

Phoenix Merchant Partners, LP

**555 Theodore Fremd Avenue
Rye, NY 10580**

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This “**Brochure**” provides information about the qualifications and business practices of Phoenix Merchant Partners, LP. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Mr. Timothy Throsby, at info@phoenix-merchant.com. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Phoenix Merchant Partners, LP is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that Phoenix Merchant Partners, LP or any of its principals or employees possesses a certain level of skill or training in the investment advisory business or any other business.

Additional information about Phoenix Merchant Partners, LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

The Firm has filed this Form ADV Part 2A Brochure (this “Brochure”) as part of an initial application for registration as an investment adviser with the U.S. Securities and Exchange Commission (the “SEC”); therefore, there are no material changes to report.

To the extent that future amendments of this Brochure contain material changes from our last annual update, this Item 2 will identify and discuss such changes.

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Item 4: Advisory Business

Phoenix Merchant Partners, LP is a Delaware limited partnership (hereinafter “**Phoenix**”, “**Phoenix Merchant**”, “**Investment Adviser**”, “**we**”, “**us**”, “**our**” or the “**Firm**”) established for the purpose of providing investment management and advisory services to qualified investors. Phoenix’s advisory clients may comprise funds (including single investor funds, parallel funds, feeder funds and alternative investment vehicles) (collectively, the “**Funds**”) and separately managed account clients (collectively, the “**Clients**”). The documentation governing each Fund (such as the limited partnership agreement, limited liability agreement or the other constituent documentation of a Fund as well as the investment management agreement applicable to Fund) is herein referred to as the “**Fund Documentation**”.

Investment decisions and advice with respect to a Fund are subject to the investment objectives and guidelines of such Fund, as set forth in its respective Fund Documentation. In certain cases, the Investment Adviser will provide investment advice to a Fund where the Fund, or a representative acting on behalf of the Fund, have the ultimate discretion in approving Fund investments.

We do not currently participate in a Wrap Fee Program.

Currently, the Adviser does not have regulatory assets under management, but we expect to have, within 120 days of the effective date of our registration, client assets under management sufficient to allow us to remain eligible for registration with the SEC as an investment adviser.

*This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. The Funds’ securities are offered and sold on a private placement basis under exemptions promulgated under the “**Securities Act**” of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be “accredited investors” as defined in Securities Act and “qualified purchasers” as defined in the Investment Company Act of 1940. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

Item 5: Fees and Compensation

The fees applicable to each Fund are set forth in detail in the respective Fund Documentation for such Fund.

Management Fee

Management Fees paid to Phoenix for services provided to a Fund are based on a specified percentage of capital commitments, invested capital (including borrowed amounts), net asset values or other similar metrics applicable to such Fund, in each case as set forth in the Fund Documentation of such Fund. In certain cases, investors in a Fund may negotiate reductions in their management fee obligations by way of side letters or otherwise.

Management Fees are paid to Phoenix by calling capital from or directly billing Fund investors or paying such fees from otherwise distributable cash or other cash on hand of the Fund.

Other Types of Fees or Expenses

The Investment Adviser, its affiliates and the other investment professional employees of the Phoenix (the "Phoenix Fee Parties") will be entitled to receive (i) arranger, origination, monitoring, directors', transaction, break-up and other fees from portfolio companies or prospective portfolio companies ("Ancillary Fees"), and (ii) structuring fees relating to customized structuring solutions provided in connection with investments made by the Fund, which fees are of the type typically paid to third parties and which are not typically included as part of an arranger's fee ("Structuring Fees" and together with Ancillary Fees, "Fee Income"), provided that (a) 100% of Ancillary Fees and (b) 50% of Structuring Fees received by the Phoenix Fee Parties, net of any unreimbursed expenses incurred by such parties, will be applied as an offset against Management Fees otherwise payable by the Limited Partners. If the Fund is co-investing in a portfolio company (or prospective portfolio company) alongside another fund or vehicle managed by the Investment Adviser or its affiliates then, for purposes of the foregoing fee offset, (i) only the portion of Fee Income allocable to the Fund's investment (or proposed investment) will be applied to such offset and (ii) no fees or other amounts paid to a Phoenix Fee Party by such fund or vehicle (or investors therein) will be treated as Fee Income.

For the avoidance of doubt, the term "Phoenix Fee Parties" shall not include any person retained by the General Partner, the Investment Adviser or their Affiliates as a non-employee consultant who provides services with respect to one or more Fund investments and/or the overall execution of the Investment Adviser's investment strategy with respect to the Fund, so long as such person is providing such services on a non-exclusive basis (any such person, an "Operating Advisor").

Expenses of the Investment Adviser

Subject to the Fund Documentation of each Fund, the Investment Adviser will pay all of their respective ordinary administrative and overhead expenses, and, except as provided herein or such Fund Documentation, the Investment Adviser and its affiliates, will be responsible for their overhead expenses (including general systems and technology, but excluding systems, data and technology developed or purchased for the predominant benefit of a Fund's investment program), office expenses and compensation of their employees. Fees for placement agents for the Funds will be borne by the Investment Adviser or its affiliates (either directly or by means of a setoff against management fees otherwise payable).

Expenses of the Fund

Subject to the terms of the Fund Documentation for a Fund, each Fund, will bear all organizational expenses, operating expenses and other expenses incurred by the Investment Adviser and its affiliates related to the formation and operation of such Fund and the execution of the Fund's investment strategy (and a share of any expenses incurred in respect of more than one Fund, with such expenses shared as provided for the relevant Fund Documentation or the Investment Adviser's expense policies) including, but not limited to:

Organizational Expenses. The Fund will bear up to \$2.5 million of legal and other expenses incurred by Phoenix in connection with the organization of the Fund and related entities and the offering of interests therein ("Organizational Expenses"). Organizational Expenses in

excess of the cap will be paid by the Fund but borne by the Adviser and its affiliates through a 100% offset against Management Fees otherwise payable to the Adviser.

Fund Expenses. In addition to the Management Fee and Organizational Expenses, the Fund will also be responsible for all out-of-pocket fees, costs, expenses, liabilities and other obligations ("Costs") that are incurred or are payable in connection with the operation and administration of the Fund and its investment activities (net of any reimbursements actually received by portfolio companies or third parties) including, without limitation, the following: (i) all Costs (including meal, entertainment and Travel Expenses) relating to the research, sourcing (including attendance at industry conferences and business development efforts in connection therewith), evaluation, diligence, negotiation, structuring, acquisition, holding, monitoring, financing, refinancing and disposition of investments (collectively, "Investment Activities"), including, without limitation, brokerage commissions, finders' fees, other commissions, clearing and settlement charges, transfer fees, registration fees, financing and refinancing costs and expenses (including closing costs, closing, commitment, unused commitment, syndication and other fees, interest, prepayment penalties, filing, perfection and recordation fees and reimbursement of bank and other counsel), breakup fees and expenses paid to third parties, and the fees, costs and expenses of investment bankers, financial advisors, lawyers, accountants, agents, appraisers, valuation firms, consultants, industry, sector or subject matter experts, and other professionals; (ii) all Costs (including meal, entertainment and Travel Expenses) of the type described in the preceding clause (i) incurred in connection with potential investments, financings, refinancings or dispositions that are not consummated or completed ("Broken Deal Expenses") including Broken Deal Expenses incurred prior to the First Closing; (iii) all Costs relating to the use of, or access, to databases, computer software, technology platforms (including cloud-based services), industry, trade or similar publications and specialized new services used in connection with Investment Activities; (iv) all Costs associated with the operation and administration of the Fund, including, without limitation, Costs of third party fund administrators, Costs relating to accounting, audit and tax preparation (including Costs associated with the preparation and distribution of the Fund's financial statements, tax returns and Schedule K-1s or any other tax reporting to the Limited Partners), tax planning and structuring, appraisal and valuation of Fund assets, and Costs relating to the transfer and servicing of, and accounting for, the Fund's cash, notes and securities, including all Costs of depositaries and custodians; (v) all Costs associated with developing, licensing, implementing, maintaining or upgrading all web portal, extranet tools, computer software, technology platforms (including cloud-based services), or other administrative or reporting tools (including subscription-based services and services that also benefit a Phoenix entity and its partners, members and employees) for the benefit of the Fund or the Limited Partners, including services and tools related to fund administration, Investment Activities, investor relations, accounting, tax and other reporting (including, without limitation, annual and quarterly reports, periodic updates to Limited Partners regarding the Fund and its investments, and reporting required under Side Letters (as defined below)), compliance, capital call notices, distribution notices and other communications with Partners; (vi) all Costs of the Fund's "partnership representative"; (vii) all taxes imposed on the Fund (other than taxes that are specially allocable to one or more Partners as determined by the General Partner, in its sole discretion); (viii) all Costs related to legal, regulatory or other similar compliance obligations under applicable U.S. and non-U.S. laws, regulations or compliance regimes related to the operation of the Fund or Investment Activities, whether such compliance obligations are imposed on the Adviser, the General Partner, their affiliates or the Fund, including, without limitation, Costs relating to the Alternative Investment Fund Directive (including applicable filings and reports and the expenses of any custodian and/or depository appointed by the Adviser, the General Partner or its affiliates in relation to the performance of any functions of a custodian and/or depository

contemplated by the Alternative Investment Fund Manager Directive or any related national private placement regime), Form PF filings, CFTC filings and any filings or other documents necessary to avoid the imposition of withholding or other taxes pursuant to FATCA; (ix) all Costs incurred in connection with any credit, subscription credit or other debt facility permitted to be entered into hereunder by the Fund or any Fund subsidiary including, without limitation, closing costs, closing, commitment, unused commitment, syndication and other fees, interest, prepayment and other penalties, filing, perfection and recordation fees and reimbursement of bank and other counsel; (x) all insurance Costs related to the operation or administration of the Fund or Investment Activities including, without limitation, directors and officers, errors and omissions, fidelity, cybersecurity, general liability and employment practices insurance; (xi) indemnification amounts (including advances thereof) payable to persons entitled to indemnification under the Partnership Agreement; (xii) all Costs associated with annual or other meetings of Limited Partners and meetings of the LP Advisory Committee including, without limitation, all video conferencing, venue, meal and entertainment costs as well as Travel Expenses of employees or representatives of the Adviser, and portfolio management representatives, attending or speaking at such meetings, and the reasonable out-of-pocket costs of LP Advisory Committee members attending any meeting of the LP Advisory Committee (to the extent such member requests reimbursement and certifies that such reimbursement is consistent with the expense reimbursement policies applicable to such Limited Partner); (xiii) all Costs associated with a defaulting Partner including, without limitation, the Costs of enforcing any remedies provided under the Partnership Agreement; (xiv) all Costs associated with any currency exchange, swap or other hedging transaction relating to any investment owned or to be acquired by the Fund; (xv) all Costs associated with compliance with the Partnership Agreement and Side Letters including, without limitation, the provision of information and reporting required thereunder and, if applicable, most favored nations processes, as well as the preparation of summaries or digests of Side Letter provisions to facilitate compliance; (xvi) all Costs incurred in connection with the purchase, sale, assignment, pledge or transfer of all or a portion of a Limited Partner's interest in the Fund or the withdrawal or termination of a Limited Partner (except to the extent allocable to or payable by, and actually borne and paid by, the applicable purchaser or Limited Partner, assignee, pledgee or transferee, as the case may); (xvii) all Costs relating to any amendment of the Partnership Agreement or any approval or waiver contemplated thereunder including, without limitation, any approval or waiver requested of the LP Advisory Committee; (xviii) all Costs associated with establishing, maintaining and administering an Alternative Investment Vehicle or any subsidiary of the Fund (including an intermediate vehicle through which one or more investments are acquired or held and a finance subsidiary); (xix) all Costs associated with the dissolution and liquidation of the Fund including, without limitation, all filings made in connection therewith and the costs of any liquidating trustee; (xx) all litigation expenses (and any judgments or settlements paid in connection therewith) and other extraordinary expenses of the Fund; and (xxi) all other Costs that are contemplated will be borne by the Fund under the Partnership Agreement or that are approved by L.P. Advisory Committee (the Costs referred to in this paragraph are collectively referred to herein as "Fund Expenses").

As used herein, the term "Travel Expenses" means (x) in the case of employees of the Adviser and its affiliates, reimbursements for airline travel (including business and first-class airline travel expenses and equivalent expenses), ground transportation, meals and accommodations, in each case to the extent such travel expenses are incurred in connection with the Investment Activities and such reimbursement thereof is permitted by the Adviser's internal expense reimbursement policy and (y) with respect to third parties, reimbursements for airline travel, ground transportation, meals and accommodations except to the extent any such reimbursement is inconsistent with terms by which such third party was engaged by the

Adviser or its affiliates or is otherwise inconsistent with the Adviser's policy regarding the reimbursement of third party expenses.

Allocation of Common Investment Expenses. The Adviser expects that a portion of each investment available to the Fund for investment may be allocated (or tentatively allocated) to one or more Permitted Vehicles or Accounts (as defined below). In general, the Adviser will allocate all common expenses relating to any such investment to the Fund, on the one hand, and such Permitted Vehicles or Accounts, on the other, in proportion to their respective commitments; provided that in the case of a Permitted Vehicle or Account that is a Discretionary Investor, such common expenses will be allocated to such Discretionary Investor in proportion to its capital invested in such investment relative to the aggregate capital invested in such investment of the Fund and all Permitted Funds and Accounts; and provided further that, in the case of any unconsummated investment, the Fund will bear all Broken Deal Expenses relating to any portion of such investment that was tentatively allocated for possible subsequent sale, participation or transfer to a Discretionary Investor unless such Discretionary Investor has otherwise agreed to be responsible for its pro rata share of such Broken Deal Expenses or some portion thereof. For purposes hereof, a "Discretionary Investor" means (x) any co-investor offered the opportunity to co-invest alongside of the Fund (including a co-investor participating through a co-investment vehicle established by the Adviser or its affiliates) or (y) any other Permitted Vehicle or Account arrangement pursuant to which the underlying investor(s) retain full investment discretion regarding the portion of Fund investments allocated or tentatively allocated to them for investment.

The Adviser will be responsible for compensation of its employees (including its professional staff) and the cost of office space, office equipment, communications (except as described below under "Fund Expenses"), and utilities.

We do not accept, and none of our supervised persons accepts, compensation for the sale of securities or other investment products.

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

Performance-Based Compensation

The Investment Adviser or its affiliates (including any affiliate serving as the general partner or its equivalent of a Fund) will receive performance-based compensation (e.g. carried interest, incentive allocations and/or incentive fees) in connection with the performance of a Fund's investment, the specific terms of which (including the priorities of distributions, preferred return rate (if any) and profit sharing) are set forth in the Fund Documentation of such Fund.

The receipt of such performance-based compensation from Funds may give rise to the following potential conflicts of interest, including, but not limited to, the following:

Speculative Investments

Performance-based compensation may create an incentive for the Investment Adviser or its affiliates to make investments that are riskier or more speculative than would be the case if a performance-based compensation arrangement were not in effect.

Allocation of Investment Opportunities

Performance-based compensation may create an incentive for the Investment Adviser to offer investment opportunities to, or to allocate or sequence deals in favor of a particular Fund from which the Investment Adviser could receive greater performance compensation as compared to other Funds managed by the Investment Adviser. Phoenix will adopt Allocation Policies to mitigate potential conflicts of interest relating to the allocation of available investment opportunities among the Funds managed by the Investment Adviser or its affiliates.

Valuation

The existence of performance-based compensation and varying levels and calculations of Management Fees may create a conflict of interest in valuing investments and there will be situations in which the Investment Adviser is incentivized to influence or adjust the valuation of Fund assets ("Assets"). Phoenix will adopt Valuation Policies to address these potential conflicts

Item 7: Types of Clients

Our clients will be the Funds. Any initial and additional investment minimums are disclosed in the governing documents for the relevant clients.

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

In managing Funds and providing recommendations to discretionary and non-discretionary client accounts, the Investment Adviser employs what it believes is a distinctive structuring approach to credit investing, while focusing primarily on complex, privately negotiated transactions with middle-market companies. The investment approach is based on solving specific borrower requirements with dedicated credit and equity-like solutions. The Funds will not follow a typical direct lending or distressed debt strategy.

Methods of Analysis and Investment Strategy

To evaluate potential investments, Phoenix's investment process uses a combination of analyses, including:

- fundamental analysis of a company's financial statements, health, management, competitive advantages and position within its industry;
- cyclical analysis of opportunities in a given market based upon fluctuations due to seasonal, financial and economic factors;
- quantitative evaluation of the risk-return characteristics of potential investments using proprietary and 3rd party financial models (e.g. stress testing); and
- assessment of different capital structure instruments and structuring a bespoke solution

Instead of defining a "top-down" strategy focused on a single type of security (e.g., high yield, syndicated loans, mezzanine debt), we apply a "bottom-up" approach with the mandate and resources to act decisively on investment opportunities across the entire credit spectrum.

Risk of Loss Factors

Prospective Investors should carefully consider the risks involved in a Fund investment, including, without limitation, those discussed below. Further risks not addressed below may affect the Funds. The following list of risk factors cannot be and is not intended to be exhaustive. Prospective Investors should consult their own legal, tax and financial advisers about the risks of an investment in the Funds. The following risk factors and other relevant risks could have a material adverse effect on the Funds and the Investors' investments therein.

Availability of Suitable Investments. While Phoenix believes that many attractive investments of the type in which the Fund invests are currently available, there can be no assurance that such investments will continue to be available or that available investments will continue to meet the Fund's investment criteria. Furthermore, the Fund may be unable to find a sufficient number of attractive investment opportunities to meet its investment objectives. Past performance is not necessarily indicative of future performance.

Competition for Available Investments. The activity of identifying and executing upon attractive investments of the type being targeted by the Fund is highly competitive. The Fund will be competing for investments with many other investors, including other credit funds, private equity funds, hedge funds and other institutional investors, some of which may have more relevant experience, greater financial resources or more personnel than Phoenix. There can be no assurance that the Fund will be able to locate, complete and exit investments which meet the Fund's investment objectives or that it will be able to fully invest its available capital.

General Nature of Investments. The Fund will invest in debt investments, which are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default on the payment of principal and/or interest on an instrument and that an investor may not receive any or all of its principal or interest. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations, which are rated by rating agencies, are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments may also be impacted by interest rate changes although, generally speaking, to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Loans and Other Extensions of Credit. The Fund will participate in loan origination activities and may also purchase loans and portfolios of loans. The Fund's success in this area will depend, in part, on its ability to originate and/or obtain loans on advantageous terms. The Fund will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

Loans are subject to the risk that the borrower will fail to make timely payments of principal and/or interest. The non-receipt of scheduled payments of principal or interest, either because of a default, bankruptcy or any other reason, could result in a reduction of the Fund's

income and a decline in the value of its assets. Certain of the Fund's loans are expected to have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In this case, a portfolio company's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the company, the occurrence of which is uncertain. There is no guarantee that the value of any collateral securing a loan will be accurately valued or sufficient to protect the Fund against losses or a decline in income in the event of the borrower's nonpayment of principal and/or interest. The value of the collateral could, subsequent to the Fund's investment in the loan, decline below the principal amount of the loan. It may not be possible to liquidate collateral promptly. Moreover, the Fund's investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders, trustees or other responsible parties and, as a result, the Fund may not have priority over other creditors as anticipated. In the event that a borrower declares bankruptcy, a court may invalidate the Fund's security interest in the collateral or subordinate the Fund's rights under the loan to the rights of other creditors of the borrower. In the event of an out of court restructuring, the Fund's security interest in the loan collateral or rights under the loan with respect to other creditors may be subordinated.

Loans generally are transferable among financial institutions and other entities. However, they do not presently have the liquidity of conventional debt securities and are often subject to restrictions on resale. For example, third party approval is often required for the assignment of interests in loans. Due to the illiquidity of loans, the Fund may not be able to dispose of its investments in loans in a timely fashion and at a fair price, which could adversely affect the performance of the Fund. A borrower in some cases may prepay the loan. Prepayments could adversely affect the Fund to the extent that the Fund is unable to promptly reinvest the prepayment proceeds or reinvest in more profitable investments.

With respect to loans acquired as participations by the Fund, because the holder of a participation generally has no contractual relationship with a borrower, the Fund will have to rely upon the selling participant or other third party to pursue appropriate remedies against a borrower in the event of a default. As a result, the Fund may be subject to delays, expenses and risks that are greater than those that would be involved if the Fund could enforce its rights directly against a borrower or through an agent. Loans acquired as participations also involve the risk that the Fund may be regarded as a creditor of a selling participant or other third party rather than of a borrower. In such a case, the Fund would be subject to the risk that a selling participant may become insolvent.

Sale or Assignment of Originated Loans. In cases where the Fund intends to assign or sell participations in loans that it originates but fails to do so, the Fund will be forced to hold the excess interest in such loans for an indeterminate period of time. In particular, it is anticipated that a portion of certain loans originated by the Fund (the "Originated Loans") may be offered to an offshore Parallel Fund and the Investment Adviser may recommend that the Parallel Fund acquire such Originated Loans. The Parallel Fund will not have any obligation to acquire a loan originated and offered by the Fund and, if acquired, such loan (or the portion being acquired) will be purchased at fair market value at the time of sale, and additional measures will be taken to seek to ensure an arm's length transaction and compliance with applicable tax considerations. To the extent an offered Originated Loan is not accepted by the Parallel Fund, the Fund may be required to hold a larger portion of such Originated Loan than originally intended, which could subject the Fund to greater risk and limit the diversity of the Fund's portfolio, and any decline in the value of an Originated Loan prior to transfer will be borne by the Fund.

Senior Secured Loans Risk. When the Fund makes a senior secured loan to a portfolio company, it generally shall take a security interest in the available assets of the portfolio company, which should mitigate the risk that the Fund will not be repaid. However, there is a risk that the collateral securing the Fund's loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, the Fund's lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that the Fund will receive principal and interest payments according to the loan's terms, or at all, or that the Fund will be able to collect on the loan should it be forced to enforce its remedies.

Second-Lien, or Other Subordinated Loans or Debt Risk. The Fund may acquire and/or originate second-lien or other subordinated loans. In the event of a loss of value of the underlying assets that collateralize the loans, the subordinate portions of the loans may suffer a loss prior to the more senior portions suffering a loss. If a borrower defaults and lacks sufficient assets to satisfy the Fund's loan, the Fund may suffer a loss of principal or interest. If a borrower declares bankruptcy, the Fund may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. In addition, certain of the Fund's loans may be subordinate to other debt of the borrower. As a result, if a borrower defaults on the Fund's loan or on debt senior to the Fund's loan, or in the event of the bankruptcy of a borrower, the Fund's loan will be satisfied only after all senior debt is paid in full. The Fund's ability to amend the terms of the Fund's loans, assign the Fund's loans, accept prepayments, exercise the Fund's remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to borrowers may be limited by intercreditor arrangements if debt senior to that Fund's loans exists.

Unsecured Loans or Debt. The Fund may invest in unsecured loans which are not secured by collateral. In the event of default on an unsecured loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for an unsecured holder and therefore result in a loss of investment to the Fund. Because unsecured loans are lower in priority of payment to secured loans, they are subject to the additional risk that the cash flow of the borrower may be insufficient to meet scheduled payments after giving effect to the secured obligations of the borrower. Unsecured loans generally have greater price volatility than secured loans and may be less liquid.

Sub-investment Grade and Unrated Debt Obligations Risk. The Fund may invest in sub-investment grade debt obligations, which can include senior secured, second lien and mezzanine loans, high-yield bonds, payment-in-kind (PIK) notes, CLO equity and junior, unsecured, equity and quasi-equity instruments. The Fund may invest in other circumstances on an opportunistic basis. Investments in the sub-investment grade categories are subject to greater risk of loss of principal and interest than higher-rated securities and may be considered to be predominantly speculative with respect to the obligor's capacity to pay interest and repay principal. They may also be considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with non-investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for non-investment grade securities may be smaller and less

active than that for higher-rated securities, which may adversely affect the prices at which these securities can be sold and result in losses to the Fund, which, in turn, could have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, and the value of the Interests.

In addition, the Fund may invest in debt obligations which may be unrated by a recognized credit rating agency, which may be subject to greater risk of loss of principal and interest than higher-rated debt obligations or debt obligations which rank behind other outstanding securities and obligations of the obligor, all or a significant portion of which may be secured on substantially all of that obligor's assets. The Fund may also invest in debt obligations which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Any of these factors could have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, and the value of the Interests.

To the extent that the Fund invests in sub-investment grade investments that are also stressed or distressed then the risks discussed above are heightened.

Unitranche Loan Risk. Unitranche loans provide leverage levels comparable to a combination of first lien and second lien or subordinated loans and may rank junior to other debt instruments issued by the portfolio company. Unitranche loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a heightened risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity.

Mezzanine Debt Risk. The Fund's potential mezzanine debt investments may be subordinated to senior secured loans and may be unsecured or have a subordinated secured interest. This may result in an above average amount of risk and volatility or a loss of principal. These investments may involve additional risks that could adversely affect investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject the Fund and Limited Partners to non-cash income. Since the Fund will not receive cash prior to the maturity of some of its mezzanine debt investments, such investments may be of greater risk than cash-paying loans.

Convertible Securities. The Fund may invest in convertible securities, which are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of

these actions could have an adverse effect on the Fund's ability to achieve its investment objective.

Equity Securities. The Fund will be authorized to invest in equity securities. Equity securities may include common and preferred stocks and warrants, rights and equivalents. As with other investments that the Fund may make, the value of equity securities held by the Fund may be adversely affected by actual or perceived negative events relating to the issuer of such securities, the industries or geographic areas in which such Fund operates or the financial markets generally. However, equity securities may be even more susceptible to such events given their subordinate position in the Fund's capital structure. As such, equity securities generally have greater price volatility than fixed income securities or debt instruments. Preferred securities are subordinated to bonds and other debt securities in a Fund's capital structure in terms of priority for corporate income and liquidation payments and, therefore, will be subject to greater credit risk than those debt securities. Depending on the features of the particular security, holders of preferred stock may bear the risks disclosed herein regarding equity or fixed income securities.

Warrants. The Fund may receive or purchase warrants or rights. Warrants and rights generally give the holder the right to receive, upon exercise, a security of the issuer at a stated price. Risks associated with the use of warrants and rights are generally similar to risks associated with the use of options. Unlike most options, however, warrants and rights are issued in specific amounts, and warrants generally have longer terms than options. Warrants and rights are not likely to be as liquid as exchange-traded options backed by a recognized clearing agency. In addition, the terms of warrants or rights may limit the Fund's ability to exercise the warrants or rights at such time, or in such quantities, as the Fund would otherwise wish.

Collateral Risk. The collateral and security arrangements in relation to such secured obligations as the Fund may invest in will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements which may restrict the giving of collateral or security by an obligor, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If the investments do not benefit from the expected collateral or security arrangements, this may adversely affect the value of or, in the event of default, the recovery of principal or interest from such investments made by the Fund. Accordingly, any such a failure to properly create or perfect collateral and security interests attaching to the investments could have a material adverse effect on the performance of the Fund and, by extension, the Fund's business, financial condition, and the value of the Interests.

A component of Phoenix's analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investment in the event of the insolvency of the obligor. This residual or recovery value will be driven primarily by the value of the anticipated future cash flows of the obligor's business and by the value of any underlying assets constituting the collateral for such investment. The anticipated future cash flows of the obligor's business and the value of collateral can, however, be extremely difficult to predict as in certain circumstances market quotations and third-party pricing information may not be available. If the recovery value of the collateral associated with the investments in which the Fund invests decreases or is materially worse than expected by the Fund, such a decrease or deficiency may affect the value of the investments made by the Fund. Accordingly, there may be a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, and the value of the Interests.

Contingent Liability Risk. The Fund may from time to time incur contingent liabilities in connection with an investment. For example, the Fund may acquire a revolving credit or delayed draw term facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Fund will be obligated to fund the amounts due. There can be no assurance that the Fund will adequately reserve for their contingent liabilities and that such liabilities will not have an adverse effect on the Fund.

Investment Modification Risk. The terms and conditions of loan agreements and related assignments may be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligation arising from investments could be modified, amended or waived in a manner contrary to the preferences of the Fund if a sufficient number of the other lenders concurred with such modification, amendment or waiver. There can be no assurance that any obligations arising from an investment will maintain the terms and conditions to which the Fund originally agreed.

The exercise of remedies may also be subject to the vote of a specified percentage of the lenders thereunder. The Fund may consent to certain amendments, waivers or modifications to the investments requested by obligors or the lead agents for loan syndication agreements. The Fund may extend or defer the maturity, adjust the outstanding balance of any investment, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related loan agreement, including the payment terms thereunder. Any amendment, waiver or modification of an investment could adversely impact the Fund's returns.

High-Yield Debt. The Fund may invest in private debt securities that may be classified as "higher-yielding" (and, therefore, higher-risk) debt securities. In most cases, such debt will be rated below "investment grade" or will be unrated. High-yield debt securities are subject to ongoing uncertainties and exposure to risks from (i) adverse business, financial, economic or political conditions, and (ii) the issuer's failure to make timely interest and principal payments (including where such debt securities are issued by a finance vehicle or holding company that depends on payments from other group companies to provide it with funds to meet its high-yield debt obligations). High-yield debt securities may benefit from guarantees and/or security from a parent company or specified group companies, although the holders of such debt securities may be limited in their ability to enforce the collateral and/or guarantees, and the proceeds from such collateral may not be sufficient to satisfy the debt obligations. High-yield debt securities are typically structured to facilitate public trading, but an active trading market for such debt securities may not develop and the transfer of such debt securities may be subject to restrictions. Additionally, the market for high-yield debt securities has experienced periods of volatility and reduced liquidity. The market values of certain of these debt securities may reflect individual corporate developments. General economic recession or a major decline in the demand for products and services in which the issuer or its group operates would likely have a materially adverse impact on the value of such securities. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these high-yield debt securities.

Private Debt Terms. A private debt investment may have a contractual return that is not paid entirely in cash, but rather partially or wholly in-kind or as an accreting liquidation preference, thus lengthening the time before cash is received, and increasing the Fund's risk exposure. While Phoenix seeks to achieve the Fund's targeted returns for a given investment, other

factors, such as overall economic conditions, the competitive environment and the availability of potential purchasers of the securities, may shorten or lengthen the Fund's holding period and some investments may take several additional years from the initial investment date to achieve a realization. In some cases, the Fund may be prohibited by contract from selling certain securities for a period of time. If the Fund is required to liquidate all or a portion of its portfolio positions quickly, then the Fund may realize significantly less than the value at which the Fund previously recorded those investments.

Variable and Floating Rate Securities. The Fund may invest in floating rate debt instruments. The interest rate on such instruments is a variable rate which is tied to another interest rate, such as a money-market index SOFR. The interest rate on a floating loan resets periodically. Because of the interest rate reset feature, these types of loans provide the Fund with a certain degree of protection against increases in interest rates, although the Fund will participate in any declines in interest rates as well. The Fund also may invest in inverse floating rate security. An inverse floating rate security may exhibit greater price volatility than a fixed rate obligation of similar credit quality. In addition, some variable or floating rate securities are structured with put features that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries. Therefore, such securities may not achieve their expected return.

Interest Rate Risk. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Credit Risk. Performance and investor yield on the Interests may be affected by the default or perceived credit impairment of investments made by the Fund and by general or sector specific credit spread widening. Credit risks associated with the investments include (among others): (i) the possibility that earnings of the obligor may be insufficient to meet its debt service obligations; (ii) the obligor's assets declining in value; and (iii) the declining creditworthiness, default and potential for insolvency of the obligor during periods of rising interest rates and economic downturn. An economic downturn and/or rising interest rates could severely disrupt the market for the investments and adversely affect the value of the investments and the ability of the obligors thereof to repay principal and interest. In turn, this could have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, and the value of the Interests. In the event of a default by a borrower, the Fund will bear a risk of loss of principal and accrued interest on that investment. Any such investment may become defaulted for a variety of reasons, including non-payment of principal or interest, as well as breaches of contractual covenants. A defaulted investment may become subject to workout negotiations or may be restructured by, for example, reducing the interest rate, a write-down of the principal, and/or changes to its terms and conditions. Any such process may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on the defaulted investment. In addition, significant costs might be imposed on the lender, further affecting the value of the investment. The liquidity in such defaulted investments may also be limited and, where a defaulted investment is sold, it is unlikely that the proceeds from such

sale will be equal to the amount of unpaid principal and interest owed on that investment. This would have a material adverse effect on the value of the Fund's portfolio, and, by extension, the Fund's business, financial condition, and the value of the Interests. In the case of secured loans, restructuring can be an expensive and lengthy process which could have a material negative effect on the Fund's anticipated return on the restructured loan. By way of example, it would not be unusual for any costs of enforcement to be paid out in full before the repayment of interest and principal. This would substantially reduce the Fund's anticipated return on the restructured loan.

Prepayment Risk. The terms of loans in which the Fund invests may permit the borrowers to voluntarily prepay loans at any time, either with no or a nominal prepayment premium. This prepayment right could result in the borrower repaying the principal on an obligation held by the Fund earlier than expected. This may happen when there is a decline in interest rates or when the borrower's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt. The yield of the Fund's investment assets may be affected by the rate of prepayments differing from Phoenix's expectations. Assuming an improvement in the credit market conditions, early repayments of the debt held by the Fund could increase. To the extent early prepayments increase, they may have a material adverse effect on the Fund's investment objectives and profits. In addition, if the Fund is unable to reinvest the proceeds of such prepayments received in investments expected to be as profitable, the proceeds generated by the Fund will decline as compared to Phoenix's expectations.

Strategy Risk. Strategy risk is associated with the failure or deterioration of an investment strategy such that most or all investment managers employing that strategy suffer losses. Strategy specific losses may result from excessive concentration by multiple market participants in the same investment or general economic or other events that adversely affect particular strategies (for example, the disruption of historical pricing relationships). Furthermore, an imbalance of supply and demand favoring borrowers could result in yield compression, higher leverage and less favorable terms to the detriment of all investors in the relevant asset class. The strategy employed by the Fund is speculative and therefore there is substantial risk of loss in the event of such a failure or deterioration in the financial markets. The Fund's success will depend, in part, on the ability of Phoenix and its affiliates to originate loans on advantageous terms. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies is very high. There is no assurance that Phoenix and its affiliates will correctly evaluate the value of the assets collateralizing the Fund's loans or the prospects for successful repayment or a successful reorganization or similar action. As a result, the Fund's investment strategy may fail, and it may be difficult for the General Partner or the Investment Adviser to amend the Fund's investment strategy quickly or at all should certain market factors appear, which may have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, and the value of the Interests.

Portfolio Company Risk. Portfolio companies of the Fund may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, war, terrorism, labor strikes and potentially (under certain facts and circumstances) pandemics or government-mandated closures resulting from viral outbreaks like COVID-19). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to the Fund) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a portfolio company of repairing or replacing damaged assets resulting from such

force majeure event could be considerable. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more companies or its assets, could result in a loss to the Fund, including if its investment in such issuer is cancelled, unwound or acquired (which could be without what the Fund considers to be adequate compensation). To the extent the Fund is exposed to investments in issuers that as a group are exposed to such force majeure events, the risks and potential losses to the Fund are enhanced.

In certain commercial and other contracts, a party to a contract may be excused from performing its obligations to a counterparty under such contract where performance is made impossible or highly impracticable as a result of force majeure event. The Fund's prospective portfolio companies may be parties to contracts that include force majeure clauses and, as a result, these contracts may not be enforceable against certain of their counterparties (including suppliers of their raw materials and purchasers of their finished goods, products or services) if a force majeure event has been deemed to have occurred. The determination of whether a force majeure event has been triggered under a contract or has otherwise occurred is a mixed factual and legal one, and portfolio companies may incur legal costs (which may be significant) in disputes with counterparties regarding whether any such event has occurred, with the likely outcome of any such dispute hard to predict. If a portfolio company were unable to enforce a material contract as a result of a force majeure event, or if it incurred significant legal expenses in a dispute over a force majeure event, the results and prospects of that portfolio company (and possibly the Fund) may be adversely affected.

Leveraged Nature of Portfolio Companies. The companies in which the Fund will invest may incur debt financing in addition to the debt instruments issued to the Fund. Such leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are unfavorable, it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of a portfolio company will increase the sensitivity of the Fund's investments to any deterioration in such portfolio company's revenues, condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in a leveraged portfolio company in a down market. If a portfolio company cannot generate adequate cash flow to meet debt service obligations, the company may default on its loan agreements or be forced into bankruptcy resulting in a restructuring of the company's capital structure or liquidation of the company and the Fund may suffer a partial or total loss of invested capital. Furthermore, to the extent companies in which the Fund has invested become insolvent the Fund may determine, in cooperation with other debt holders or on its own, to engage, at the Fund's expense in whole or in part, counsel and other advisers in connection therewith.

Reliance on the Management of Portfolio Companies. Although it is the intention of the Fund to ensure that portfolio companies have strong management teams, there can be no assurance that any portfolio company's management team will be able to operate successfully. The departure of any one or more members of a portfolio company's management team may have an adverse impact on such company and the Fund's investment therein.

Instances of fraud and other deceptive practices committed by the management team of portfolio companies in which the Fund has an investment also may undermine Phoenix's due diligence efforts with respect to such portfolio companies. If such fraud is discovered, it could adversely affect the valuation of the Fund's investments and may contribute to overall market volatility that can negatively impact the Fund's investment portfolio. The Fund's investment in a portfolio company could be adversely affected by a portfolio company's violations of anti-corruption laws, and in certain instances could expose the Fund to liability or penalties for such violations.

Projections. The Fund may rely upon projections developed by Phoenix concerning a portfolio investment's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of Phoenix and the portfolio investment. The inaccuracy of certain assumptions, the failure to satisfy certain requirements and the occurrence of other unforeseen events could impair the ability of a portfolio investment to realize projected values and cash flow and could therefore adversely affect the Fund's performance.

Due Diligence and Investment Research Risk. When conducting due diligence and making an assessment regarding a potential investment, Phoenix will be required to rely on resources available to it, including internal sources of information as well as information provided by existing and potential obligors, any equity sponsor(s), lenders and other independent sources. The due diligence process may at times be required to rely on limited or incomplete information.

Phoenix will select investments for the Fund in part on the basis of information and data relating to potential investments filed with various government regulators and publicly available or made directly available to Phoenix the prospective portfolio companies or third parties. Although Phoenix will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, Phoenix will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. Phoenix is dependent upon the integrity of the management of the entities filing such information and of such portfolio companies and third parties providing such information, as well as the financial reporting process in general.

The value of an investment made by the Fund may be affected by fraud, misrepresentation or omission on the part of a portfolio company of the Fund or any related parties to such portfolio company, or by other parties to the investment (or any related collateral and security arrangements). Such fraud, misrepresentation or omission may adversely affect the value of the investment and/or the value of the collateral underlying the investment in question and may adversely affect the Fund's ability to enforce its contractual rights relating to that investment or the relevant obligor's ability to repay the principal or interest on the investment. In addition, Phoenix may rely upon independent consultants or experts in connection with its evaluation of proposed investments. There can be no assurance that these consultants or experts will accurately evaluate such investments. Investment analyses and decisions by Phoenix may be undertaken on an expedited basis in order to make it possible for the Fund to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, Phoenix may not have sufficient time to evaluate fully such information even if it is available. In addition, the financial information available to Phoenix may not be accurate or provided based upon accepted accounting methods.

Accordingly, Phoenix cannot guarantee that the due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by Phoenix to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which may have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition and the value of the Interests.

Credit Ratings are Not a Guarantee of Quality. Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating assigned to any corporate debt obligation is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such corporate debt obligation. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of any corporate debt obligation should be used only as a preliminary indicator of investment quality and should not be considered a completely reliable indicator of investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time, with material adverse effects upon the corporate debt obligation. It is possible that many credit ratings of assets included in or similar to the corporate debt obligation will be subject to significant or severe adjustments downward.

Investments in Companies Without Credit Ratings. The Fund may invest in investments that lack credit ratings. These investments may have a greater than normal risk of future defaults, delinquencies, bankruptcies or fraud losses. There can be no assurance that these types of investments will perform, the borrowers will pay as expected, or, if the borrower defaults, that security in respect of the underlying assets will be able to be enforced and the relevant assets liquidated in a cost-effective manner. In addition to the risks of borrower default, the Fund will be subject to a variety of risks in connection with such investments, including risks arising from mismanagement or a decline in the value of collateral, contested enforcement proceedings, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the Fund's exercise of contractual remedies for defaults on such investments.

Non-Recourse Obligations. The Fund may invest in certain loans that are non-recourse obligations of issuers. Such loans are payable solely from proceeds collected in respect of collateral pledged by an issuer to secure such obligations. None of the security holders, officers, directors or incorporators of the issuers, trustees, any of their respective affiliates or any other person or entity will be obligated to make payments on the securities. Consequently, the Fund, as a holder of the obligations, must rely solely on distributions of proceeds of collateral debt obligations and other collateral pledged to secure obligations for payments due in respect of principal thereof and interest thereon. If distributions of such proceeds are insufficient to make payments on the securities, no other assets will be available for such payments and following liquidation of all the collateral, the obligations of the issuers to make such payments will be extinguished.

Prepayments. The Fund's investments may be subject to prepayment. In order to reduce prepayment risk, the Fund may set a minimum yield target for certain investments where

market conditions permit. In the event that a borrower elects to prepay such investments, the borrower would be required to pay a premium in an amount sufficient for the Fund to realize the minimum yield target ascribed to such investments. In addition, certain of the Fund's investments may have lockout periods and/or defeasance periods during which prepayment is prohibited or have other forms of prepayment premiums or defeasance features that would be triggered upon prepayment. However, certain of such investments may permit prepayment after such lockout periods or the periods for such prepayment penalties or premiums have expired. Prepayments on investments are also affected by the financial circumstances of the borrower, fluctuations in the business operated by the borrower, competition, general economic conditions and other factors. However, there can be no assurance that investments will prepay at any particular rate.

Lender-Liability Considerations and Equitable Subordination. There have been a number of judicial decisions in the United States that have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Fund's investments, the Fund could be subject to lender liability claims made against it with respect to U.S. investments, if any, as part of a group of lenders and may be liable for pro rata liabilities of the agent or lead lender.

In addition, under common law principles in the United States that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). The Fund does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, the Fund may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the Fund should be equitably subordinated.

Limited Liquidity of Investments. The Fund will make investments in private companies. These investments will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of the Fund's investments may make it difficult for the Fund to sell such investments if the need arises. In addition, if the Fund is required to liquidate all or a portion of an investment in a portfolio company quickly, the Fund may realize significantly less than the value at which it previously recorded the investment.

Insolvency Risk. In the event of the insolvency of an obligor in respect of an investment, the Fund's recovery of amounts outstanding in insolvency proceedings may be impacted by the insolvency regimes in force in the jurisdiction of incorporation of such obligor or in the jurisdiction in which such obligor mainly conducts its business (if different from the jurisdiction of incorporation), and/or in the jurisdiction in which the assets of such obligor are located. Such insolvency regimes impose rules for the protection of creditors and may adversely affect the Fund's ability to recover such amounts as are outstanding from the insolvent obligor under

the investment, which could have a material adverse effect on the performance of the Fund, and, by extension, the Fund's business, financial condition, and the value of the Interests. Similarly, the ability of obligors to recover amounts owed to them from insolvent portfolio companies may be adversely impacted by any such insolvency regimes applicable to those portfolio companies, which in turn may adversely affect the abilities of those obligors to make payments to the Fund due under the investment on a full or timely basis.

Insolvency Proceedings. When a company seeks relief under the applicable insolvency laws of a particular jurisdiction (or has a petition filed against it), an automatic stay may prevent all entities, including creditors, from foreclosing or taking other actions to enforce claims, perfect security interests or reach collateral securing such claims. Creditors who have claims against the company prior to the date of the insolvency filing will generally require the permission of the court or a relevant insolvency officeholder to permit them to take any action to protect or enforce their claims or their rights in any collateral. Such creditors may be prohibited from doing so at the discretion of the court or the relevant insolvency officeholder. Thus, even if the Fund holds a secured claim, it may be prevented from enforcing its security and collecting the value of the collateral securing its debt, unless relief from the automatic stay is granted. If relief from the stay is not granted, the Fund may not realize a distribution on account of its secured claim until a distribution (if any) is made to the Fund by the relevant court or insolvency officeholder.

Security interests held by creditors are closely scrutinized and may be challenged in insolvency proceedings and may be invalidated for a variety of reasons. For example, security interests may be set aside because, as a technical matter, they have not been perfected properly under applicable law. If a security interest is invalidated, the secured creditor loses the value of the collateral and because loss of the secured status causes the claim to be treated as an unsecured claim, the holder of such claim will be more likely to experience a significant loss of its investment. There can be no assurance that the security interests securing the Fund's claims will not be challenged vigorously and found defective in some respect, or that the Fund will be able to prevail against the challenge.

From time to time, the Fund may invest in or extend loans to companies that have filed for protection under applicable insolvency laws. These debtor-in-possession or "DIP" loans are most often revolving working-capital or term loan facilities put into place at the outset of insolvency proceedings to provide the debtor with both immediate cash and the ongoing working capital that will be required during the reorganization process. The laws of some jurisdictions will determine the extent to which such loans rank as senior in the debtor's capital structure and accordingly the level of risk associates with loans. Furthermore, it is possible that the debtor's reorganization efforts may fail and the proceeds of the ensuing liquidation of the DIP lender's collateral might be insufficient to repay in full the DIP loan. The seniority of such loans in the debtor's capital structure may not be recognized in all jurisdictions.

Insolvency proceedings are inherently litigious, time consuming, highly complex and driven extensively by facts and circumstances, which can result in challenges in predicting outcomes. Insolvency proceedings may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees or otherwise become incapable of emerging from insolvency proceedings and restoring itself as a viable entity. Further, if insolvency proceedings result in liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. The administrative costs incurred in connection with insolvency proceedings are frequently high

and will be paid out of the debtor's estate prior to any return to creditors. Certain claims, such as claims for taxes, may in certain jurisdictions have priority by law over the claims of other creditors.

In addition, portfolio companies located in some jurisdictions may be involved in restructurings, insolvency proceedings and/or reorganizations that are not subject to laws and regulations that are similar to the laws and the rights of creditors afforded in U.S. jurisdictions. To the extent such laws and regulations do not provide the Fund with equivalent rights and privileges necessary to promote and protect its interest in any such proceeding, the Fund's investments in any such portfolio companies may be adversely affected. For example, insolvency law and process in such other jurisdictions may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims.

Investments in Growth Companies. Investing in growth companies involves a number of significant risks. First, they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns. Second, growth companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on portfolio companies and, in turn, the Fund. Third, there is typically little public information that exists about these companies, and the Fund will rely on the ability of Phoenix's investment professionals and advisors to obtain adequate information to evaluate the potential returns from investing in these companies. If they are unable to uncover all material information about these companies, the Fund may not make a fully informed investment decision and may lose money on its investments. Fourth, growth companies generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. The availability of such capital may be a function of capital market conditions that are beyond the control of the Fund or any portfolio company, and there is no assurance that additional funds will be available from desired sources or on terms favorable to the portfolio companies. In addition, Phoenix and its investment personnel may, in the ordinary course of business, be named as defendants in litigation arising from the Fund's investments in the portfolio companies. Finally, growth companies may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

Investments in Middle Market Companies. The Fund expects to focus its investment activities on debt securities issued by middle market companies. There is often less information available to investors like the Fund with respect to middle market companies, particularly privately-owned middle market companies, than there is for larger and/or publicly traded businesses, and financial reporting and other relevant financial information that is available with respect to middle market companies is often not consistent across such companies. As a result, as a practical matter, it may be difficult for the Fund to ascertain certain key metrics with respect to an investee company or potential investee company that may be relevant in connection with the Fund's investment and/or divestment decisions with respect to such company. Although Phoenix believes that its investment team has experience in this segment of the marketplace such that it can make appropriate evaluations despite the lack of, or inconsistency of, such information, there can be no assurance that the Fund's investment

performance will not be adversely affected by Phoenix's inability to acquire certain information regarding the middle market companies in which the Fund invests that may be relevant to the Fund's investment or divestment decisions.

Non-U.S. Investments. The Fund is permitted to make investments in companies that are domiciled, headquartered or with their principal business operations or assets located outside of the United States. Certain foreign investments involve risks and special considerations not typically associated with U.S. investments. Such risks include: the risk of nationalization or expropriation of assets or confiscatory taxation; social, economic and political uncertainty, including war and revolution; dependence on exports and the corresponding importance of international trade; price fluctuations, market volatility, less liquidity and smaller capitalization of securities markets; currency exchange rate fluctuations; rates of inflation; controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital and on the Fund's ability to exchange local currencies for U.S. dollars; U.S. and foreign withholding taxes; governmental involvement in and control over the economies; governmental decisions to discontinue support of economic reform programs generally and impose centrally planned economies; less extensive regulation of the securities markets; longer settlement periods for securities transactions; less developed corporate laws regarding fiduciary duties and the protection of investors; and certain considerations regarding the maintenance of the Fund's portfolio securities and cash with foreign sub-custodians and securities depositories.

There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States, and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies, which may result in the unavailability of material information about issuers. Certain countries may require governmental approval prior to investments by foreign persons or limit the amount of investment by foreign persons in a particular company, or limit investment by foreign persons to a specific class of securities of a company that may have less advantageous terms than the classes available for purchase by nationals. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. The Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital or earnings, as well as by the application to the Fund of restrictions on investments. In addition, because the Fund's investments in other countries may be denominated in the currencies of such countries, a change in the value of these currencies against the U.S. dollar may well result in a corresponding change in the U.S. dollar value of the Fund's assets denominated in those currencies. Phoenix may, but is under no obligation to, employ hedging techniques to minimize the currency risks and, even if Phoenix pursues hedging transactions to minimize currency risks, there can be no assurance that any such transactions will fully or adequately mitigate such risks.

The judicial systems of jurisdictions outside of the United States vary in terms of speed, commercial sophistication, impartiality, consistency of results and adherence to judicial precedent. As a result, the Fund may have difficulty in foreclosing or successfully pursuing claims in the courts of certain non-U.S. jurisdictions, as compared to the United States. Further, to the extent the Fund or a portfolio investment may obtain a judgment but is required to seek its enforcement in a non-U.S. court, there can be no assurance that such court will enforce such judgment. The laws of certain countries outside of the United States lack the sophistication and consistency found in the United States with respect to foreclosure, bankruptcy, corporate reorganization and creditors' rights.

Adequacy and Availability of Insurance. While the Fund may seek to make investments where insurance and other risk management products are, to the extent available on commercially reasonable terms, utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, such coverage may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and any insurance proceeds from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or any necessary replacement or rehabilitation, as applicable. Certain losses of a catastrophic nature (i.e., those caused by force majeure events) may be either uninsurable or insurable at such high rates as to adversely impact the Fund's profitability and returns from an investment if such insurance were obtained.

Non-Control Investments. The Fund will make investments in companies that they do not control. Such investments will be subject to the risk that the investee company may make business, financial or management decisions with which the Fund does not agree or that the majority stakeholders or the management of the investee company may take risks or otherwise act in a manner that does not serve the Fund's interests.

Although the Fund may seek to have influence with respect to its investments, including through representation on a creditors committee of an investee company undergoing a reorganization or representation on the board of an investee company post-reorganization, there can be no assurance that the Fund will be able to secure such positions and, even if it is able to do so, that any such position will result in the Fund having the level of influence with respect to such investee company needed to result in positive outcomes from the Fund's investment perspective. Also, such level of influence could result in liabilities to the Fund that would not present in the context of a more passive investment.

Third Party Involvement. The Fund may make, or share control over, certain investments with unaffiliated third-party investors, which may make it more difficult for the Fund to implement its investment approach or exit the investment when they otherwise would. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that such third party may at any time have economic or business goals different from those of the Fund. In addition, under certain circumstances, the Fund may be liable for actions of third parties acting in a coordinated manner with the Fund. The occurrence of any of the foregoing could have a material adverse effect on the Fund and the Limited Partners' investments therein.

Currency Hedging Transactions. In connection with certain foreign investments outside of the United States, and subject to limitations in the Partnership Agreement, the Fund may employ various hedging strategies including those that are designed to reduce the risks to the Fund of fluctuations in currency exchange rates, mainly utilizing currency swaps or currency forward contracts. While the Fund may benefit from the use of these hedging strategies, unanticipated changes in currency exchange rates or other events related to hedging activities may result in a poorer overall performance for the Fund than if it or its subsidiaries had not implemented such hedging strategies.

Counterparty, Settlement and Execution Risks. From time to time, certain securities and over-the-counter markets have experienced operational clearance and settlement problems that have resulted in failed trades. These problems could cause the Fund to miss attractive investment opportunities or result in the Fund's liability to third parties by virtue of an inability

to perform the Fund's contractual obligation to deliver securities. To the extent the Fund invests in securities or over-the-counter transactions, in certain circumstances, the Fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of transfer, clearance or settlement default. Transactions entered into directly between two counterparties may expose the parties to the risk of counterparty defaults or execution errors. Phoenix will evaluate the merits of potential claims for damage against brokers and counterparties who are at fault and, to the extent practicable, will seek to recover losses from those parties. Phoenix may choose to forego pursuing claims against brokers and counterparties on behalf of the Fund for any reason including, but not limited to, the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its business relationships with brokers and counterparties.

"Big Boy" Letters. The Fund may enter into transactions involving securities, loans, participations, assignments or other investments in which it may be deemed to be in possession of material, non-public information. In connection with these transactions, the Fund may furnish letter agreements to counterparties and/or intermediaries and counterparties generally stating that the parties to a particular transaction are entering into such transaction notwithstanding a possible information disparity and its potential effect on the value of the assets involved in such transaction – these letter agreements are typically referred to as "big boy" letters. "Big boy" letters are intended to limit liability for fraud under U.S. federal securities laws, state securities laws and the common law, but the jurisprudence related to "big boy" letters continues to evolve and there can be no assurance that the Fund's use of "big boy" letters in the course of its trading activities will avoid civil or other liability.

Item 9: Disciplinary Information

This Item is inapplicable.

Item 10: Other Financial Industry Activities and Affiliations

Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

While the Fund may trade commodity interests, the Investment Adviser and the General Partner, with respect to the Fund, are each exempt from registration with the U.S. Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator (a "CPO") pursuant to CFTC Rule 4.13(a)(3).

We do not recommend or select other investment advisers for our clients.

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

Code of Ethics and Personal Trading

Phoenix Merchant has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set

forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at the Firm.

Personal Securities Trading

Employees are required to direct their brokers to send duplicate copies of personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with Phoenix Merchant's "**Employee Investment Policy**." Employees are prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm's Restricted List.

Employees must obtain pre-approval from the CCO before: (i) making a transaction in Covered Accounts of Reportable Securities, including any IPO; (ii) engaging in any outside business activities that may present a conflict with the employees' duties at the Firm; or (iii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor or client, upon request.

Participation or Interest in Client Transactions

Neither we nor our related persons generally purchase any securities for our own accounts from, or sell any securities for our own accounts to, the Funds. We may purchase or sell securities that we also recommend to our clients. The Firm will be cognizant of its fiduciary duty to its clients if this occurs. We may solicit qualified clients to invest in a Fund. We could be considered to have recommended an investment in a Fund as suitable for a client as a result of our relationship with the Fund. We will inform each client of our relationship with a Fund prior to the client's investment, but we do not intend to advise clients as to the appropriateness of the investment and we will not receive any compensation for selling interests in a Fund (except to the extent that we receive our Management Fee and Performance Allocation from Investors).

We disclose these, and other potential conflicts of interest, to Investors in the Funds' offering documents. Offering documents are delivered to Investors prior to their investment and Investors are given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving us, our affiliates, or the executive officers of the foregoing.

Item 12: Brokerage Practices

Phoenix Merchant is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest

available commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm’s authority is limited by its own internal policies and procedures and each Fund’s investment guidelines.

Best Execution

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favourable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers’ full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Item 13: Review of Accounts

Our portfolio managers and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the Funds’ offering documents. In these reviews, the Firm pays particular attention to any changes in the investment’s fundamentals, overall risk management and changes in the markets that may affect price levels. Phoenix Merchant engages in active management for the Funds and the Firm reviews transactions, positions and cash balances on a daily basis.

Account Reporting

We perform various periodic reviews of each client’s portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We distribute quarterly unaudited net asset value statements including net returns, and investor letters to all Investors periodically.

Item 14: Client Referrals and Other Compensation

This Item is inapplicable.

Item 15: Custody

We will comply with Rule 206(4)-4 of the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision. Annually, upon completion of the Funds’ annual audit, we will distribute the audited financials to Investors within 120 days of the Funds’ fiscal year end.

Item 16: Investment Discretion

We will have full discretionary authority over the Funds including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

Item 17: Voting Client Securities

In compliance with the Advisers Act's Proxy Voting Rule, we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

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