



A PARTNERSHIP OF PROFESSIONAL ASSOCIATIONS
ATTORNEYS AT LAW

MEMORANDUM

To: Board of Trustees
St. Lucie County Fire District Firefighters Pension Fund

From: Bonni S. Jensen *BJS*

Subject: Serenitas Credit Gamma Fund, LLC,

Date: September 24, 2020

Pursuant to the direction of the Board, I reviewed the Private Placement Memorandum, the Subscription Agreement and Limited Partner documents for an investment in the Affiliate Housing Impact Fund, LP.

The Private Offering Memorandum provides:

The Fund: Serenitas Credit Gamma Fund, LLC, a Delaware limited liability company

The Master Fund: Serenitas Credit Gamma Master Fund, LP, a Cayman Islands exempted limited partnership

Managing Member and General Partner: Serenitas MMGP Ltd., a limited company formed under the laws of the Cayman Islands

Investment Manager: LMCG Investments, LLC, a registered investment adviser under the Investment Advisers Act of 1940 and a commodity pool operator with the U.S. Commodity Futures Trading Commission.

Investment Objectives: The Master Fund intends to “achieve attractive absolute total returns with a low correlation to traditional indices.”

The Master Fund will use investment opportunities in the

markets for structured credit securities (including asset backed securities ("ABS"), agency and non-agency residential mortgage-backed securities ("MBS"), collateralized loan obligations ("CLOs") and other credit related pooled investment obligations), credit indices, tranches and index swaptions, and related instruments.

The Master Fund will take both long and short positions, as well as directional positions that are partially or completely unhedged.

The investments are primarily in the United States and European markets but there may also be investments in emerging markets.

Leverage:

The Master Fund may use leverage but leverage may not exceed 3 times the Master Fund's net asset value. Generally there is no leverage or it is minimal.

If there is leverage it is actively managed and not expected to generate UBIT.

In response to questions on this point, LMCG added the following example:

The Master Fund may use leverage, but the aggregate market value of the Master Fund's assets (long positions only) may not exceed 3 times the Master Fund's net asset value. For example, if we assume investor subscriptions equal \$10m in cash and the Master Fund uses that cash and also borrows \$20m to fund the purchase of bonds with a market value of \$30m, the Master fund assets would be \$30m, or 3 times the \$10m fund NAV. The Master Fund has not operated close to this limit to date and has only financed a bond on 1 occasion (via a repo facility) and that was for a few months several years ago.

In addition to leverage through financing arrangements, like repo facilities mentioned in the example, certain

derivative or structured instruments in the Master Fund's portfolio are inherently leveraged. In addition, the Master Fund may employ leverage in its hedging activities. For these reasons, even without utilizing repo facilities, the aggregate market value of the Master Fund's assets typically exceeds the Master Fund's NAV. The investment team intends to actively manage any use and form of leverage according to market conditions and types of investments. In general, more leverage may be used with liquid securities and in matched trades involving combinations of long and short positions. Less leverage, or no leverage, may be used on less liquid securities.

Offering: Interests are offered at the discretion of the Managing Member but not more frequently than monthly - on the first business day of the month. Minimum investment is \$1,000,000.00 and additional subscriptions must be at least \$250,000.00.

Series: Two Series:

Series A - Offered to Investors.

Series C - Only available to employees of Investment Manager
In the future other Series may be offered.

**Memorandum
Accounts:**

Investor Accounts will be accounted for by memorandum.

Eligibility:

Only Accredited Investors are eligible.

Limited Liability:

No Member is liable for Fund losses in excess of their Capital Account or improperly distributions.

Management Fee and Expenses:

Selling Commissions:

No selling commissions are paid. However, the Investment Manager uses investment manager fees to individuals who introduce investors to the Fund.

Organizational Expenses:

The Master Fund paid all Organizational Expenses of establishing the Fund. The expenses have been fully amortized and the Fund as an investor bore its pro rata share of these expenses.

Transaction Expenses:

The Master Fund paid all transaction fees and costs in connection with investments and trading. The Fund as an investor bears its pro rata share of these expenses.

Management Fee:

Investment Manager receives a monthly fee from the Master Fund equal to;

- (I) 1/12 of 1.5% of the balance of each Sub-Account of Series A shares.
- (ii) 1/12 of 1.0% of the balance of each Sub-Account with respect to Series B shares

These fees are paid in advance. Series C shares do not pay Management Fees.

Performance Fee:

At the end of each Performance Period¹, the Investment Manager is entitled to receive a performance fee of (I) 20% of any new net income² for Series A; and (ii) 10% of any new net income in Series B. Series C interests do not pay a Performance Fee.

Investment Manager is entitled to retain all Performance Fees paid to it with respect to each Sub-Account, even if there are subsequent losses.

¹Period beginning the later of (i) the first Capital Contribution or the day immediately following the end of the previous performance period; and (ii) ending upon the first to occur of the last day of the fiscal year (December 31) or the date of withdrawal.

²The amount of income over the High Water Mark for each Sub-Account for the Performance Period. High Water Mark is zero until there is positive Cumulative Net Income and thereafter the highest Cumulative Net Income as of the end of a Performance Period.

Performance fees and High Water Marks are adjusted to account for withdrawals or distributions.

Operational Expenses:

The Master Fund bears its Operational Expenses and the Fund bears its pro-rata share of the Operational Expenses of the Master Fund and the Fund.

Extraordinary Expenses:

Each of the Fund and Master Fund pays any extraordinary expenses.

Expense Cap:

To the extent that the accrued Expense Share attributable to a Member's Capital Account for a given month is in excess of 1/12 of .50% of the opening balance for the month, the Member will be reimbursed for the excess by reducing the Management Fee or direct reimbursement.

Withdrawals:

Members may make withdrawals as of any quarter end with 90 days' notice, subject to below restrictions.

Investor Gate:

Series A and B Interests are limited to 25% per quarter of the Memorandum Accounts initial balance or total withdrawals from the Fund of 10% of the aggregate closing balances of the sub-accounts

In response to questions on this point, LMCG added the following example:

The timing of redemption payouts depends on the aggregate amount of redemption requests relative to fund NAV. Since the fund's inception, there has only been one instance where it took more than 1 quarter to redeem the fund investor. In that case, the investor was able to redeem in 2 quarters. The quarterly redemption schedule with 90-day notice and the investor gate allows the team to unwind positions in an orderly manner to fulfill these needs while protecting interests of investors remaining in the fund.

Permitted redemption amounts are based on two

calculations. One is a 25% investor level gate, which means the investor is able to redeem in 4 quarters max, and the other is a 10% fund level calculation. Investor liquidity is the maximum of these two computations. In other words an investor's maximum quarterly redemption amount (without paying a gate redemption fee) is the greater of (a) 25% of the investor's initial balance, as adjusted for appreciation and depreciation throughout the life of the fund or (b) an amount that, when aggregated with the amount of all other investors' redemptions, does not exceed 10% of the fund's balance.

If the 10% fund level calculation allows an investor more liquidity than 25% of the investor's initial balance, (adjusted for gains and losses), the investor is entitled to that greater amount of liquidity.

If a request for withdrawal exceeds the Maximum Withdrawal Amount, then the excess is held as a request for a withdrawal the next quarter. The Investor Gate is to allow a Member to withdraw the full balance from the Fund with 4 or fewer withdrawals and to avoid the Gate Withdrawal Fee.

Gate Withdrawal Fee: A Member may withdraw more than the Maximum Withdrawal Amount as of a single quarter end if the Member pays a 5% fee of the amount to be withdrawn in excess of the Maximum Withdrawal Amount.

If the Managing Member determines that the remaining Members will not be impacted by the withdrawal, the Gate Withdrawal Fee may be waived or reduced.

Withdrawal Amounts: The withdrawal must be at least \$250,000.00 and partial withdrawals will not be permitted if the balance remaining is less than \$250,000.00.

Payment of Withdrawals: After application of all charges and credits, the Fund will distribute the proceeds of withdrawal requests within 30 calendar days of the end of the quarter. If the request is for

95% or more of the Member's remaining balance, then 95% of the withdrawal will be paid within 30 calendar days and after the annual audit for the fiscal year the hold back will be paid. The hold back amount is not subject to any profits or losses after the date of withdrawal, but will be paid interest at the amount actually earned by the Fund as determined by the Managing Member.

In Kind Withdrawals: Generally withdrawals are paid in cash, but in extraordinary circumstances, they could be paid in kind.

Reserves: The Managing Member may establish reserves.

Suspensions: The Fund may suspend calculation of Net Asset Value or payment of Withdrawals.

Transfer of Interests: Transfers of Interests are not permitted without consent of the Managing Member.

Distributions: Distributions are not anticipated, but may occur.

Indemnification: Covered Persons are not liable to the Fund for any action or omission, including a mistake of fact or error in judgment, made in the course and scope of authority granted to such person by the Limited Partnership, unless that act constitutes fraud, willful misconduct, or gross negligence.

The Fund will indemnify and hold harmless the Covered Persons to the fullest extent permitted by Florida law.

Covered Persons are:

1. General Partners and affiliates;
2. Current or former shareholder, officer, director, employee, partner, member, manager, or agent of the Fund, the General Partner or affiliates;
3. Current or former member of the Advisory Board (including the Limited Partner that the member represents) or any of its affiliates; or
4. any other individual or entity designated by the General Partner.

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**Risk Factors and
Conflicts of Interest:** Pages 21 through 57 contain the risk factors and conflicts of interest of an investment in this product.

Tax Considerations: Fund intends to be a partnership for U.S. Tax purposes. It may generate UBTI.