

Prudential Capital Group

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 Capital Group. Unless otherwise specified (i) information provided in this Brochure is current as of the date of this Brochure and (ii) references throughout this Brochure to “we”, “us” and “our” refer to Prudential Capital Group. 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.

Prudential Capital Group is a business unit of Prudential Investment Management, Inc., which is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Prudential Investment Management, Inc. and Prudential Capital Group is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This section of our Brochure highlights and discusses changes that we made to our Brochure since its last annual update on March 29, 2011, which either singularly or in the aggregate could be viewed as material.

We believe four changes to this Brochure fall into that category. First, we have eliminated our discussion on the Volcker Rule that previously appeared in Item 8 below as a result of Prudential Financial, Inc's decision to consider a range of options with a view to eliminate the impact of the Volcker Rule on PCG-managed mezzanine funds. Second, as described in Item 4, we have added three new managers to our mezzanine funds: Robert R Derrick, Paul L Meiring and P. Scott von Fischer. In addition, in light of his retirement, Matthew Chanin is transitioning his role from a principal to a senior advisor to our mezzanine funds. Third, in Item 5 below, we have deleted the description of the frequency that management fees are paid because the frequency may vary among funds. Currently, we anticipate management fees will be paid either quarterly or semi-annually, but in no case more than six months in advance. Fourth, in Item 5 below, we have revised our statement on our willingness to negotiate fees to state that we may be willing to negotiate fees on a case-by-case basis.

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 | 3 |
| Item 6 – Performance-Based Fees and Side-By-Side Management | 4 |
| Item 7 – Types of Clients | 5 |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss | 5 |
| Item 9 – Disciplinary Information | 8 |
| Item 10 – Other Financial Industry Activities and Affiliations | 8 |
| Item 11 – Code of Ethics | 9 |
| Item 12 – Brokerage Practices | 15 |
| Item 13 – Review of Accounts | 16 |
| Item 14 – Client Referrals and Other Compensation | 16 |
| Item 15 – Custody | 16 |
| Item 16 – Investment Discretion | 16 |
| Item 17 – Voting Client Securities | 17 |
| Item 18 – Financial Information | 17 |

Item 4 – Advisory Business

PIM Generally

Prudential Capital Group (“**PCG**”) is the corporate private fixed income unit of Prudential Investment Management, Inc. (“**PIM**”). PIM is an SEC-registered investment adviser organized as a New Jersey corporation. References to “our employees” or “our officers” in this Brochure mean PIM officers or employees who work in the PCG business unit of PIM.

In addition to PCG, the other units within PIM are Prudential Real Estate Investors (a provider of real estate investment advisory services) and Prudential Fixed Income (a public fixed income investment adviser). Each of these units has a separate brochure that has been filed with the SEC and provides information about its advisory business.

PIM was formed in June 1984 and was registered with the SEC as an investment adviser in December 1984. PIM’s predecessor companies began managing fixed income portfolios for affiliates in 1875. PIM is an indirect, wholly-owned subsidiary of Prudential Financial, Inc., a publicly held company (“**Prudential Financial**”) (NYSE Ticker: PRU).

As of December 31, 2011, PCG had approximately \$45 billion in assets under management in companies located in or primarily operating in the U.S. and Canada for which it exercises investment discretion (and approximately \$59.2 billion in assets under management worldwide). PCG does not manage any non-discretionary client assets.

Prudential Capital Group

PCG is a business unit of PIM and its investment staff is employed by PIM. We provide investment management services with respect to certain privately issued securities on behalf of the general accounts of PIM’s affiliates, The Prudential Insurance Company of America (“**PICA**”) and Prudential Retirement Insurance Annuity Company (“**PRIAC**”), certain PICA and PRIAC separate accounts, other Prudential Financial subsidiaries and unaffiliated clients as well as to privately offered investment funds that invest in mezzanine securities. This Brochure primarily describes only the mezzanine investment business of PCG.

PCG originates and manages investments for its clients in private market fixed income securities, bank loans, equipment loans and leases, and mezzanine and private equity investments. PCG’s scale and resources is unique among private placement investors. PCG has over 70 years of investment experience and manages a U.S. and Canadian portfolio of approximately 785 issuers with approximately \$45 billion in combined affiliated and non-affiliated assets under management as of December 31, 2011. PCG has a U.S. dedicated investment staff of approximately 78 people and U.S. regional offices in:

- New York,
- Atlanta,
- Dallas,

- Chicago,
- San Francisco, and
- Los Angeles.

PCG also has three international offices in London, Paris and Frankfurt. Our structure allows us to source, develop and maintain close and direct relationships with the issuers of the securities that our clients invest in and to closely monitor and manage our investments.

In addition to our mezzanine investment activities described in this Brochure, our staff also originates private placement investments for Prudential Private Placement Investors, L.P. (“**PPPI**”), an affiliated registered investment adviser that manages private fixed income securities portfolios of unaffiliated institutional clients and separate accounts of PICA and PRIAC. PPPI is wholly-owned by PIM. You may obtain a copy of a brochure providing information about PPPI’s business by contacting Albert Trank at 973-802-8608.

Prudential Capital Partners

We manage several private mezzanine investment funds (each a “**Mezzanine Fund**” and collectively “**PCP**” or the “**Mezzanine Funds**”), the first of which we organized in 2000. Our affiliates serve as general partners of our Mezzanine Funds (the “**General Partners**”)

PICA’s general account and other investors have acquired interests in PCP as a vehicle for investing in mezzanine and private equity investments, with a particular focus on investments in middle market companies.

PCP seeks to invest primarily in mezzanine debt and structured equity securities. Such investments typically combine subordinated debt and equity securities and could include convertible debt, preferred stock and warrants. Mezzanine investments combine a current rate of return through scheduled interest payments with opportunities for significant capital appreciation through equity participation. The principal of these subordinated debt instruments is typically senior in rights and preferences to both preferred and common equity, and benefits from covenants tied to the issuer’s financial performance.

PCP focuses on transactions with middle market companies that generally generate annual revenues in the \$30 million to \$300 million range. PCP’s typical investment is between \$10 and \$100 million. The proceeds of PCP’s investments are generally used by issuers to facilitate the financing of recapitalizations, acquisitions and internal growth opportunities.

PCP is managed by seven of PCG’s most experienced mezzanine investors, Jeffrey L. Dickson, Mark A. Hoffmeister, Charles Y. King, Paul L. Meiring, Robert R. Derrick, P. Scott von Fischer and Allen A. Weaver. Mr. Dickson is the Managing Principal of PCP. Mr. Dickson, Mr. Hoffmeister, and Mr. Meiring serve as principals solely dedicated to the activities of PCP. Mr. Weaver, head of PCG, Mr. Derrick, Mr. King, and Mr. von Fischer serve as principals dedicating substantial time to PCP. Each of the seven principals (the

“Principals”) has broad private market investment experience, including mezzanine and private equity. They have been primarily responsible for the design and implementation of PCG’s mezzanine investment strategy since 1995, and have developed strong mezzanine investment networks. Combined, the Principals have 190 years of private market investment experience.

Item 5 – Fees and Compensation

PCG receives fees for managing PCP which are described in the limited partnership agreement for each Mezzanine Fund. One of the fees that PCG receives for managing PCP is the management fee. Investors may pay the management fee directly or PCP may hold amounts back. Under either scenario, PCG notifies investors of the amount of the management fee.

In the event a part of a prepaid management fee must be returned by PCG to an investor, PCG returns a ratable amount of the prepaid management fee based on the percentage that the number of remaining days in the prepaid billing period bears to the total number of days in the prepaid billing period.

PCG’s fees are generally not negotiable; however PCG will make fee concessions on a case-by-case basis.

Expenses relating to PCG’s Mezzanine Funds

PCG (acting through its affiliates which serve as the General Partners) pays all normal operating expenses arising from the day-to-day administrative services PCG provides to the Mezzanine Funds. These expenses primarily consist of salaries for PCG’s staff, rent, utilities and other similar ordinary and recurring expenses.

Subject to any contractually agreed offset against the applicable management fee as described in the limited partnership agreement for each Mezzanine Fund, PCP (and thus the investors in PCP) pays all costs, expenses and liabilities in connection with PCP’s operations which are not reimbursed by the companies that the Mezzanine Fund invests in (“portfolio companies”), including:

- legal, filing, auditing, consulting and accounting fees and expenses,
- expenses associated with PCP’s reporting, including annual meeting expenses,
- advisory committee fees and expenses, and
- all other out-of-pocket expenses incurred by PCP, including taxes, fees or other charges levied against PCP, litigation and indemnification claims.

The General Partners of the Mezzanine Funds may also charge portfolio companies other fees such as directors’ fees, transaction fees, monitoring fees, break-up fees and other similar fees. As described in the limited partnership agreement for each Mezzanine Fund, a contractually agreed portion of all such fees that the General Partners receive (net of any

unreimbursed investment expenses) may be applied to reduce the applicable management fee otherwise payable by the investors. Each Mezzanine Fund's share of such fees will be allocated on the basis of the capital committed by such Mezzanine Fund to the relevant investment.

In addition to the carried interest payments referred to in Item 6 below and the opportunity to participate in co-investment management funds referred to in Item 11 below, compensation of our investment professionals includes a combination of base salary, a performance-based annual cash incentive bonus, and a long-term incentive grant. The base salary component is based on market data relative to similar positions within the industry as well as the past performance, experience, and responsibility of the individual. Investment professionals' annual cash incentive bonus is paid from an annual incentive pool. Each investment professional's incentive compensation, including both the annual cash incentive bonus and the long-term incentive grant, is primarily determined by how significantly they contribute to delivering investment performance to clients consistent with portfolio objectives, guidelines, and risk parameters, as well as the individual's qualitative contributions to the organization.

Our incentive compensation program is designed to align the interests of each investment professional with those of our clients. The performance of our clients' accounts, our overall business, and the individual employee are all important factors in determining the size of the annual bonus awarded to each individual. Total compensation is designed to be competitive with the market, but an individual's actual compensation will vary. Investment professionals are all covered by the same general compensation structure, although they manage multiple accounts. All investment compensation is paid by PIM, and not from any assets of managed accounts.

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

Certain PIM employees (including supervised persons and PCG personnel) participate along with PIM subsidiaries in the receipt of carried interest payments from PCP. With respect to investment advisory products and services for which PIM and its employees may receive performance-based compensation, the potential receipt of such compensation may create a conflict of interest, as it may create an incentive for PIM and its employees to make or recommend investments based on their potential compensation, that may be riskier or more speculative than would be the case in the absence of that compensation structure.

On occasion PCG will manage a Mezzanine Fund investment for which it receives performance-based fees, as described above, where it also manages an investment in the same securities (or in different securities of the same issuer) on a fixed fee basis for an affiliate. For example, PCG sometimes manages a senior debt investment (owned by an affiliated account) at the same time that PCG is also managing a mezzanine investment issued by the same issuer that is held by a Mezzanine Fund. Alternatively, PCG sometimes manages on a fixed fee basis an affiliate's co-investment in the same mezzanine securities invested in by PCP. While these and other similar situations create an inherent conflict of interest for PCG generally to favor the Mezzanine Fund investment in order to receive

higher fees, PCG believes it has appropriate allocation and investment management policies in place to address these conflicts. PCG will not favor the interests of any client or group of clients over those of any other client or group of clients, including in each case clients affiliated with PCG such as PICA's general account. For example, PCG typically requires that investments are exited ratably and distributions paid ratably.

Item 7 – Types of Clients

Investors in the Mezzanine Funds include state pension plans, ERISA plans, corporations, insurance companies, family offices, funds of funds, and high net worth individuals. The Mezzanine Funds seek a minimum commitment of \$10 million, but exceptions can be made. There are no other minimum amounts required to maintain an investment in PCP.

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

Our Mezzanine Funds pursue an investment strategy primarily concentrated on North American middle market mezzanine and structured equity investments, which takes full advantage of our scale, regional office network and middle market experience. Deal flow is sourced through our direct prospect calling efforts and financing relationships with approximately 785 issuers located in or primarily operating in the U.S. and Canada, and through strong equity fund relationships.

Our regional deal teams are organized by geography and cover middle market companies and equity funds in their territories. Each of our regions is broken into two to five deal teams, generally led by a vice president or senior vice president who covers, generally, two to three states. Each deal team is responsible to know, and maintain an active dialogue with, middle market companies in their territory. We also expect each of our deal teams to make 100 to 150 face-to-face calls per year with existing issuers and prospects. Deal flow generated through our network is often proprietary and not widely shopped.

Given the depth of our resources, our Mezzanine Funds have the opportunity to invest in “sponsorless” deals. In a sponsorless deal, our Mezzanine Fund will back an owner/management team directly, without the involvement of a private equity sponsor. Many mezzanine funds do not have the resources to identify and manage such investments. Through its access to this attractive type of deal flow, we have the advantage of choosing our investments from a large number of opportunities and from a wide variety of sources.

To evaluate the attractiveness of a deal, we generally follow the same investment criteria that we have employed in making investments dating back to 1995. We place an emphasis on companies with strong value-added businesses in narrowly defined market sectors. We also look for strong management teams with demonstrated track records and significant personal economic stakes in their companies' success. We perform thorough due diligence on each investment, utilizing our network of contacts to understand and analyze the particular industry, company and management team. After closing an investment, we continue to work actively with our portfolio company by maintaining an ongoing dialogue with management and through board membership and/or observer rights.

Our investment monitoring process is very intensive and each security is monitored through a formal proprietary rating evaluation process. We enter monthly or quarterly financial investment data into our tracking system that evaluates key financial ratios relative to our customized target thresholds for each individual investment. We establish target monitoring ratios inside of the underlying contractually negotiated financial covenant ratios for each individual private placement. Each deal team prepares a monthly or quarterly review sheet to evaluate financial performance of, and to provide commentary on, each of their investments.

We perform a thorough re-examination of all of our investments and proprietary ratings through both a quarterly valuation process and a semi-annual portfolio review process. Each deal team's valuations and semi-annual portfolio review (the latter of which includes both a qualitative and quantitative assessment) is reviewed by the PCP principals.

Our workout process begins with early involvement by our workout professionals including frequent contact with regional offices. Our workout teams take a proactive approach to each workout asset, applying a realistic assessment of workout options/alternatives while aggressively enforcing rights and remedies. Where possible, we ensure that our investors are compensated for loan concessions and investment deterioration. We employ outside resources (i.e. workout/bankruptcy attorneys, turnaround/industry consultants and crisis managers) when we deem necessary.

If a senior debt investment is placed on PCG's watch list (a list containing non-mezzanine investments with more severe problems) and PCG is managing a Mezzanine Fund investment in the same issuer, management of either the senior debt investment or the Mezzanine Fund investment (as determined by the head of PCG) will be transferred to the PCG workout unit. After that transfer, the Mezzanine Fund investment and the senior debt investment will be managed by personnel assigned to separate units within PCG, with legal support from separate internal lawyers and law firms.

Important Risks related to investments made in PCP

Investing in securities involves risk of loss that investors should be prepared to bear. We have summarized below certain important risks of which our investors should be aware. While we have categorized the risks under separate headings for reading convenience, the risks described may apply to each category.

Risks from Investing in Mezzanine Securities

- **No Assurance of Investment Returns.** We cannot assure you that you will achieve your investment objective or that you will receive any return on your investment. Our performance may be volatile and you may lose your entire investment. The only investors who should consider an investment in PCP are investors who can afford the loss of their entire investment in PCP. Our past performance is not a guarantee or reliable indicator of our future results. In addition, high fees and expenses may reduce investment returns.

- Mezzanine Investments.** Mezzanine investments involve a high degree of risk with no certainty of any return of capital. Although mezzanine securities are typically senior to common stock and other equity securities in the capital structure, they may be contractually or structurally subordinated to large amounts of senior debt and are usually unsecured. Investments in highly leveraged companies are intrinsically more sensitive to declines in company revenues and to increases in company expenses. The companies our clients invest in may face intense competition, changing business and economic conditions or other developments that may adversely affect their performance. Moreover, rising interest rates may increase portfolio company interest expense. PCP cannot provide any assurance that a company will generate sufficient cash to service its debt obligations. Moreover, a debt security or obligation bearing payment-in-kind interest will generally have a higher risk of non-payment of interest since there will be no cash payments of interest from the borrower prior to maturity or refinancing. In addition, many of the remedies available to mezzanine holders are available only after satisfaction of claims of senior creditors. Therefore, in the event that a company does not generate adequate cash flow to service its debt obligations, investors may suffer a partial or total loss of invested capital. Since PCP may only make a limited number of investments, and since our investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors. Finally, our investments may involve complex tax structures and delays in distribution of tax information.
- Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing on attractive investments is highly competitive, and involves a high degree of uncertainty. We cannot provide any assurance that we will be able to locate, consummate and exit investments that will be profitable to our clients or that we will be able to invest fully the capital that we manage for our clients or the capital committed for investment to the Mezzanine Funds.

Risks from investing in a Mezzanine Fund

- Reliance on Key Management Personnel.** The success of our investment strategies will depend, in substantial part, upon the skill and expertise of certain PCG professionals. The death, disability or departure of any key PCG professional may adversely affect our business and performance.
- Potential Conflicts of Interest.** As further described in the section of Item 11 below addressing conflicts of interest, the General Partners of the Mezzanine Funds and their affiliates will occasionally encounter potential conflicts of interest in connection with their activities, including significant conflicts with respect to other activities of PIM and PCG that may negatively impact PCP's investments and its investors.

- **Alternative Investments.** The Mezzanine Funds are subject to less regulation than other types of pooled investment vehicles such as mutual funds and are not subject to the same SEC registration and disclosures requirements. Consequently, you may have difficulty assessing a Mezzanine Fund's performance or independently verifying information we report. Additionally, you may have limited voting rights that hamper your available remedies. Finally, we have broad discretion over our investments, and the use of a single advisor like PCG applying similar strategies could facilitate a lack of diversification and, thus, higher risk.
- **Limited Liquidity.** There is no readily available market for investors' interests in PCP and we do not expect one to develop. There are restrictions on withdrawal and transfer of investors' interests and accordingly the investor needs to be prepared to retain the investment.
- **Material, Non-Public Information.** In connection with other activities of PIM, certain employees of PIM and its affiliates that support PCG and its operations may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. We will not be free to act upon any such information. Due to these restrictions, we may not be able to engage in a transaction that we otherwise might have engaged in and we may not be able to sell an investment that we otherwise might have sold.
- **Financial Regulatory Reform.** Laws and regulations affecting our business change from time to time, and we are currently operating in an environment of significant regulatory reform. We cannot predict the effects, if any, of future legal and regulatory changes on our business or the services we provide.

Item 9 – Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no facts or events to report in response to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

PIM Generally

We are part of PIM and as such, we face the same conflicts of interest that are faced by PIM.

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

PIM is registered with the 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, we provide investment advisory services to PICA, PRIAC and Prudential Annuities Assurance Corporation (“**PALAC**”) in connection with the investment of their general and separate accounts.

PIM also has affiliates that provide the following services:

- Prudential Investments LLC manages mutual funds,
- Prudential Investment Management Services, LLC (a broker-dealer and FINRA-member) provides marketing and administrative support for PCP in connection with the offer and sale of the Mezzanine Funds’ securities, and
- Pramerica Investment Management Limited and Pricoa Capital Group Limited (which are regulated by the Financial Services Authority of the United Kingdom) provide marketing, operational, and administrative support to PCG’s other businesses and marketing and administrative support to PCP.

PIM and its affiliated investment advisers may actively engage in the creation of limited partnerships or limited liability companies as vehicles for client investments. These investment advisers may compete with us for investment opportunities for the investment vehicles that they manage.

Item 11 – Code of Ethics

PIM Generally

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

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

Information Barrier Policy

PIM’s information barrier policy, which applies to PCG, 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, including PCG, maintains various restricted lists of issuers about which it 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

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

- report personal securities transactions to our 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 our corporate compliance unit; and,
- annually report securities holdings to our corporate compliance unit.

Our 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 we trade such security (or an equivalent security) for client accounts (other than in client accounts that replicate a broad-based index).

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

All employees receive annual training regarding our personal securities trading and information barrier policies. In addition, employees must annually confirm that they have read and understand our 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 our operations. We have described below significant conflicts of interest and have organized the discussion under headings for ease of reading only. Conflicts described under one heading could appear or be repeated under one or more other headings below. We do not intend for the headings to limit the applicability of the conflict to other headings or other parts of our 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; we 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 our 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. In addition to the Mezzanine Funds, PCG manages private fixed income investments for affiliates and PPPI, through PCG staff, manages such investments for affiliated and unaffiliated investors. 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.

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.

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.

Conflicts arising as a result of our Possession of Material, Non-Public Information and our 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. Within PCG, this can occur because PCG, in the normal course of business, obtains material, non-public information about public issuers resulting in restrictions on trading in securities of such issuers.

PCG 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.

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’s 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.

The interests of investors in PCP may occasionally conflict with the interests of one or more Affiliated Accounts or other client accounts managed by PIM or its affiliates or with the interests of PIM or an affiliate. This may occur because Affiliated Accounts hold public and private debt and equity securities of a large number of issuers and may invest in some of the same companies as PCP but at different levels in the capital structure. For example, Affiliated Accounts occasionally invest in one or more other levels of the capital structure of a company whose subordinated debt has been purchased, is being purchased or will be purchased by the Mezzanine Funds. In particular, Affiliated Accounts invest from time to time in senior debt of a company concurrently with an investment by PCP in the company's subordinated debt. While PIM believes that such co-investment capability benefits the Mezzanine Funds by promoting attractive deal flow for them, investment by Affiliated Accounts at a level senior to that of the Mezzanine Funds in the capital structure of a company presents inherent conflicts of interest between the Affiliated Accounts and PCP. For example, in the event of restructuring or insolvency, the holders of senior debt may exercise remedies and take other actions that are not in the interest of or are adverse to holders of junior debt. Similarly, an Affiliated Account might hold secured debt of an issuer whose public unsecured debt is held by PIM's clients. Such conflicts may also exist among client accounts managed by PIM or its affiliates.

Additionally, PIM affiliates, its managed accounts and investors in PCP occasionally invest in the same securities in which PCP is investing. For example, PCP may find investment opportunities that it believes are too large and thus risky for PCP to consummate alone. In those situations, PCP may simultaneously invest in the same securities being purchased outside of PCP by other PIM affiliates and investors in the Mezzanine Fund so that PCP's investments are not overly concentrated in any single investment. While PCP believes that having the ability to structure transactions in this manner benefits the Mezzanine Funds by allowing PCP to close transactions that it may not otherwise prudently have the ability or scale to execute, the situation creates inherent conflicts of interest. For example, PCP may feel pressured to make a decision to sell an investment earlier or maintain an investment longer than it would if the related interests or parties were not invested in the same securities. PCP's policy is to manage each Mezzanine Fund's investments in the best interests of such Mezzanine Fund and PCP typically exits transactions ratably with its co-investors. PCP also seeks Mezzanine Fund advisory committee approval of transactions when it deems appropriate.

PCP also makes co-investment opportunities available to funds managed by PCG for the benefit of certain of PIM's investment professionals (the "**Management Funds**"). PIM allocates available investment opportunities among the Mezzanine Funds, the Management Funds and any other co-investors, as PIM determines in its sole discretion.

Conflicts may be waived as a result of Advisory Committee approval

Each Mezzanine Fund has an Advisory Committee consisting of representatives of PCP's investors who are not affiliated with the general partner. The Advisory Committee will meet as required to consult with the general partner as to potential conflicts of interest. On any issue involving actual conflicts of interest, the general partner will be guided by its good faith discretion. In the event that any matter arises that the general partner and the Advisory Committee determine in their good faith judgment to constitute an actual conflict of interest between the Mezzanine Fund, on the one hand, and the general partner or its affiliates, on the other hand, the general partner may take such actions as the Advisory Committee deems necessary or appropriate in good faith to ameliorate the conflict (and upon taking such actions the general partner will be relieved of any responsibility for the conflict of interest). The general partner of each Mezzanine Fund will retain ultimate responsibility for all decisions relating to the operation and management of that Mezzanine Fund, including but not limited to investment decisions.

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 PCP 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.

Conflicts arising from overlapping Investment Mandates

Through PCG, PIM invests on behalf of its clients in certain asset classes, including debt securities offered pursuant to Rule 144A under the Securities Act of 1933 and bank loans. When PCG invests in these asset classes, it generally invests in issues that are smaller and less liquid than the issues in which its affiliate, Prudential Fixed Income, invests. In some cases, however, PCG and Prudential Fixed Income discuss particular issues and mutually determine which unit will consider investing in it, based on the issue's characteristics and distribution channel.

Conflicts arising from Side Agreements

PCP sometimes enters into side agreements with investors in PCP. The side agreements often include provisions relating to advisory committee membership, co-investment opportunities and special investment restrictions. PCP does not enter into side agreements with investors that, in its judgment, would materially adversely affect the interests of other investors in the same Mezzanine Fund.

Conflicts arising from the use of PIM Warehouse, Inc. (the “PIM Warehouse”)

PIM Warehouse, a separately capitalized affiliate of PIM, acquires private debt, private equity, real estate investments, asset-backed securities and public bonds that may be “warehoused” temporarily until subsequently placed in certain funds managed by PIM or syndicated to unaffiliated investors. When investors subscribe to the funds, these assets are generally transferred to the funds at cost plus cost of carry, which has historically been beneficial to the fund investors. It should be noted, however, that an asset could decline in value from the time it is purchased by PIM Warehouse to the time it is transferred to the fund.

While the primary goal of the PIM Warehouse has historically been to provide short-term seed capital to funds managed by PIM, the PIM Warehouse also provides operating capital to certain funds once they have closed and are in their investment period through market-rate credit facilities that are secured by undrawn capital commitments from investors and bridge loans that are secured by assets of the funds. In both cases, a formal policy and procedure is followed which, among other things, requires the justification of the loan’s economic terms compared to the marketplace, approval from internal credit and investment committees, full disclosure to investors, and investor or investor advisory council approval. In the case of a default on a bridge loan, the PIM Warehouse will appoint an unaffiliated, third-party servicer to conduct workout activities, as applicable. The PIM Warehouse may also buy or hold securities related to certain error corrections.

Conflicts arising from Personal Trading of Employees

PCG does not allow its staff to purchase securities also owned by PCG clients in PCG-managed portfolios; however, staff may through written exception sell out of existing positions that overlap with PCG clients. Each of these exceptions is assessed on a case-by-case basis to evaluate and mitigate potential conflicts.

Item 12 – Brokerage Practices

The Mezzanine Funds invest in privately issued securities. We generally have the authority to purchase or sell securities permitted by the investment advisory agreements or by the plan of operation of the single investor accounts it manages. The terms of private placement transactions are negotiated directly between issuers and PCG; investment bankers frequently serve as originators and intermediaries in the issuance of these securities. We may enter into negotiations through any investment banking firm

that may offer private placements that meet our investment criteria. We are not expected to accept direction from investors to effect securities transactions with specific investment bankers.

Allocation

With certain exceptions such as co-investments and follow-on pre-Mezzanine Fund legacy investments and other exceptions approved by the relevant Mezzanine Fund's advisory committee, PCP has exclusive access to PCG's mezzanine deal flow as more particularly described in the limited partnership agreement for each Mezzanine Fund.

Item 13 – Review of Accounts

The Mezzanine Funds' portfolios are under continuous supervision by the funds' investment committees, which consist of PCP's seven Principals, who are identified in Item 4. The investment committees approve the acquisition and disposition of each portfolio investment. The Principals divide primary responsibility for each Mezzanine Fund investment among themselves. There is frequent contact between the Principal with primary responsibility for a portfolio investment and the PCG regional office team with day-to-day responsibility for managing the investment. Investors in each Mezzanine Fund receive quarterly reports covering the assets and liabilities and net profit or net loss of that Mezzanine Fund and material changes in the financial condition and results of operations of the issuer of each portfolio investment. Each Mezzanine Fund also holds annual meetings with its investors, at which the Mezzanine Fund's investment performance is reviewed.

Item 14 – Client Referrals and Other Compensation

Currently, PCG is not 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, we may enter into arrangements with one or more placement agents from time to time for the purpose of marketing interests in the Mezzanine Funds to prospective non-U.S. limited partners in the Mezzanine Funds.

Item 15 – Custody

If we are deemed under SEC rules to have custody of client assets and clients receive account statements from qualified custodians, we are required to make certain disclosures. We have no information in response to this requirement. The Mezzanine Funds are subject to an annual independent audit and the audited financial statements are distributed to investors within 120 days of the end of the funds' fiscal year.

Item 16 – Investment Discretion

As investment manager for the Mezzanine Funds, PCG has discretion to make all decisions regarding the purchase, sale and management of the Mezzanine Funds' assets, in accordance with the investment guidelines set forth in the relevant fund partnership

agreements, and any special investment limitations set forth in side agreements. In our judgment, the investing limitations in side agreements do not materially adversely affect the interests of investors in the same Mezzanine Funds.

Item 17 – Voting Client Securities

The policy of each of PIM's asset management units is to vote proxies in the best interests of their respective clients based on the clients' priorities. Client 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 each unit 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.

PCG invests almost exclusively in privately placed debt, so we vote very few, if any, traditional proxies. Accordingly, we evaluate each proxy we receive and vote on a case by-case basis. In determining how to vote, we consider a number of items including detailed knowledge of the issuer's financial condition, long- and short-term economic outlook for the issuer, the issuer's capital structure and debt-service obligations, the issuer's management team and capabilities, as well as other relevant factors. In short, we attempt to vote all proxies in the best economic interest of our clients based on the clients' expressed priorities, if any.

Item 18 – Financial Information

PIM has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to its clients.