significant part upon the Investment Professionals. Past performance is not necessarily indicative of future results.

### **No Market for Interests; Restriction on Transfer and Withdrawal**

There is no public market for the limited partnership interests (the "Interests") in the Funds. In addition, Interests are not transferable except with the consent of the General Partner, which may be withheld in its sole discretion. Limited Partners may not withdraw capital from the Funds. Consequently, investors may not be able to liquidate their Interests prior to the end of the relevant Fund's term.

### **Reliance on General Partner and Palladin**

Limited Partners will generally have no opportunity to control the day-to-day operations, including disposition decisions, of the Funds. In order to safeguard their limited liability for the liabilities and obligations of the Fund, Limited Partners must rely entirely on the General Partner and Palladin to conduct and manage the affairs of the Funds. Mark Schwartz and his affiliates will control the General Partner and Palladin and the loss of his service could have an adverse impact on each Fund's ability to realize its investment objectives. There can be no assurance that Mr. Schwartz or any of the other Investment Professionals will continue to be affiliated with the Funds throughout the respective Fund's anticipated term.

### **Financial Market Fluctuations**

General fluctuations in the market prices of securities may affect the value of the investments held by the Funds.

### **Legal, Tax and Regulatory Risks**

Legal, tax and regulatory changes could occur during the term of the Funds that may adversely affect the Fund, its Portfolio Companies or Limited Partners. For example,

from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions.

### **Securities Law Matters**

Interests are not and will not be registered under the Securities Act or any other securities laws, including state securities or Blue Sky laws. Interests will only be offered and sold to “accredited investors,” as defined in Rule 501 of Regulation D under the Securities Act and to “qualified purchasers,” as defined in the Investment Company Act of 1940, as amended. Interests will be offered without registration in reliance upon the Securities Act exemption for transactions not involving a public offering. Investors will be required to make certain representations to invest in a given Fund, including that they are making an investment for their own account, for investment purposes only and not with a view to distribution, and that they have the ability to bear the economic risk of an investment in the Fund.

### **Investment Company Act Regulation**

The Funds are not, and will not be, registered as investment companies under the Investment Company Act of 1940, as amended, in reliance upon certain exemptions from such registration requirements. Accordingly, none of the Funds will be subject to the various statutory and regulatory requirements applicable to registered investment companies.

### **Consequences of Default**

A Limited Partner in default with respect to its obligation to fund required capital contributions will be subject to the exercise by the General Partner of all legal rights and remedies available to the General Partner, and will be subject to other default provisions pursuant to the terms of the Partnership Agreement.

### **Illiquid Investments**

Most of the Funds’ investments will be unlisted equity securities, which do not have a readily available public market and are therefore illiquid. Such illiquidity may lead to increased difficulty in the valuation of such securities and in the execution of transactions involving such securities within a reasonable time or at favorable prices. As a result, achieving a public market and, ultimately, disposition of such investments may require a lengthy time period and could result in distributions in kind to the Limited Partners.

### **Leverage: Junior Securities and Availability**

The Funds may invest in companies with highly leveraged capital structures. Such investments will be subject to increased risks in that adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such companies (or their cash flows) or their respective industries, may impair such companies' abilities to meet their respective obligations. The securities in which a given Fund may invest will typically be among the most junior in a Portfolio Company's capital structure, and thus subject to the greatest risk of loss. While leveraged capital structures may increase the risk of the given Fund's investments, they also may be used to enhance returns. Adverse economic or market conditions may

increase the cost and reduce or eliminate the availability of such leverage, thereby impairing the Fund's ability to complete or generate appropriate returns on investments.

### **Minority Investments**

The Funds may make minority equity investments in Portfolio Companies where the given Fund may not be able to protect its investment or to control or influence effectively the business or affairs of such entities. The Fund may be adversely affected by action taken by the majority shareholder(s) of the Portfolio Companies in which it invests.

### **Foreign Investments**

The Funds may make investments outside the United States. Such investments involve a number of additional risks, including (i) the risk of adverse political developments such as nationalization, confiscation without fair compensation, or war; (ii) the risk of fluctuations in currency exchange rates; (iii) the risk of restrictions on capital movements, which would make it difficult or impossible to exchange or repatriate foreign currency; and (iv) the risk of regulations which might prevent the implementation of cost cutting or other operational improvements. In addition, laws and regulations of foreign countries may impose restrictions or approvals that would not exist in the United States, and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. Foreign countries may also impose taxes on the Funds or the Limited Partners.

### **Recourse to the Funds' Assets**

The Funds' assets, including any investments made by the Funds and any capital held by the Funds, are available to satisfy all liabilities and other obligations of the Funds. If the Funds or the General Partner becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Funds' assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

### **Risks Upon Disposition of Investments**

In connection with the disposition of an investment in a Portfolio Company, a Fund may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. The Fund may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Limited Partners. The Partnership Agreement will include provisions to the effect that any claim in respect of a Portfolio Company, or any other liability of the Fund, may be funded by capital contributions to be made by the Limited Partners.

### **Reliance on Management of Portfolio Companies**

While it is the intent of the General Partner to invest in companies with proven operating management or to recruit new management for underperforming companies acquired by the Fund, there can be no assurance that such management will continue to operate successfully. Although Palladin will monitor the performance of each investment, the Funds will rely upon Portfolio Company management to operate the Portfolio

Companies on a day-to-day basis.

### **Catastrophic Events**

The value of investments may decline as a result of various catastrophic events, such as pandemics, natural disasters, and terrorism. Losses resulting from these catastrophic events can be substantial and could have a material adverse effect on the Palladin business and the Funds.

### **POTENTIAL CONFLICTS OF INTEREST**

Subject to certain restrictions as described in the applicable limited partnership agreement, Palladin provides, and will continue to provide, advisory services to retail and consumer products companies that are not affiliated with the Funds. In addition, Palladin or its Investment Professionals and their affiliates have, and may continue to engage in, investment activities for their own account. As a result of these advisory and investment activities, Palladin may engage in activities in which its interests or the interests of its clients may conflict with, or be adverse to, the interests of the Funds. In addition, such clients may utilize the services of Palladin for which they will pay customary fees that will not be shared with the Funds.

### **Performance Allocation**

The existence of the General Partner's carried interest creates an incentive to make more speculative investments than otherwise would be made in the absence of such performance-based arrangements. This incentive, however, may be tempered by the significant capital commitment of the General Partner and its affiliates and by the fact that losses will reduce the Fund's performance and thus the General Partner's carried interest allocation.

### **Conflicts with Portfolio Companies**

Officers and employees of Palladin and their affiliates will serve as directors of certain Fund portfolio companies and, in that capacity, will be required to make decisions that consider the best interest of the portfolio company. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of the portfolio company, actions that may be in the best interest of the portfolio company may not be in the best interest of the Funds, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an officer or employee of Palladin or such affiliates and such individual's duties as a director of the portfolio company.

### **Conflicts Resolution**

Conflicts of interest between the Funds and Palladin or clients will be resolved by the General Partner in its sole discretion unless the applicable limited partnership agreement affirmatively requires limited partner or limited partner advisory board consent. Only the specific terms in the applicable limited partnership agreement restrict or in any way limit the activities of Palladin. By acquiring an Interest in a Fund, each Limited Partner will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and to have waived any claims with respect to the existence of any such conflicts of interest.

**Item 9: Disciplinary Information**

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**Legal and Disciplinary**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of them or the integrity of their management. There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Palladin's advisory business or the integrity of its management persons.



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

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### **A. Broker-Dealer**

Palladin's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### **B. Financial Industry Activities**

Palladin's management persons are not registered, nor do any management persons 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.

### **C. Affiliations**

Palladin is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

Palladin is the investment manager and sponsor/syndicator of the Funds. Certain of Palladin's affiliates are the general partners of the Funds in which Palladin serves as the investment manager.

Palladin P&A, LLC is a related person to Palladin and invests in certain Funds. This creates a conflict of interest as Palladin P&A, LLC, has access to certain information to which other investors are unable to obtain.

Mary Courtney-O'Sullivan serves as Palladin's Chief Financial Officer and Chief Compliance Officer through MCOS Financial Solutions, LLC ("MCOS"). MCOS is a consulting firm which is wholly-owned by Ms. Courtney-O'Sullivan and for which Ms. Courtney-O'Sullivan serves as the managing member. Through her role at MCOS, Ms. Courtney-O'Sullivan also serves as the Chief Financial Officer for Breton Capital Management. This outside business activity creates a conflict of interest as Ms. Courtney-O'Sullivan must determine the amount of time to dedicate to Palladin and such outside business activity and Ms. Courtney-O'Sullivan may obtain access to confidential information concerning the outside activities in which she is involved. To mitigate these conflicts, Ms. Courtney-O'Sullivan is subject to Palladin's compliance policies and procedures, including the code of ethics reporting requirements.

Mark Schwartz, Rob Fioretti and Anders Petersen serve on various Boards of Directors. These outside activities create a conflict of interest regarding the amount of time that must be dedicated to such outside business activities. Other related persons of Palladin serve in various capacities at other investment advisers. All such activities are subject to Palladin's code of ethics reporting requirements.

### **D. Compensation for Referrals.**

Palladin does not recommend other investment advisers to its clients.

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

### **A. Code of Ethics**

Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), requires advisers to adopt a code of ethics setting forth standards of conduct for the Adviser and the Adviser’s employees. Palladin and its supervised persons have committed to a Code of Ethics pursuant to Rule 204A-1, which is available for review by clients and prospective clients upon request.

Each supervised person of Palladin must read, sign and deliver a certificate of compliance with the Code of Ethics and may only effect a personal transaction in a limited offering or initial public offering by pre-approving such transaction with Palladin’s Chief Compliance Officer. Each supervised person also must provide initial securities holdings reports and annual securities holding reports to the Chief Compliance Officer or his designee. Furthermore, each supervised person shall provide quarterly securities transaction reports related to personal securities transactions in which such person or any member of his or her immediately family has a beneficial ownership interest.

### **B. Participation or Interest in Client Transactions**

Palladin does not generally engage in principal transactions, cross trading or agency cross transactions. Any exceptions to this policy must be approved in advance by the Chief Compliance Officer or her designee.

Palladin’s affiliates and related persons co-invest alongside some of the Funds and / or co-invest in the portfolio companies in which one or more of the Funds invest. This helps align the interests of Palladin and its affiliates with the Funds. However, this creates a conflict of interest, as Palladin may be inclined to recommend an investment due to the affiliate or related person’s financial interest in the Fund or portfolio company.

### **C. Participation or Interest in Client Transactions**

Certain related persons of Palladin invest in the same securities as the Fund managed by Palladin. These investments take the form of investments by the general partner and or as limited partners in the Funds. This helps align the interests of Palladin and its related persons with the Funds. However, this creates a conflict of interest, as Palladin may be inclined to recommend an investment due to the related person’s financial interest in the Fund or underlying investment.

### **D. Participation or Interest in Client Transactions**

Supervised Persons are prohibited from executing a transaction in a security held by a Fund managed by Palladin without prior approval by the Chief Compliance Officer. Please see response to Item 11.C above for additional information regarding Palladin’s pre-clearance policy.

## **Item 12: Brokerage Practices**

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### **A. Selecting Brokerage Firms**

Palladin primarily engages in private equity transactions and does not typically purchase or sell securities through a brokerage or exchange. However, if and when Palladin trades in publicly-held securities on behalf of a Fund, Palladin will seek to obtain the best combination of price and execution.

Palladin may utilize various investment banking firms that are broker-dealers to assist it in evaluating portfolio company investments for the Fund. In doing so, Palladin considers such factors as price, the ability of the broker-dealers to effect the transactions, their personnel, experience, particular industry knowledge, reliability and financial responsibility. Accordingly, if Palladin determines in good faith that the fees charged by a broker-dealer are reasonable in relation to the value of the service provided by such broker-dealer, the Funds may pay fees to such broker-dealer that are greater than those fees another might charge.

### **1. Research and Other Soft Dollar Benefits**

Palladin does not participate in any soft dollar arrangements.

### **2. Brokerage for Client Referrals.**

Palladin does not maintain any referral arrangements with brokers.

### **3. Directed Brokerage**

Due to the nature of the Fund investments and because Palladin's clients are limited to the Funds, it would be unlikely that a client would direct Palladin to use a certain broker-dealer. In the event Palladin permits directed brokerage, the client should understand that the directed brokerage might prevent Palladin from obtaining favorable pricing and execution.

### **B. Aggregation**

For the Funds, Palladin does not aggregate the purchase or sale of securities because the Funds invest in illiquid securities that cannot be aggregated.

**Item 13: Review of Accounts**

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**A. Periodic Reviews**

Mary Courtney-O’Sullivan, Palladin’s Chief Financial Officer, reviews the investments and performance of the Funds on a periodic basis.

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**B. Review Triggers**

Other conditions that may trigger a review are changes in applicable laws, new investment information, changes in the market and changes in a particular Fund’s circumstances.

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**C. Regular Reports**

Investors in each Fund will receive audited financial statements from the appointed auditors on an annual basis. Investors are also provided periodic reports as further described in the relevant Fund documents.

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

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**A. Referrals**

Palladin does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to its clients.

**B. Other Compensation**

Palladin does not, directly or indirectly, compensate any person who is not advisory personnel for client referrals. Palladin may enter into placement agent arrangements pursuant to which they compensate third parties for investor referrals. Placement agents will be entitled to a percentage of commitments made by investors solicited by the placement agent. Any fees payable to a placement agent will be borne by Palladin, either directly or indirectly through an offset against the management fee.

## **Item 15: Custody**

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### **Account Statements**

As the investment adviser to the Funds and an affiliate of the general partner of the Funds, Palladin is deemed to have custody of the Funds' assets. Palladin maintains the Funds' cash with a "qualified custodian" as required. The Funds do not currently hold any certificated securities that are required to be held at a qualified custodian. Palladin adheres to the following in compliance with the custody rule: (1) Palladin distributes audited financial statements prepared in accordance with generally accepted accounting principles ("GAAP") to all limited partners of the Funds on an annual basis within 120 days of the fiscal year end of the Funds; (2) all such financial statements are prepared by an independent public accountant that is registered with the Public Company Accounting Oversight Board; and (3) upon liquidation of a Private Fund, Palladin distributes to the limited partners (or members or other beneficial owners) in such Private Fund audited financial statements prepared in accordance with GAAP promptly after the completion of the liquidation audit.

**Item 16: Investment Discretion**

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**Discretionary Authority for Trading**

Palladin accepts discretionary authority to manage investment accounts on behalf of the Funds. Under these arrangements, Palladin has the authority to determine, without obtaining specific client consent, the investments to be bought or sold, and the amount of the investments to be bought or sold on behalf of the Funds. However, in certain cases, Limited Partners may place restrictions on the investment process. One of the Limited Partners in one Fund has placed such restrictions. Additional restrictions may be added in the future, subject to Palladin's discretion.

**Assumption of Authority**

Before Palladin assumes discretionary authority, each Limited Partner in each Fund signs a limited power of attorney by execution of the limited partnership agreement or subscription agreement for such Fund.

## **Item 17: Voting Client Securities**

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### **A. Proxy Voting**

Palladin has written Proxy Voting Policies and Procedures as required by Rule 206(4)-6 under the Advisers Act. As part of the firm's policies and procedures, Palladin will exercise proxy voting authority when such authority is provided in the operating agreement of a Fund. Palladin seeks to vote proxies in the best interest of the Funds. Palladin will monitor for potential conflicts of interest between a Fund's interest and its own with the proxy voting process. In order to ensure that Palladin is aware of the facts necessary to identify conflicts, senior management of Palladin must disclose to the Chief Compliance Officer any personal conflicts such as officer or director positions held by them, their spouses or close relatives, in any portfolio company. Conflicts based on business relationships with Palladin or any affiliate of Palladin will be considered only to the extent that Palladin has actual knowledge of such relationships. If a conflict may exist which cannot be otherwise addressed, Palladin may choose one of several options including: (i) vote matters that are specifically covered by the Proxy Voting Policies and Procedures in accordance with the Policy; or (ii) if possible, erecting information barriers around the person or persons making the voting decision sufficient to insulate the decision from the conflict. It is not possible for Limited Partners to direct votes made by Palladin on behalf of a Fund.

A copy of Palladin's Proxy Voting Policies and Procedures and records of how Palladin voted are available upon request. A request may be made for these items by calling Palladin at (617) 585-3800.



**Item 18: Financial Information**

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**A. Balance Sheet**

Palladin does not require or solicit clients to prepay fees more than six months in advance.

**B. Financial Condition**

Palladin has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients.

**C. Bankruptcy Petition**

Palladin has not been the subject of a bankruptcy proceeding.