

Prudential Investment Management, Inc.
(Commercial Mortgage Backed Securities)

Three Gateway Center

Newark, NJ 07102

(973) 802-4971

www.investmentmanagement.prudential.com

March 30, 2012

This Brochure provides information about certain of the qualifications and business practices of Prudential Investment Management, Inc. (“**PIM**”), specifically the commercial mortgage backed securities business. If you have any questions about the contents of this Brochure, please contact us at 973-802-4971. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Unless otherwise specified, information provided in this Brochure is current as of the date of this Brochure.

PIM is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about PIM is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This section identifies material changes that were made to our Brochure since its last annual update. PIM will deliver, within 120 days of the close of our fiscal year, either our current Brochure, together with a summary of material changes since the Brochure's last annual update, or a separate summary of those material changes. If we deliver a separate summary of material changes, we will offer to provide our current Brochure without charge, and will instruct our clients as to how to obtain it.

Material Changes to the Brochure dated March 31, 2011:

- Item 4: Revised to reflect the assignment of the collateral management of the ROCK 1 CDO to PIM from PMCC.

Item 3 -Table of Contents

Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 -Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	3
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	3
Item 9 – Disciplinary Information.....	5
Item 10 – Other Financial Industry Activities and Affiliations	5
Item 11 – Code of Ethics	5
Item 12 – Brokerage Practices	11
Item 13 – Review of Accounts	13
Item 14 – Client Referrals and Other Compensation.....	14
Item 15 – Custody.....	14
Item 16 – Investment Discretion.....	14
Item 17 – Voting Client Securities	14
Item 18 – Financial Information.....	15

Item 4 – Advisory Business

PIM was organized as a New Jersey corporation in June 1984 and registered with the SEC as an investment adviser in December 1984. PIM, through its predecessor companies, has been managing fixed income portfolios for affiliates since 1875. PIM is an indirect, wholly-owned subsidiary of Prudential Financial, Inc., a publicly held company ("**Prudential Financial**") (NYSE Ticker: PRU).

PIM manages various types of assets, including public fixed income, private fixed income and real estate. PIM provides discretionary and non-discretionary investment advisory services to its clients and to clients of affiliated investment advisers, including Prudential Investment Management Japan Co., Ltd. ("**PIMJ**"), as well as unaffiliated advisers. In some cases, PIM provides its investment advisory services through sub-advisory arrangements.

Through advisory agreements, PIM also provides investment advisory services to The Prudential Insurance Company of America ("**PICA**"), Prudential Retirement Insurance and Annuity Company ("**PRIAC**") and Prudential Annuities Life Assurance Corporation ("**PALAC**") in connection with the investments of their general and separate accounts, and to the proprietary accounts of certain other affiliates of PIM. Such insurance company separate account assets support variable annuity contracts in which institutional and retail investors invest. PIM is paid advisory fees by its affiliates under the terms of the advisory agreements. PIM's clients' investment management agreements define and restrict the investments that PIM can make in each client's account.

In addition, PIM provides collateral management services to the owners of the ROCK 1 – CRE CDO 2006 ("ROCK 1"), a commercial real estate CDO issued in 2006. PIM is paid a collateral management fee and, from time to time, an incentive collateral management fee, by ROCK 1. The majority of the assets owned by ROCK 1 are first priority commercial mortgage loans. ROCK 1 can, however, hold up to 15% of its total assets in CMBS or other commercial mortgage related securities. ROCK 1 is a private fund.

As of December 31, 2011, PIM had \$111 million (book value) of CMBS assets (previously subadvised by Prudential Mortgage Capital Company, LLC ("**PMCC**") under management broken down as follows:

Discretionary: \$111 million

Nondiscretionary: \$0

As of December 31, 2011, the par amount of the assets owned by ROCK 1 and managed by PMCC, as collateral manager and subadvisor to PIM, was \$264 million, broken down as follows:

Discretionary: \$254 million

Nondiscretionary: \$0

As of the date of this brochure, management of the CMBS assets has been transferred to PIM and PMCC no longer acts as sub-advisor. In addition, PIM has succeeded PMCC as collateral manager for ROCK 1.

PMCC is an affiliate of PIM that provides investment advisory services with respect to commercial whole loan mortgages. PIM (previously using PMCC as sub-adviser) provides investment management services for CMBS to PICA, PRIAC, PIMJ and potentially other affiliated insurance companies for their general accounts. This Brochure covers CMBS managed by PIM. PIM's role as collateral manager of ROCK 1 and information about PMCC's management of commercial whole loan mortgages is provided solely for context.

PIM has elected to create several separate brochures for its businesses rather than a single consolidated brochure covering all of its businesses. As previously stated in this Item 4, this Brochure covers only PIM's commercial mortgage-backed securities ("CMBS") business previously sub-advised by PMCC. You may obtain brochures providing information about PIM's other businesses without charge by contacting Pamela Geraghty at 973-802-4971.

Item 5 – Fees and Compensation

For CMBS products, PIM's affiliates that are its current clients pay fees under asset-based fee schedules. For CMBS products, PIM may negotiate fees with its clients individually. Fees paid by clients vary based on the type of advice provided and other factors, such as the size of the client account, the investment strategy, the relationship with the client and the required level of service. Fees may also differ based on account type. For example, fees for commingled vehicles, including those that are subadvised, may differ from fees for single client accounts. Since fees are negotiable, clients with similar investment objectives or strategies may pay different fees.

As manager of the ROCK 1 CDO, PIM receives a collateral management fee of 0.40% per annum of the par value of the assets owned by ROCK 1. In addition, PIM receives incentive collateral management fees, from time to time, as dictated by the ROCK 1 Indenture. The incentive collateral management fee is 20% of all excess cash flow produced by the ROCK 1 assets after payment of all interest and principal due to bond holders, payment of all fees and expenses of ROCK 1 and after a 15% IRR to the owners of the Preferred Shares.

Please see Item 12 for a discussion of brokerage practices.

Other Amounts Payable by Clients

PIM's advisory fees are the only amounts payable by clients to PIM for CMBS managed by PIM. Clients are generally responsible for other fees and expenses related to their accounts, including custodian fees, brokerage fees and other transactions costs as described in Item 12 below.

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

CMBS products managed by PIM for PIMJ, PRIAC and PALAC only incur a base management fee. There are no performance based fees. In the case of ROCK I, PIM earns a base collateral management fee of 0.40% per annum, but also has the ability to earn an incentive collateral management fee of 20% of excess cash flow after payment of a 15% IRR to the owners of the preferred shares.

Item 7 – Types of Clients

PIM manages CMBS for Prudential Financial affiliates and for some third party investors. For those clients, minimum investment amounts are determined on a case by case basis. In the case of PIM's role as collateral manager for ROCK 1, any qualified institutional investor may purchase an ownership interest in ROCK 1, in a third party transaction in the bond market.

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

PIM manages CMBS securities for itself, its affiliates, PIMJ, PICA and separate accounts of PICA and its affiliates. PIM also manages the assets owned by ROCK 1, which include commercial mortgage loans and CMBS securities. PIM reviews each asset monthly, generally taking into consideration the following:

- Quality of underlying real estate, leverage level and maturity date of loans or loan;
- Position in the capital structure and subordination for each bond;
- Percent of loans specially serviced, percent that is Real Estate Owned;
- Current ratings and any ratings changes;
- Month end valuation/price;
- Property type and geographic concentrations;
- Commentary from the servicer on loans; and,
- Other CMBS available in the market.

Based on these and other factors, PMCC decides whether to keep or sell its current CMBS investments, as well as whether or not to impair assets to be held.

Important Risks related to PIM's CMBS business

Investing in securities involves risk of loss that investors should be prepared to bear. Summarized below are certain important risks of which PIM's investors should be aware.

- **No Assurance of Investment Return.** PIM cannot assure you that your investment objectives will be achieved or that you will receive any return on your investment. CMBS performance may be volatile and you may lose your entire investment. The only investors who should consider an investment in CMBS are investors who can afford the loss of their entire investment. Past performance and activities provide no assurance of future results.
- **Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. PIM cannot provide any assurance that we will be able to locate, consummate and exit investments that satisfy the rate of return objectives or realize upon their values or that we will be able to invest fully its committed capital.
- **Reliance on Key Management Personnel.** PIM's success will depend, in substantial part, upon the skill and expertise of certain employees or officers of PIM. The death, disability or departure of any key PIM professional or officer may adversely affect PIM's business and performance.
- **Potential Conflicts of Interest.** There may be occasions when PIM and/or our affiliates will encounter potential conflicts of interest in connection with our activities, including significant conflicts with respect to other activities of PIM and/or its affiliates that may negatively impact our investments, investors and the diverse interests of our investor group.
- **Material, Non-Public Information.** In connection with other activities of PIM, certain employees of PIM and its respective affiliates may acquire confidential or material non-public information. PIM will not be free to act upon any such information. Due to these restrictions, PIM may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.
- **Mortgage Investments.** Mortgages are subject to the risk of prepayment on the underlying loans and loan defaults. The recession, falling prices of real

estate properties and general industry-wide lax underwriting standards have resulted in extremely high delinquencies, foreclosures and losses on commercial mortgage loans originated from 2005 through 2008. Mortgage investments may continue to have high delinquencies, foreclosures and losses.

- **Interest Rate Risks.** The prices of mortgages tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of securities held by PIM to move in directions which were not initially anticipated.

Item 9 – Disciplinary Information

PIM is required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of us or the integrity of our management. PIM has no facts or events to report in response to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

As an affiliate of Prudential Financial, PIM is part of a diversified, global financial services organization. PIM is affiliated with many types of financial service providers, including broker-dealers, insurance companies and other investment advisers. Some of PIM's and PMCC's employees are officers of some of these affiliates.

PIM is registered with the U.S. Commodity Futures Trading Commission ("CFTC") as a Commodity Trading Advisor and is a member of the National Futures Association. PIM advises qualified eligible persons (QEPs) under CFTC Rule 4.7.

As described in the response to Item 4 above, PIM provides investment advisory services to PICA, PRIAC and PALAC in connection with the investment of their general and separate accounts.

Item 11 – Code of Ethics

PIM maintains throughout all of its businesses a code of ethics as required by applicable SEC rules. In general, PIM's code of ethics requires employees to conduct business in an honest and forthright manner in accordance with the highest of ethical standards. In addition, PIM's code of ethics requires employees to put client interests ahead of PIM's own and disclose actual and potential meaningful conflicts of interest. PIM's code of ethics incorporates its information barrier and personal securities trading policies that are described in greater detail below. PIM's employees are required to promptly report any violation of its code of ethics to compliance.

PIM will provide a copy of its code of ethics to clients or prospective investors upon request and without charge.

Information Barrier Policy

PIM's information barrier policy is designed to prevent the communication of material, non-public information across PIM's various U.S. asset management investment sectors. Under the policy, an employee of one investment sector may not communicate material, non-public information to an employee of another investment sector without approval from each sector's compliance unit. The information barrier policy also restricts physical access to an investment sector's offices by employees of a different investment sector.

PIM maintains various restricted lists of issuers about which PIM has material, non-public information or other trading restrictions. The restricted lists are contained in electronic databases that can be viewed only by specified associates who have been granted access.

Personal Securities Trading Policy

PIM maintains a personal securities trading policy that governs the trading activities of its employees as well as their household members and dependents. Subject to certain limited exceptions, employees are required by the policy to:

- report personal securities transactions to PIM's corporate compliance unit;
- preclear personal securities transactions (for employees considered to be "access persons" under SEC rules);
- maintain brokerage accounts only with certain approved brokers that report transaction information to PIM's corporate compliance unit; and,
- annually report securities holdings to PIM's corporate compliance unit.

PIM's access persons and investment personnel are subject to additional restrictions under the policy, including the following:

- investment personnel are generally prohibited from purchasing securities in initial public offerings; and,
- access persons may not trade any security on the same day that certain applicable business units of PIM trade such security (or an equivalent security) for client accounts (other than in client accounts that replicate a broad-based index).

PIM monitors personal trading activity versus firm trading and restricted list content, and matches may be escalated by its compliance unit. An ethics committee meets regularly to consider possible violations and take disciplinary action where appropriate.

All employees receive annual training regarding PIM's personal securities trading and information barrier policies. In addition, employees must annually confirm that they have

read and understand PIM's code of ethics, including the personal securities trading and information barrier policies.

Conflicts of Interest

As a result of the broad range of PIM's and its affiliates' businesses, conflicts of interest will inevitably arise in its operations. Described below are significant conflicts of interest that have been organized under headings for ease of reading only. Conflicts described under one heading could appear or be repeated under one or more other headings below. It is not intended for the headings to limit the applicability of the conflict to other headings or other parts of PIM's business.

While PIM follows Prudential Financial's policies on business ethics, personal securities trading by investment personnel, and information barriers and has adopted a code of ethics, allocation policies, supervisory procedures and conflicts of interest policies, among other policies and procedures, which are designed to ensure that clients are not harmed by these potential or actual conflicts of interests; PIM cannot guarantee that such policies and procedures will detect and ensure avoidance, disclosure or mitigation of each and every situation in which a conflict may arise.

Conflicts arising from PIM's Affiliations and Portfolio Management Responsibilities

PIM is an indirect, wholly-owned subsidiary of Prudential Financial and is part of a full-scale global financial services organization, affiliated with insurance companies, investment advisers and broker-dealers. PIM's portfolio managers are often responsible for managing multiple accounts, including accounts of affiliates, institutional accounts, insurance company separate accounts, nondiscretionary model portfolios and various pooled investment vehicles, such as unregistered funds (including hedge funds). These affiliations and portfolio management responsibilities may cause potential and actual conflicts of interest. PIM aims to conduct itself in a manner it considers to be the most fair and consistent with its fiduciary obligations to all of its clients.

Management of multiple accounts and funds side-by-side may raise potential conflicts of interest relating to the allocation of investment opportunities, the aggregation and allocation of trades and cross trading. PIM has developed policies and procedures designed to address these potential conflicts of interest.

Legal, regulatory and contractual restrictions may limit how much, if any, of a particular security PIM may purchase or sell on behalf of a client, and the timing of our purchase or sale of a security. Such restrictions may arise as a result of PIM's relationship with Prudential Financial and its other affiliates. PIM may be prohibited from engaging in transactions with its affiliates even when such transactions may be beneficial for client accounts. Certain affiliated transactions are permitted in accordance with procedures adopted by PIM.

Certain affiliates of PIM develop and may publish credit research that is independent from the research developed within PIM. PIM may hold different opinions on the investment merits of a given security, issuer or industry such that PIM may be purchasing or holding a security for a client and an affiliated entity may be selling or recommending a sale of the same security or other securities of the issuer. Conversely, PIM may be selling a security for a client and an affiliated entity may be purchasing or recommending a buy of the same security or other securities of the same issuer. In addition, PIM's affiliated broker-dealers or investment advisers may be executing transactions in the market in the same securities as PIM at the same time. It is the policy of PIM not to engage in principal transactions with affiliated broker-dealers for unaffiliated institutional accounts managed by PIM.

PIM may cause securities transactions to be executed for a client's account concurrently with authorizations to purchase or sell the same securities for other accounts managed by PIM, including proprietary accounts or accounts of affiliates. In these instances, the executions of purchases or sales, where possible, are allocated equitably among the various accounts.

PIM may buy or sell, or may direct or recommend that one client buy or sell, securities of the same kind or class that are purchased or sold for another client, at prices which may be different. In addition, PIM may, at any time, execute trades of securities of the same kind or class in one direction for an account and trade in the opposite direction or not trade for any other account due to differences in investment strategy or client direction.

Conflicts arising as a result of PIM's Possession of Material, Non-Public Information and PIM's Information Barrier

PIM may come into possession of material, non-public information with respect to a particular issuer and as a result PIM will be unable to execute purchase or sale transactions in securities of such issuer for its investors. This can occur because PIM's CMBS business, in the normal course of business, may obtain material, non-public information about public issuers resulting in restrictions on trading in securities of such issuers.

PIM has procedures in place to track the acceptance of material, non-public information and a process to analyze and resolve related trading issues. In addition, PIM maintains information barriers or "fire walls" designed to prevent the transfer of such information between units of PIM as well as between affiliates and PIM. In some instances, PIM may create an "isolated information barrier" around a small number of employees within an investment unit who may come into possession of material, non-public information about an issuer, so that their knowledge is not attributed to the rest of the unit.

PIM maintains a trade errors and corrections policy designed to ensure that corrections of trading and operational errors are processed in a manner that PIM deems appropriate. To avoid potential errors, the policy provides that trades may, where appropriate, be

cancelled or modified prior to settlement, provided that PIM can document that the trading counterparty will not suffer any loss, and provided, for daily valued accounts, that such cancellation or modification will not change any net asset value of the account that is struck between the commission of the error and the date of cancellation. In addition, the policy provides that a trading error in one investor's account involving a violation of law or of the account's investment guidelines may be corrected through a reallocation or other transfer of securities to another account, provided that such reallocation or other transfer represents a legitimate investment decision on behalf of each account involved, and provided that such reallocation or other transfer is effected without loss to the transferee account.

Conflicts arising from Relationships with Large Clients

Conflicts of interest may arise due to PIM's relationship with especially large clients and its affiliates. Such clients may have needs for information, reporting, operational support, or PIM's other resources that may be disproportionate to the nature or amount of assets PIM manages for them and may be different or greater than provided to all clients generally. Representatives of Prudential Financial, PICA's general account, PIM's proprietary accounts and accounts of other affiliates of PIM (collectively, the "**Affiliated Accounts**") who are responsible for monitoring Prudential Financial's enterprise investment risk have access to information about PIM's assets under management, including for third parties, that is not made available to non-affiliated clients (although their access does not include specific non-affiliated client identifying information or portfolio information for clients of PIM who have asked for confidentiality with respect to sharing of information with PIM's affiliates). PIM believes that it manages its relationships with such clients in a manner that is consistent with the best interests of all its clients.

Conflicts arising from PIM or its affiliates Investment and Other Activities and Relationships

Conflicts of interest may also arise in connection with the investment or other activities of PIM and its affiliates or relationships of such parties with issuers of securities. Affiliated Accounts may at times have various levels of financial or other interests, including but not limited to portfolio holdings, in companies whose securities may be held or purchased or sold in PIM's client accounts. These financial interests may at any time be in potential or actual conflict or may be inconsistent with positions held or actions taken by PIM on behalf of its client accounts. These interests can include debt or equity financing, strategic corporate relationships or investments and the offering of investment advice in various forms. Thus PIM may invest client assets in the securities of companies with which PIM or an affiliate of PIM has a financial relationship, including investment in the securities of companies that are advisory clients of PIM. PIM may also be unable to invest client assets in the securities of certain issuers as a result of these investments or relationships.

Conflicts arising from Competing Interests

A client account may have an investment in securities of an issuer, including an equity interest in a joint venture or another entity that is engaged in a business that competes with issuers whose securities are held in other client accounts, or that competes directly with the business of PIM or an affiliate. While these types of conflicts cannot be eliminated, PIM has implemented policies and procedures designed to ensure that, notwithstanding these conflicts, investments of its clients are originated and managed in their best interests.

In addition, PIM's portfolio managers may advise Affiliated Accounts. PIM's portfolio manager(s) may have a financial interest in the accounts they advise, either directly or indirectly. To address potential conflicts of interest, PIM has procedures, including supervisory review procedures, designed to ensure that (including to the extent that client accounts are managed differently from Affiliated Accounts) each of the client accounts, and each affiliated account, is managed in a manner that is consistent with its investment objectives, investment strategies and restrictions, as well as with PIM's fiduciary obligations.

Because of the substantial size of PICA's general account, trading by PICA's general account in certain securities may result in market changes in response to trades. Although PIM expects that PICA's general account will execute transactions that will move a market in a security infrequently, and generally in response to unusual market or issuer events, the execution of these transactions could have an adverse effect on transactions for or positions held by other clients.

Conflicts arising from the Valuation of Assets

PIM's client accounts may at times hold illiquid or difficult to value investments. PIM will face a conflict of interest when making a recommendation to clients regarding the value of such investments because PIM's investment management fees are generally based on the value of assets under management. PIM believes that its valuation policies and procedures are effective to enable it to value client assets fairly and in a manner that is consistent with the best interests of its clients.

Conflicts arising from Personal Trading of Employees

PIM does not conduct firm proprietary trading within its CMBS business. PIM allows personal trading, but does not allow its personnel to purchase securities also owned by their respective clients; however, personnel may, through written exception, sell out of existing positions that overlap with their clients. Each of these exceptions is assessed on a case-by-case basis to evaluate and mitigate potential conflicts. PIM personnel are permitted to have personal trading accounts managed by outside advisers where such

individuals hold no trading discretion or authorization. In this instance, those individuals could purchase the same securities as clients, but PIM does not believe a material conflict of interest exists where the individuals hold no trading discretion.

Item 12 – Brokerage Practices

The factors that PIM may consider in selecting or recommending a particular broker, dealer or futures merchant include:

- PIM's knowledge of negotiated commission rates currently available and other current transaction costs;
- the nature of the portfolio transaction;
- the size of the transaction;
- the desired timing of the trade;
- the activity existing and expected in the market for the particular transaction;
- confidentiality;
- the execution, clearance and settlement capabilities of the firm;
- the availability of research and research related services provided through such firm (as discussed below);
- PIM's knowledge of the financial stability of the firm;
- PIM's knowledge of actual or apparent operational problems of firm;
- the amount of capital, if any, that would be contributed by firms executing the transaction; and
- the firm's documentation requirements in the case of prime brokers or futures commission merchants.

Given these factors, PIM's clients may pay transaction costs in excess of that which another firm might have charged for effecting the same transaction. PIM conducts reviews periodically of its allocation among firms in order to review the transaction costs that clients are charged.

When PIM selects or recommends a firm that executes orders or is a party to portfolio transactions, relevant factors taken into consideration may also include whether that firm has furnished research and research related products and/or services. PIM receives a broad range of research services, including

- information on the economy, industries, groups of securities and individual companies,
- statistical information, market data, accounting and tax law interpretations,
- political developments,
- pricing and appraisal services,
- credit analysis, risk measurement analysis, performance analysis and
- other information which may affect the economy and/or security prices.

PIM receives research services in many forms including written reports, periodicals, investment seminars, software, and electronic access to, and telephone contacts and personal meeting with, security analysts, economists, government representatives, and corporate and industry spokespersons. PIM may also receive research in the form of a computer database. In some cases, firms may provide us with research services in exchange for directing brokerage business to the firm.

PIM does not enter into any third party or proprietary soft dollar arrangements where a broker-dealer provides research services hoping in exchange to receive a certain dollar amount of commissions. However, certain broker-dealers may provide PIM with computer hardware and/or software as well as dedicated phone lines to be used to communicate trades. PIM uses research services in connection with many of PIM's investment activities; some of such services, obtained in connection with the execution of transactions for one client account, may be used in managing other accounts, including accounts managed by a different business unit than the unit advising the account that generates the commissions used to pay for those services, as well as, the proprietary accounts of PICA and accounts of other affiliates and subsidiaries. Similarly, the research received for the commissions of such other accounts may be useful for the client.

PIM may accommodate arrangements certain clients have with brokers under which the clients recapture a portion of the commissions paid to such brokers.

Allocation

It is PIM's policy that all clients must receive fair and equitable treatment in the allocation of securities transactions. PIM's general policy is that all orders shall be allocated at the time of the transaction, or as soon as possible thereafter, on a basis equal to each account's appetite for the issue, including Affiliated Accounts. Order allocation shall not be based upon account performance, fee structure, or proprietary interest of PIM.

Deviations from PIM's allocation policy must be approved in advance by a supervisor and PIM's compliance unit or law department must subsequently approve. Supervisors or their delegates who review trading activity are responsible for reasonably ascertaining that allocations are in compliance with the policy.

Except as described below with respect to services obtained in connection with the execution of transactions for an account, each of the business units within PIM, as described in this Brochure, operates independently; and within such business units there may be further subdivisions by virtue of the type of accounts managed by such unit (such subdivisions, with respect to publicly-traded securities, often referred to as trading desks). Trading activities are not generally coordinated across business units or trading desks. Any descriptions of trading practices described in this Brochure are applicable at the business unit or trading desk level. Within such subdivisions, PIM seeks to allocate investment opportunities equitably over time.

Execution of Trades

PIM seeks to execute fixed income transactions in client accounts at a price and commission, if applicable, that provides the most favorable total cost or proceeds reasonably attainable in the circumstances.

With respect to bond trades, PIM seeks to obtain competitive prices from several of our approved counterparties for each trade. For a given purchase or sale, PIM carefully evaluates the range of bid/ask spreads they receive. PIM will only initiate a trade if we believe the trade will add value to a portfolio in excess of the bid/ask spread necessary to implement the position.

Other factors that may be considered in selecting an approved counterparty to execute a particular transaction include:

- the nature of the portfolio transaction;
- the size of the transaction;
- the desired timing of the trade;
- the activity existing and expected in the market for the particular transaction;
- broker confidentiality (the broker not revealing details about trades or trading patterns to other brokers or market participants);
- the amount of capital, if any, that would be contributed by firms executing the transaction; and
- administrative cooperation.

Item 13 – Review of Accounts

The CMBS portfolios are under continuous supervision by certain members of PIM's Secondary Markets Group ("**SMG**"). All of the CMBS securities are designated as "hold to maturity" and no new investments are contemplated at this time for any of the accounts.

SMG reviews and values each security, and makes impairment decisions, monthly. The process follows the schedule below:

Monthly

SMG reviews and values each security as of the end of each month.

Within 30 days after each Month

SMG completes the Impairment Review Files for all of the assets owned by PICA and provides them to the finance group supporting PICA.

Quarterly

SMG participates quarterly to discuss the CMBS securities and impairment and accretion decisions.

Item 14 – Client Referrals and Other Compensation

PIM's CMBS business is not currently entering into any arrangements in which a third party is compensated for client referrals or that provides any other investment advisory services to clients. However, under a current arrangement with affiliates, PIM may pay cross-selling commissions to marketing representatives of affiliates with respect to certain strategies and products.

Item 15 – Custody

With respect to CMBS, PIM does not take physical custody of client assets. Client assets are held in custodial accounts with banks, broker-dealers or other qualified custodians retained by PIM clients under arrangements negotiated by them.

Item 16 – Investment Discretion

PIM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment guidelines and restrictions must be provided to PIM in writing.

When selecting securities and determining amounts, PIM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, PIM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Item 17 – Voting Client Securities

The policy of each of PIM's asset management units is to vote proxies in the best interests of its respective clients based on the clients' priorities. Clients' interests are placed ahead of any potential interest of PIM or its asset management units.

Because the various asset management units manage distinct classes of assets with differing management styles, some units will consider each proxy on its individual merits while other units may adopt a pre-determined set of voting guidelines. The specific voting approach of for CMBS is noted below.

Relevant members of management and regulatory personnel oversee the proxy voting process and monitor potential conflicts of interests. In addition, should the need arise, senior members of management, as advised by Compliance and Law, are authorized to address any proxy matter involving an actual or apparent conflict of interest that cannot be resolved at the level of an individual asset management business unit.

In all cases, clients may obtain the proxy voting policies and procedures of PIM's various asset management units, and information is available to each client concerning the voting of proxies with respect to the client's securities, simply by contacting the client service representative of the respective unit.

There are no traditional proxies voted in CMBS products.

Item 18 – Financial Information

PIM does not have any financial commitment that impairs its ability to meet its contractual and fiduciary commitments to its clients.