

Item 1 – Cover Page

The Prudential Insurance Company of America

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March 30, 2012

This brochure provides information about the qualifications and business practices of The Prudential Insurance Company of America (“Prudential”). If you have any questions about the contents of this brochure, please contact us at (973) 367-6089 or james.hartmann@prudential.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Prudential is also available on the SEC’s web site at www.adviserinfo.sec.gov.

Prudential is an investment adviser registered with the SEC. Registration of an investment adviser does not imply any level of skill or training.

Item 2 – Material Changes

This section identifies material changes that were made to our Brochure since its last annual update. We 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:

- Prudential Fixed Income has amended its trade aggregation and allocation policy (See Item 12)
- Prudential Fixed Income has adopted a new long-term incentive compensation plan (see Item 11)
- The head of Prudential Fixed Income has accepted a position on the board of directors of the operator of an electronic trading platform (see Item 10)

Our brochure may be requested by contacting James Hartmann at (973) 367-6089 or james.hartmann@prudential.com.

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Item 4 – Advisory Business

Our Firm

Prudential is a life insurance company organized under New Jersey law. Its corporate home office is located in Newark, New Jersey. When we use the terms “we,” “us” and “our” in this brochure, we are referring to Prudential. We are authorized to do business in all fifty States, the District of Columbia, Guam, the U.S. Virgin Islands, Puerto Rico and Canada. As of December 31, 2011, our balance sheet reflected total assets of approximately \$247 billion. Prudential is an indirect, wholly-owned subsidiary of Prudential Financial, Inc. (“Prudential Financial”), a publicly held company (NYSE Ticker “PRU”). Although our primary business is life insurance, we also engage in limited investment advisory activities. As of December 31, 2011, our discretionary client assets under management were approximately \$1.49 billion and we had no non-discretionary assets under management.

Our Advisory Services

Prudential does not offer investment management services to new clients. We have three institutional investment advisory clients, each a defined benefit retirement plan. In each case, our affiliate, the Prudential Fixed Income unit (“Prudential Fixed Income”) of Prudential Investment Management, Inc. (“PIM”), acts as our sub-adviser and manages the relevant portfolios of these existing clients on a day-to-day basis. These portfolios are invested in fixed income securities.

Prudential was founded in 1875. PIM was formed in June 1984 and was registered with the SEC as an investment adviser in December 1984. PIM’s predecessor companies, including Prudential, began managing fixed income portfolios for affiliates in 1875 and for unaffiliated institutional clients in 1928. Prudential Fixed Income is a global fixed income manager offering a range of fixed income strategies and products. Its expertise is in managing credit-related portfolios.

Because Prudential does not make day-to-day trading decisions for the three clients referred to above and does not have portfolio management staff devoted to providing advisory services to those clients, and such services are provided by staff of Prudential Fixed Income as sub-adviser, this brochure primarily focuses on aspects of Prudential Fixed Income’s activities relevant to the services provided to those clients. Further information about Prudential Fixed Income is set forth in its investment adviser brochure, which is available on request without charge.

Item 5 – Fees and Compensation

Advisory Fees

We negotiate fees with our clients individually. Fees paid by clients vary based on the type of advice provided and other factors, including the size of the client account, the investment strategy, the relationship with the client and the required level of service. Since fees are negotiable, clients with similar investment objectives or strategies may pay different fees.

We do not require or solicit clients to pay advisory fees in advance. If a client were to pay advisory fees in advance and the client's advisory contract were to terminate before the end of a billing period, any prepaid fees would be refunded on a pro rata basis.

Conflicts Related to Valuation and Fees

When client accounts hold illiquid or difficult to value investments, we face a conflict of interest when making recommendations regarding the value of such investments since our management fees are based on the value of assets under management. We believe that our valuation policies and procedures mitigate this conflict effectively and enable us to value client assets fairly and in a manner that is consistent with the client's best interests.

Other Amounts Payable by Clients

Our advisory fees are the only amounts payable by clients to Prudential. Clients are generally responsible for other fees and expenses related to their accounts, including custodial fees, brokerage fees and other transactions costs. (See Item 12 below for a discussion of our policies regarding the selection of broker-dealers.)

Other Compensation

We do not receive any compensation related to the sale of securities or other investment products. Prudential Fixed Income's supervised persons do not receive any compensation directly related to the sale of securities or other investment products, but the sale of its advisory services or interests in funds it manages may be considered in determining the compensation of its sales personnel. Any such compensation would be payable by Prudential Fixed Income and not its clients or investors in the funds.

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

Performance-Based Fees

As previously described in Item 5, our fees are asset-based and we do not receive performance-based fees. Asset-based fees are calculated based on the value of a client's portfolio at periodic measurement dates or over specified periods of time.

Side-by-Side Management of Accounts and Related Conflicts of Interest

Prudential Fixed Income manages accounts with asset-based fees alongside accounts with performance-based fees. This side-by-side management can create an incentive for Prudential Fixed Income and its investment professionals to favor one account over another. Specifically, Prudential Fixed Income has the incentive to favor accounts for which it receives performance fees, and possibly take greater investment risks in those accounts, in order to bolster performance and increase its fees.

Other types of side-by-side management of multiple accounts can also create conflicts of interest. Examples are detailed below, followed by a discussion of how Prudential Fixed Income addresses these conflicts.

- Proprietary accounts— Prudential Fixed Income manages accounts on behalf of its affiliates, including Prudential, as well as unaffiliated accounts. It could have an incentive to favor accounts of affiliates over others.
- Large accounts typically generate more revenue than do smaller accounts and certain of Prudential Fixed Income's strategies have higher fees than others. As a result, a portfolio manager has an incentive when allocating scarce investment opportunities to favor accounts that pay a higher fee or generate more income for us.
- Long only and long/short accounts— Prudential Fixed Income manages accounts that only allow holding securities long as well as accounts that permit short selling. It may, therefore, sell a security short in some client accounts while holding the same security long in other client accounts. These short sales could reduce the value of the securities held in the long only accounts. In addition, purchases for long only accounts could have a negative impact on our short positions.
- Prudential Fixed Income may buy or sell securities of the same kind or class that are purchased or sold for another client, at prices that may be different. It may also, at any time, execute trades of securities of the same kind or class in one direction for an account and in the opposite direction for another account, due to differences in investment strategy or client direction. Different strategies effecting trading in the same securities or types of securities may appear as inconsistencies in its management of multiple accounts side-by-side.
- Non-discretionary accounts or models— Prudential Fixed Income provides non-discretionary investment advice and non-discretionary model portfolios to some clients and manages others on a discretionary basis. Trades in non-discretionary accounts could occur before or after it execute similar trades in discretionary accounts. The non-discretionary clients may be disadvantaged if Prudential Fixed

Income delivers the model investment portfolio to them after it initiates trading for the discretionary clients, or vice versa.

How Prudential Fixed Income Addresses These Conflicts of Interest

Prudential Fixed Income has developed policies and procedures designed to address the conflicts of interest with respect to the different types of side-by-side management described above.

- The head of Prudential Fixed Income and its chief investment officer periodically review and compare performance and performance attribution for each client account within the various strategies. (See Item 13 for more information regarding these reviews.)
- In keeping with its fiduciary obligations, Prudential Fixed Income's policies with respect to trade aggregation and allocation are to treat all of its accounts fairly and equitably over time. Its trade management oversight committee, which generally meets quarterly, is responsible for providing oversight with respect to trade aggregation and allocation.
 - It has compliance procedures with respect to its aggregation and allocation policies that include independent monitoring by its compliance group of the timing, allocation and aggregation of trades and the allocation of investment opportunities. In addition, its compliance group reviews a sampling of new issue allocations and related documentation each month to confirm compliance with the allocation procedures. The compliance group reports the results of its monitoring processes to its trade management oversight committee.
 - Its trade management oversight committee reviews forensic reports of new issue allocation throughout the year so that new issue allocation in each of our strategies is reviewed at least once during each year. This forensic analysis includes such data as the:
 - number of new issues allocated in the strategy;
 - size of new issue allocations to each portfolio in the strategy; and
 - profitability of new issue transactions.

The results of these analyses are reviewed and discussed at its trade management oversight committee meetings.

- Results of forensic analyses regarding secondary market trading are also discussed at our trade management oversight committee.

- The procedures above are designed to detect patterns and anomalies in its side-by-side management and trading so that we may assess and improve our processes.
- Prudential Fixed Income has policies and procedures that specifically address its side-by-side management of long/short and long only portfolios. Subject to certain exceptions, portfolio managers are not permitted to take an overweight position in an instrument versus a long only account's benchmark when a long/short account has a short position in such instrument, and vice versa. In addition, lending opportunities with respect to securities for which the market is demanding a slight premium rate over normal market rates are allocated to long only accounts prior to allocating the opportunities to long/short accounts.

Item 7 – Types of Clients

Types of Clients

We provide investment advisory services to three defined benefit retirement plans.

Minimum Account Size

Prudential does not offer investment management services to new clients.

Relationships with Certain Clients and Affiliated Clients

Affiliated clients and certain other clients may have different or greater needs for information, reporting, operational support, training or our other resources than our clients generally. For example, representatives of Prudential Financial, our general account and accounts of other affiliates who are responsible for monitoring Prudential Financial's enterprise investment risk have access to information about Prudential Fixed Income's assets under management, including for third parties, that is not made available to unaffiliated clients. This information does not include specific unaffiliated client identifying information or portfolio information for clients that have prohibited Prudential Fixed Income from sharing such information with affiliates.

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

Prudential Fixed Income's Methods of Analysis and Investment Strategies

Prudential Fixed Income believes that research-driven security selection is the most consistent strategy for adding value to client portfolios. It complements this base strategy with active sector rotation, duration management and a focus on trade execution.

Its research-based investment process integrates credit research, quantitative research and risk management. Its portfolio managers are divided into six sector specialist teams:

- corporate
- leveraged finance and high yield
- emerging markets
- global rates and securitized products (including, U.S. and developed market sovereign, mortgage-backed securities, asset-backed securities and structured product)
- municipal
- money markets

Prudential Fixed Income's Investment Process

Prudential Fixed Income uses the following portfolio construction process:

Develop Top-Down Investment Outlook

- Quarterly, Prudential Fixed Income formulates a market outlook that assesses economic, interest rate, and fixed income sector scenarios. This top-down outlook is prepared with input from a cross-functional group consisting of its chief investment officer, chief risk officer, chief economist, chief investment strategist, head of credit research, head of quantitative research, head of structured product research, senior portfolio managers for each strategy and heads of each of its sector teams.
- The market outlook plays a role in helping to determine the level and types of risk to assume in client portfolios. It updates this market outlook on a weekly basis throughout the quarter.

Develop Portfolio Strategy

- The senior portfolio manager for each strategy develops portfolio strategy, seeking excess return over the portfolio's benchmark by establishing risk exposures within a pre-established risk budget.
- As discussed below, Prudential Fixed Income uses risk budgets to manage expected portfolio tracking error.
- Each strategy team meets periodically to discuss portfolio strategy, positioning and attribution.

Security Selection

- For multi-sector portfolios, the senior portfolio manager for the applicable strategy conveys the overall portfolio strategy to the applicable individual sector teams.
- Individual securities are selected by the applicable sector team based on:
 - fundamental research;

- quantitative relative value modeling; and
 - technical and relative value analysis and trading expertise in the applicable markets.
- The senior portfolio manager for each strategy is ultimately responsible for all investment decisions and portfolio positioning.

Portfolio Monitoring

- On a daily basis, each portfolio's risk characteristics and positioning versus its benchmark are reported and reviewed by both the portfolio manager for the account and a separate risk manager
- Credit meetings are held each morning at which credit analysts discuss industry and individual issuer developments and events while portfolio managers discuss the market environment, trading technicals, and spread levels. A portfolio's positions in an issuer may change as a result of these meetings. Throughout the day, analysts and portfolio managers interact informally on specific news-related issues as they arise. Periodically, sector teams meet formally and informally and conduct comprehensive subsector reviews.

Prudential Fixed Income's Macroeconomic Research Process

Prudential Fixed Income conducts in-house economic and strategic research to develop views on economic, policy, and market trends to support the fixed income investment process. Its chief investment strategist, chief economist, and members of its portfolio analysis group continually evaluate incoming economic data as well as monetary and fiscal policy developments in real time. It supplements its internal research with third party research that focuses on economic and policy analysis. The portfolio analysis group also analyzes market supply and demand trends from a range of sources, including Federal Reserve flow of funds reports, investor sentiment indices, retail mutual fund subscriptions and redemptions, and reports on gross and net debt issuance across sectors.

Its chief investment strategist and chief economist interact with the sector portfolio managers and research teams to integrate their top-down macroeconomic analysis with the sector teams' bottom-up fundamental views. Each Monday, the senior investment team meets to discuss economic and market developments and investment opportunities across the fixed income sectors. The following day, the chief investment officer hosts a weekly sector allocation meeting to translate the macroeconomic research and sector views from the Monday meeting into tangible strategic themes and portfolio rebalancing decisions. As discussed above, Prudential Fixed Income summarizes its macroeconomic views each quarter in a quarterly market outlook. This document includes not only its macroeconomic and interest rate outlook, but also an outlook for each fixed income sector.

Prudential Fixed Income's Credit Research Process

Corporate, High Yield and Municipal Bond

Prudential Fixed Income has a team of credit analysts who are each responsible for a group of credits within an industry sector or group of industry sectors. To initiate coverage on an issuer, the analyst will develop a spreadsheet earnings model and derive an internal rating and outlook on the issuer. The rating and outlook will be determined based on a complete review of the financial health and trends of the issuer, which will include a review of the composition of revenue, revenue trends, profitability margins and trends, cash flow margins and trends, and leverage and coverage trends. In addition the analyst will review the issuer's business strategy, financial policies and position within its industry. The analyst will also determine the creditor rights and ranking of the security or securities being proposed for purchase.

Once a security is purchased for a portfolio, the analyst will monitor the performance of the issuer on an ongoing basis by reviewing its financial statement and other disclosures, as well as ratings changes, relevant sell-side research and other news about the issuer using a variety of data services and news feeds. The analysts may listen to management conference calls detailing business results, attend industry conferences to learn about trends affecting issuers in their coverage universe, and meet directly with issuer management.

At any time an analyst determines that events, business results, a change in financial policy or strategic direction, or other developments warrant a change in Prudential Fixed Income's internal rating, the analyst will notify the portfolio managers and make the change in Prudential Fixed Income's credit database, where its ratings, outlooks and other credit related information is maintained. These changes appear on a dashboard of most recent updates to the database that is available on the desktop of all the portfolio managers and analysts. The analysts are also responsible for using internal watch list categories to signal potential changes in the credit profile of the issuer.

Prudential Fixed Income's Structured Product Research

Prudential Fixed Income's research approach to structured credit employs a combination of collateral, structure, macro-economic and issuer analysis for underwriting and monitoring. It uses its structured finance research capabilities to identify securities that it believe to be mispriced. Its analysts rate all securities and evaluate the effective spread of each security (including any option adjustments). Its analysts also maintain comprehensive views on the credit profiles and trends in each subsector, as well as views on the generic spreads appropriate for the risks of each subsector in the marketplace. Creditworthiness is regularly monitored while a security is held in any portfolio.

Emerging Markets Credit Research

Prudential Fixed Income closely follows emerging market sovereign, quasi-sovereign, and corporate issuers across a range of countries. Given its emphasis on country selection during the investment process, much of the emerging markets credit research it does is focused on the fundamental analysis of the quantitative and qualitative factors driving sovereign credit risk. It also performs relative value and technical research on sovereign issuers, and identifies key risk factors that could cause a particular sovereign to outperform or underperform over a base case scenario. Its fundamental, technical and relative value views are combined to form a specific country recommendation.

This process helps it to incorporate research findings into actual portfolio construction by providing a framework for translating a research-based stand-alone country recommendation into a risk-adjusted country allocation within an overall portfolio.

Prudential Fixed Income's Quantitative Modeling Process

Prudential Fixed Income's quantitative research team develops proprietary quantitative models to support relative value trading and asset allocation for portfolio management as well as various risk models to support risk management. Models include the:

- Arbitrage-free interest rate model- used for the relative value analysis of government bonds in developed and emerging markets as well as interest rate swap markets in all major currencies.
- Agency mortgage-backed securities prepay model and market implied option adjusted spread model- used to estimate the fair value and relative values for our mortgage positions, as well as interest rate sensitivity.
- Commercial mortgage-backed security ("CMBS") model- used to estimate the fair value and interest rate risk of various tranches of CMBS.
- Single-name credit model- a structural model of corporate defaults, used to analyze the relative value of corporate bonds and credit default swaps.
- CLO model- leverages Prudential Fixed Income's single name credit model to project the default behavior of a portfolio of syndicated leveraged loans that have been securitized into a collateralized loan obligation, facilitating valuation and risk analysis.
- Tracking error risk model- used to measure systematic expected tracking risk of our client portfolios relative to their benchmarks.
- Asset allocation model- provides portfolio managers with a "strawman" fixed income sector allocation based on a risk-return optimization framework.
- Stress index- utilized weekly to estimate the level of stress in the fixed income markets, attempting to indicate when credit risk is elevated and market liquidity is constrained.

Prudential Fixed Income's Risk Management Process

The risk management team develops risk budgets for each client portfolio, with certain limited exceptions. The risk budgets guide and monitor the allocation of a portfolio's overall risk capacity across the range of available investment opportunities. Its risk management team sets discrete thresholds for monitoring systematic and non-systematic risks.

Our proprietary risk management system incorporates a tracking error model designed to estimate the systematic risk of a portfolio's active positioning versus its benchmark resulting from yield curve, currency and spread movements. This model forms the basis for monitoring systematic risk in our portfolios. We supplement our tracking error model with short-term spread risk measures and with scenario analyses derived from actual historical events. Non-systematic risk (issuer, industry and country exposures) is addressed by applying market-value based thresholds and using custom stress-tests. Our risk management system is used by risk managers and portfolio managers to analyze portfolio risk, monitor portfolio positioning relative to pre-established risk budgets, and perform detailed performance attribution.

Primary Risks Associated with Prudential Fixed Income's Methodology and Strategies

Investing in securities and other financial instruments involves risk of loss that clients should be prepared to bear. Investment strategies may not achieve their performance objectives and may result in losses. Summarized below are certain important risks for clients and prospective clients to consider.

General Risks Related to Fixed Income Investments

- **Market Risk.**
 - **General.** The value of securities and other investments may move up or down, sometimes rapidly and unpredictably. Securities markets are volatile. A client account may at any point in time be worth less than its initial value. Regardless of how well an individual investment performs, if financial markets decline, you could lose money.
 - **Interest Rate Risk.** Debt securities can lose value because of interest rate changes. For example, debt securities tend to decrease in value if interest rates rise. Debt securities with longer maturities generally are more sensitive to interest rate changes than those with shorter maturities. In addition, short-term and long-term interest rates do not necessarily move in the same direction or by the same amount. Changes in interest rates can also cause certain types of debt obligations to become subject to prepayment risk and extension risk. These include securities such as mortgage-backed securities and bonds with embedded call or put options.

- Spread Risk. Portfolio returns are affected by changes in the spreads over risk-free rates of the underlying sectors and assets. In particular, a portfolio that is systematically overweighted in spread product would lose value if spreads widen. This systematic risk is dependent on the portfolio's exposure to various fixed income asset classes with varying degrees of spread risk.
- Currency risk. Assets in our client accounts may be denominated or quoted in currencies other than the base currency for the account. Accordingly, changes in currency exchange rates will affect the value of these client accounts. Generally, when the base currency of an account rises in value versus another currency, assets denominated in the non-base currency lose value because that currency is worth less than the base currency, and vice versa.
- Issuer-Specific and Industry Credit Risk. The issuer, the guarantor or the insurer of a fixed income security, or the counterparty to a contract, may be unable or unwilling to make timely principal and interest payments or to otherwise honor its obligations. Additionally, securities could lose value due to a loss of confidence in the ability of the issuer, guarantor, insurer or counterparty to pay back debt. The longer the maturity and lower the credit quality of an instrument, the more likely its value will decline as a result of such a loss of confidence. From time to time, several issuers in a given industry may experience such difficulties simultaneously, making it difficult for issuers in that industry to roll-over obligations, to repay creditors or to obtain liquidity in the market.
- Liquidity/Valuation/Turnover Risk. Assets in client accounts may, at any given time, include financial instruments that are thinly traded, for which no market exists, or that are not readily transferable under applicable securities laws. The sale of any thinly-traded or illiquid investments may be possible only at substantial discounts, if at all. Further, illiquid investments may be extremely difficult to value. Prudential Fixed Income's investment strategies may include long-term purchases, short-term purchases, short sales or margin transactions. Frequent investments may result in higher transaction costs.
- Model Risk. Some of our investment strategies and risk management processes utilize proprietary mathematical models. There is a risk that we may select models that are not well-suited to prevailing market conditions. In addition, models that have been formulated on the basis of past market data may not be predictive of future price movements. Models may also have hidden biases or exposure to broad structural or sentiment shifts.
- Foreign Securities and Sovereign Risk. Investing in securities of non-U.S. issuers may involve more risk than investing in securities of U.S. issuers. Foreign political, economic and legal systems, especially in developing and emerging countries, may

be less stable and more volatile than the corresponding U.S. systems. Foreign legal systems generally have fewer regulatory requirements than the U.S. legal system. Certain foreign countries may impose restrictions on the ability of their issuers to make payments of principal and interest or dividends to investors located outside the country, due to blockage of foreign currency exchanges or otherwise. Investments in foreign securities may be subject to non-U.S. withholding and other taxes. Investments in emerging markets are typically subject to greater volatility and price declines than investments in developed markets. In addition, investments in sovereign debt can involve a high degree of risk. A governmental entity's willingness or ability to repay principal and interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject.

- *Securitized Products Risk*. Securitized products are securities that are collateralized by, or linked to the performance of, pools of assets including commercial mortgage loans, residential mortgage loans, syndicated bank loans, credit card receivables, auto loans or other assets. Securitized products carry risks in varying degrees including credit risk, concentration risk, prepayment risk, interest rate risk, geographic concentration risk, the risk of poor performance due to adverse economic conditions, and price volatility. Securitized products are often not guaranteed by any governmental entity or other party.

Risks Related to Prudential Fixed Income's Strategies

- *Leverage Risk*. Certain of Prudential Fixed Income's investment strategies employ various levels of leverage. The use of leverage exposes client accounts to additional levels of risk, including:
 - greater losses from investments than would otherwise have been the case if we had not borrowed to make the investments;
 - margin calls or interim margin requirements which may force premature liquidations of investment positions; and
 - losses on investments where the investment fails to earn a return that equals or exceeds the cost of borrowing such funds (including interest, transaction costs and other costs of borrowing).
- *Short Sale Risk*. The sale of securities not owned by a client (short sales) involves certain additional risks. There is the risk that securities sold by a client account could become scarce or "special" in the financing markets. If a security becomes special, it may be very costly or even impossible to borrow in order to fulfill the

delivery obligation of a short sale. A “short squeeze” could occur where an account might be compelled to purchase the shorted securities at a disadvantageous time, possibly at prices significantly in excess of the proceeds received in the earlier sale.

- *Derivatives Risk.* Derivatives can be volatile and may involve significant risks. Derivatives generally fall into two subcategories: exchange-traded and over-the-counter (“OTC”). Exchange-traded derivatives, such as futures contracts, are traded on an exchange regulated by the U.S. Commodity Futures Trading Commission, are guaranteed by a clearing corporation, and have standardized terms. OTC derivatives, such as swap agreements, are privately negotiated transactions, the terms of which are tailored to the specific needs of the parties. Derivatives are generally subject to credit risk, leverage risk and potentially currency risk. In addition, OTC derivatives are subject to liquidity risk.

The use of derivatives for hedging purposes involves correlation risk. If the value of the derivative moves more or less than the value of the hedged instrument, a client account will experience a gain or loss that will not be completely offset by movements in the value of the hedged instruments.

Futures, forward contracts, swaps, options and other derivative instruments contain inherent leverage in that they provide more market exposure than the amount paid on the initiation of the transaction. As a result, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose a client to the possibility of a loss exceeding the original amount invested. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

Risks Related to Regulation

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.

Risks Related to Conflicts of Interest

Like other investment advisers, Prudential and Prudential Fixed Income are subject to various conflicts of interest in the ordinary course of our business. Prudential and Prudential Fixed Income strive to identify potential risks, including conflicts of interest, that are inherent in our businesses, and conduct formalized annual conflict of interest reviews. When actual or potential conflicts of interest are identified, Prudential and Prudential Fixed Income seek to address such conflicts through one or more of the following methods:

- elimination of the conflict;
- disclosure of the conflict; or

- management of the conflict through the adoption of appropriate policies and procedures.

Various conflicts of interest are discussed throughout this document. Please review this information carefully and contact us if you have any questions.

Because of the substantial size of our general account, trading by our general account, including Prudential Fixed Income's trades on behalf of the account, may affect market prices. Although we don't expect that our general account will execute transactions that will move a market frequently, and generally only 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 clients.

Prudential and Prudential Fixed Income follow Prudential Financial's policies on business ethics, personal securities trading by investment personnel, and information barriers. Prudential and Prudential Fixed Income have adopted a code of ethics (see Item 11), allocation policies and conflicts of interest policies, among others, and have adopted supervisory procedures to monitor compliance with our policies. Prudential and Prudential Fixed Income cannot guarantee, however, that our policies and procedures will detect and prevent, or assure disclosure of, each and every situation in which a conflict may arise.

Item 9 – Disciplinary Information

Under Item 9, we are 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. There have been no material legal or disciplinary events related to Prudential or Prudential Fixed Income that are required to be disclosed pursuant to Item 9.

Item 10 – Other Financial Industry Activities and Affiliations

Our Insurance and Other Financial Services Activities

Our principal business is insurance. Our insurance businesses consist of engaging in the types of insurance activities authorized by the New Jersey Department of Banking and Insurance (the "New Jersey Insurance Department") (life, health, annuities and variable contracts) as well as related services (such as retirement plan recordkeeping and providing administrative, technical and corporate services to affiliated companies in accordance with service contracts approved by the New Jersey Insurance Department).

Many of our variable insurance and annuity products are supported by investments we hold in various types of registered and unregistered insurance company separate accounts. For many unregistered insurance company separate accounts, an affiliate of

ours that is a registered investment adviser provides investment advice to us with respect to our assets held in such separate accounts and manages such assets on a day-to-day basis; in other cases an unaffiliated adviser may be used. The separate account assets are invested in various asset classes such as public equity securities, public fixed income securities, real estate and private fixed income securities. Our affiliated advisers (“Affiliated Advisers”) who manage such assets include PIM’s Prudential Fixed Income and Prudential Capital Group units, Jennison Associates LLC (“Jennison”), Quantitative Management Associates LLC (“Quantitative Management”) and Prudential Private Placement Investors, L.P. (“PPPI”).

Holders of variable insurance contracts supported by our unregistered insurance company separate accounts, generally employee benefit plans, are holders of securities issued by Prudential. Holders of our variable insurance contracts are not our investment advisory clients, and the assets we hold in our separate accounts that support such insurance contracts are not our client assets under management.

In our retirement services unit, which does business under the name “Prudential Retirement,” we provide retirement record-keeping and administrative services and stable value investment products to a wide variety of defined benefit and defined contribution plans. These services do not include investment advice.

Our Broker-Dealer Activities

Certain of our management persons and other employees are registered representatives of Pruco Securities LLC (“Pruco”) or Prudential Investment Management Services LLC (“PIMS”), each an affiliated SEC-registered broker-dealer.

Our Relationships with Affiliates

As an indirect wholly-owned subsidiary of Prudential Financial, we are part of a diversified, global financial services organization. We are affiliated with many types of U.S. and non-U.S. financial service providers, including insurance companies, broker-dealers and other investment advisers. Some of our employees are officers of some of these affiliates.

As is noted above, our Affiliated Advisers provide investment advice to us with respect to assets held in many of our separate accounts. They also manage most of our general account assets.

We offer synthetic guaranteed investment group annuity contracts to non-advisory client retirement plans to provide book value accounting for their investment in a commingled bank trust which is trustee and managed by our affiliate, Prudential Trust Company, and sub-advised by PIM.

We provide various functional, operations, systems and other support to affiliated insurance companies and other subsidiaries of Prudential Financial under agreements approved by the New Jersey Insurance Department.

Conflicts Related to Our Affiliations

- *Conflicts Arising Out of Legal Restrictions.* We or Prudential Fixed Income may be restricted by law, regulation or contract as to how much, if any, of a particular security Prudential Fixed Income may purchase or sell on behalf of a client, and as to the timing of such purchase or sale. These restrictions may apply as a result of Prudential Fixed Income's relationship with Prudential Financial and its other affiliates. For example, holdings of a security on behalf of our clients may, under some SEC rules, be aggregated with the holdings of that security by other Prudential Financial affiliates. These holdings could, on an aggregate basis, exceed certain reporting thresholds unless purchases are monitored and restricted. In addition, Prudential Fixed Income could receive material, non-public information with respect to a particular issuer and, as a result, be unable to execute transactions in securities of that issuer for clients. For example, its bank loan team often invests in private bank loans in connection with which the borrower provides material, non-public information, resulting in restrictions on trading securities issued by those borrowers. Prudential Fixed Income has procedures in place to carefully consider whether to intentionally accept material, non-public information with respect to certain issuers. It is generally able to avoid receiving material, non-public information from affiliates and other units within PIM by maintaining information barriers as described below in Item 11. In some instances, Prudential Fixed Income may create an isolated information barrier around a small number of its employees so that material, non-public information received by such employees is not attributed to the rest of Prudential Fixed Income.
- *Conflicts Related to Outside Business Activity.*
 - From time to time, certain of our employees or officers may engage in outside business activity, including outside directorships. Any outside business activity is subject to prior approval pursuant to our personal conflicts of interest and outside business activities policy. Actual and potential conflicts of interest are analyzed during such approval process. We or Prudential Fixed Income could be restricted in trading the securities of certain issuers in client portfolios in the unlikely event that an employee or officer, as a result of outside business activity, obtains material, nonpublic information regarding an issuer.
 - The head of Prudential Fixed Income serves on the board of directors of the operator of an electronic trading platform. Prudential Fixed Income has adopted procedures to address the conflict relating to its trading on

this platform. The procedures include independent monitoring by its chief investment officer and chief compliance officer and reporting on its use of this platform to the President of PIM.

- *Conflicts Arising Out of Our Industry Activities.* Prudential Fixed Income and its affiliates have service agreements with various vendors that are also investment consultants. Under these agreements, it or our affiliates compensate the vendors for certain services, including software, market data and technology services. Our clients may also retain these vendors as investment consultants. The existence of these service agreements may provide an incentive for the investment consultants to favor us when they advise their clients. We do not, however, condition our purchase of services from consultants upon their recommending us to their clients. We will provide clients with information about services that we obtain from these consultants upon request.

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

Code of Ethics

We maintain 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, the code of ethics requires employees to put client interests ahead of our own and disclose actual and potential meaningful conflicts of interest. The 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 the code of ethics promptly to our chief compliance officer.

We will provide you a copy of our code of ethics upon request.

Information Barrier Policy

PIM's information barrier policy, to which Prudential Fixed Income is subject, is designed to prevent the communication of material, non-public information across the various Prudential Financial U.S. asset management investment sectors. Under the policy, an employee of one investment sector, including Prudential Fixed Income, 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.

Prudential Fixed Income maintains a restricted list of issuers about which it has material, non-public information. The restricted list is contained in an electronic database that can be viewed only by specified associates who have been granted access. The database is updated intra-day as changes are required. Restricted issuers are also added directly into the trading system so that trading activities are screened on a pre-trade basis against the restricted list. Investment personnel must receive an override from the compliance department prior to transacting for client accounts in the securities of any issuers that are restricted in the trading system.

Personal Securities Trading Policy

Prudential Fixed Income 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 our corporate compliance unit;
- pre-clear 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;
- access persons may not trade any security on the same day that Prudential Fixed Income trade such security (or an equivalent security) for client accounts (other than in client accounts that replicate a broad-based index);
- investment personnel are prohibited from trading any security within seven days before or after Prudential Fixed Income trades such security (or an equivalent security) for client accounts (other than in client accounts that replicate a broad-based index);
- investment personnel who invest in proprietary and certain non-proprietary mutual funds must hold such investments for a period of at least 60 days;
- investment personnel must disgorge any profits from the purchase and sale (in whatever order) of the same security within 60 days; and
- access persons may not write naked call options or buy naked put options on a security held in a client account.

Prudential Fixed Income monitors personal trading activity versus firm trading and restricted list content, and any matches are investigated by the compliance department. An ethics committee meets regularly to consider possible violations and take disciplinary action where appropriate.

All investment advisory employees receive annual training regarding the 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.

Compensation of Investment Professionals

A Prudential Fixed Income investment professional's base salary is based on market data relative to similar positions as well as the past performance, years of experience and scope of responsibility of the individual. Incentive compensation, including the annual cash bonus, the long-term equity grant and grants under Prudential Fixed Income's long-term incentive plan, is primarily based on such person's contribution to its goal of providing investment performance to clients consistent with portfolio objectives, guidelines and risk parameters and market-based data such as compensation trends and levels of overall compensation for similar positions in the asset management industry. In addition, an investment professional's qualitative contributions to the organization are considered in determining incentive compensation. Incentive compensation is not solely based on the performance of, or value of assets in, any single account or group of client accounts.

Cash Bonus

An investment professional's annual cash bonus is paid from an annual incentive pool. The pool is developed as a percentage of Prudential Fixed Income's operating income and is refined by business metrics, such as:

- business development initiatives, measured primarily by growth in operating income;
- the number of investment professionals receiving a bonus; and
- investment performance of portfolios relative to appropriate peer groups or market benchmarks.

Long-Term Compensation

Long-term compensation consists of Prudential Financial restricted stock and grants under our long-term incentive plan. Grants under our long-term incentive plan are participation interests in notional accounts with a beginning value of a specified dollar amount. The value attributed to these notional accounts increases or decreases over a defined period of time based, in part, on the performance of investment composites representing a number of Prudential Fixed Income's most frequently marketed investment strategies. An investment composite is an aggregation of accounts with similar investment strategies. Prudential Fixed Income's long-term incentive plan is designed to more closely align compensation with investment performance and the growth of our business. Both the restricted stock and participation interests are subject to vesting requirements.

Conflicts Related to Long-Term Compensation

The performance of many client accounts is not reflected in the calculation of changes in the value of participation interests under our long-term incentive plan. This may be because the composite representing the strategy in which the account is managed is not one of the composites

included in the calculation or because the account is excluded from a specified composite due to guideline restrictions or other factors. As a result of the long-term incentive plan, Prudential Fixed Income portfolio managers from time to time have financial interests related to the investment performance of some, but not all, of the accounts they manage. To address potential conflicts related to these financial interests, Prudential Fixed Income has procedures, including trade allocation and supervisory review procedures, designed to ensure that each of its client accounts is managed in a manner that is consistent with its fiduciary obligations, as well as with the account's investment objectives, investment strategies and restrictions. Specifically, Prudential Fixed Income's chief investment officer reviews performance among similarly managed accounts to confirm that performance is consistent with expectations. The results of this review process are discussed at a trade management oversight committee meeting.

Conflicts Related to Securities Holdings and Other Financial Interests

- *Securities Holdings.* Prudential Financial, our general account and proprietary accounts of other affiliates of ours (collectively, "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 other client accounts but at different levels in the capital structure. These investments can result in conflicts between the interests of the affiliated accounts and the interests of our clients. For example:
 - Affiliated accounts can hold the senior debt of an issuer whose subordinated debt is held by our clients or hold secured debt of an issuer whose public unsecured debt is held in client accounts. In the event of restructuring or insolvency, the affiliated accounts as holders of senior debt may exercise remedies and take other actions that are not in the interest of, or are adverse to, other clients that are the holders of junior debt.
 - To the extent permitted by applicable law, Prudential Fixed Income may also invest client assets in offerings of securities the proceeds of which are used to repay debt obligations held in affiliated accounts or other client accounts. Its interest in having the debt repaid creates a conflict of interest. It has adopted a refinancing policy to address this conflict.

We may be unable to invest client assets in the securities of certain issuers as a result of the investments described above.

- *Financial Interests.* We and our affiliates may also have financial interests or relationships with issuers whose securities are held in client accounts. These interests can include debt or equity financing, strategic corporate relationships or investments and the offering of investment advice in various forms. For example, Prudential Fixed Income may invest client assets in the securities of issuers that are also our advisory clients. In addition, it may invest client assets in securities backed by commercial mortgage loans that were originated or are serviced by an affiliate.

In general, conflicts related to the securities holdings and financial interests described above are addressed by the fact that Prudential Fixed Income makes investment decisions for each client independently considering the best economic interests of such client.

Conflicts Related to Our Trading

- *Personal Trading by Employees.* Personal trading by Prudential Fixed Income's employees creates a conflict when they are trading the same securities or types of securities as it trades on behalf of clients. This conflict is mitigated by the personal trading policy and procedures described above.
- *Side-by-side Management of Accounts.* See Item 6 for a description of conflicts of interest related to Prudential Fixed Income's side-by-side management of accounts.

Item 12 – Brokerage Practices

Factors Used in Selecting or Recommending Broker-Dealers

Approved Counterparties

Transactions for client accounts must be made through approved counterparties. Counterparties are approved by Prudential Fixed Income's credit research group based on the same criteria used in its issuer credit analysis process. Criteria for approval include:

- profitability
- liquidity
- capital
- financial metrics
- economic factors
- size
- market presence

Its approval process considers both transactional risk and counterparty creditworthiness, with transaction approval divided into four ascending risk classes:

- Class A: U.S. delivery versus payment transactions;
- Class B: Securities lending and repurchase transactions;
- Class C: Nonstandard settling transactions and delivery versus payment trades with non-US counterparties; and
- Class D: Over-the-counter (OTC) derivatives transactions.

Prudential Fixed Income approves counterparties for one or more of the transaction categories listed above. The classes are further broken down into tiers based on the credit quality of the counterparty. Prudential Fixed Income sets maximum dollar exposure limits for each counterparty approved for transactions in classes B and C. These dollar limits are determined based on the credit quality of the counterparty with consideration given to the counterparty's market presence. In addition, Prudential Fixed Income's risk management team monitors counterparty exposure in all third party accounts. If the exposure to any counterparty exceeds certain pre-established thresholds, the risk management team initiates a discussion with the applicable portfolio manager.

Prudential Fixed Income's counterparty committee, which meets generally quarterly, is responsible for general oversight of the counterparty approval process. This committee reviews and monitors counterparty usage data, patterns (if any) relating to counterparty use, and other information relevant to our counterparty selection process. If any of the limits in the counterparty policy are exceeded, employees must escalate the matter to the counterparty risk committee.

Execution of Trades

Prudential Fixed Income seeks to execute transactions in client accounts at the most favorable total price reasonably attainable in the circumstances.

Factors that it may consider 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 our trades or trading patterns to other brokers or market participants);
- the availability of research and research related services provided through such counterparty (as discussed below); and
- administrative cooperation.

Given these factors, it is possible that our clients may pay transaction costs in excess of that which another firm might have incurred for executing the same transaction.

Soft Dollars and Research Services

Currently, Prudential Fixed Income does not enter into any third party or proprietary soft dollar arrangements where a broker-dealer provides research services in exchange for an expectation of receiving a certain dollar amount of commissions.

Prudential Fixed Income receives a broad range of research from broker-dealers, including information on the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and tax law interpretations, information regarding political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information regarding matters that may affect the economy and/or security prices. It may receive research services in the form of written reports, periodicals, investment seminars, software, and electronic access to, and telephone contacts and personal meetings with, security analysts, economists, government representatives, and corporate and industry spokespersons. This also may consist of computer databases.

Prudential Fixed Income uses these research services in connection with its investment activities. Services obtained in connection with the execution of transactions for one client account may be used in managing other accounts, including accounts managed by PIM business units other than Prudential Fixed Income and the accounts of Prudential and other affiliates.

Certain broker-dealers may also provide Prudential Fixed Income with computer hardware and/or software as well as dedicated phone lines to be used to communicate trades.

We do not believe that the provision to Prudential Fixed Income by broker-dealers of the research or other items and services described above results in higher transaction costs.

Brokerage for Client Referrals

In selecting or recommending broker-dealers, Prudential Fixed Income does not consider whether it or any related persons receive referrals from such broker-dealers or any other third parties.

Directed Brokerage

Prudential Fixed Income does not recommend, request or require that clients direct it to execute transactions through a specified broker-dealer.

It does permit clients to direct the use of a particular broker-dealer or futures commission merchant for their account. Any such direction must be in writing or evidenced in clients' contracts with futures commission merchants or swap counterparties. If a client directs brokerage:

- The client may pay higher prices, depending on its arrangements with the broker-dealer or futures commission merchant and upon other factors such as trading volume, the market for the security, and market-making capabilities of that particular broker-dealer or futures commission merchant;

- The client may lose the possible advantage which non-directing clients derive from the aggregation of orders for multiple clients as a single “batch” transaction, where Prudential Fixed Income would, in some instances, be in a better position to negotiate pricing if the brokerage were not directed; and
- The client would be responsible for monitoring the creditworthiness of the brokers or futures commission merchants it has selected.

ERISA accounts may be subject to additional requirements and restrictions with respect to directed brokerage.

Clients should evaluate the relative costs, advantages and disadvantages to them of directed brokerage when considering whether or not to direct Prudential Fixed Income to use one or more specific brokers.

Trade Aggregation and Allocation

Prudential Fixed Income’s Allocation Policy

Prudential Fixed Income’s policy with respect to trade aggregation and allocation is to treat all client accounts fairly and equitable over time.

Subject to the exception noted below, Prudential Fixed Income aggregates and allocates all new issue orders among accounts with an appetite for the particular trade. While not required, it often aggregates secondary transactions. However, in many other cases, it may execute trades to meet the specific needs of a single account.

As stated above, Prudential Fixed Income’s trade aggregation and allocation policy provides for the fair and equitable allocation of trading opportunities over time. However, a specific trade, when viewed in isolation, may have the effect of benefiting one account over another.

In determining individual account appetite, it may be influenced by numerous factors including:

- an account’s cash or liquid asset availability;
- the benchmark weight of the security;
- maturity, quality, duration, or risk contribution represented by the security;
- existing holdings of each account;
- specific account and mandate objectives, guidelines and constraints;
- liquidity requirements;
- de minimis allocation considerations based on criteria such as round lot provisions, minimum percentage of NAV or minimum transaction size; or
- any other portfolio construction considerations.

In addition, preference may be given to accounts whose investment guidelines limit their universe of available securities.

Prudential Fixed Income's aggregation and allocation policy exempts transactions (both new issue and secondary transactions) in securities that are deemed to be both liquid and fungible. Examples of such securities are: eligible securities as defined by Rule 2a-7 under the Investment Company Act of 1940; U.S. government securities, including agencies and agency mortgage-backed securities; non-U.S. government securities issued in their native currency that Prudential Fixed Income considers to be investment grade; exchange-traded futures and options; index credit default swaps; interest rate swaps; and foreign currency instruments.

Its general policy is that all aggregated orders will 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 is not based upon account performance, fee structure, or any proprietary interest that Prudential Fixed Income or our affiliates may have in an account.

If less than an entire aggregated order is executed, each account may be cut back based on one of a number of methodologies approved by the compliance department and senior management, such as pro rata based on original order or position or duration weight relative to benchmark. In determining final allocations, Prudential Fixed Income may also consider the factors described above with respect to the determination of individual account appetite.

Deviations from Prudential Fixed Income's aggregation and allocation policy must be approved in advance by a supervisor, and its compliance unit or law department must subsequently approve. Supervisors or their delegates review allocations for compliance with the policy.

Aggregation/Allocation of Futures

Prudential Fixed Income seeks to enter a single futures order for multiple client accounts that have appetite for the same instrument. This is commonly referred to as a "block order." Block orders may result in "split fills" (an execution of a block order at more than one price) or "partial fills" (an execution of a block order at less than specified quantities). Prudential Fixed Income allocates block orders and any resulting split and/or partial fills in a non-preferential, predetermined and objective manner.

Trade Error Policy

Prudential Fixed Income maintains a trade and operational errors policy that is designed to make certain that corrections of trading and operational errors are processed promptly and in a manner that is fair and reasonable. To avoid potential errors, the policy provides that trades may, where appropriate, be cancelled or modified prior to settlement. If

Prudential Fixed Income cancels or modifies a trade, it must be able to document that the trading counterparty will not suffer any loss. For daily valued accounts, it must also be able to document 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 client'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, subject to certain conditions. These conditions are that the reallocation or other transfer must represent an appropriate investment decision on behalf of each account involved, and that the reallocation or other transfer is effected without loss to the transferee account.

Under the policy, an associate who becomes aware of errors or potential errors must bring the circumstances to the attention of a compliance officer promptly. The compliance officer will then contact appropriate supervisors to determine and document the corrective action.

Item 13 – Review of Accounts

Periodic Review of Client Accounts

Prudential Fixed Income holds various meetings at which it reviews client accounts, including:

- *Quarterly Strategy Reviews.* Each quarter Prudential Fixed Income's chief investment officer meets with the senior portfolio manager and team responsible for the management of each of its investment strategies. At this meeting, the chief investment officer and strategy teams review and discuss the investment performance and performance attribution for each client account managed in the applicable strategy.
- *Quarterly Senior Management Investment Review.* Each quarter Prudential Fixed Income's chief investment officer reviews the investment performance and performance attribution of each of our accounts and strategies with the head of Prudential Fixed Income. The heads of the distribution, credit, compliance and risk groups also typically attend this meeting.

Risk Management Reviews

Prudential Fixed Income's risk management team also conducts the following periodic reviews:

- *Daily Risk Reporting and Review.* On a daily basis, the risk management team reviews and monitors risk reports which indicate where active risk is taken relative to a portfolio's risk budget. A member of the risk management team will discuss potential risk issues with the portfolio managers of the applicable account.

- *Weekly Review.* Prudential Fixed Income's chief risk officer conducts weekly meetings with the risk management team to discuss current risk positioning in client portfolios. At this meeting, the risk management team also discusses potential risk issues highlighted in the daily risk reporting process. When appropriate, issues are escalated by bringing them to the attention of the chief investment officer, or ultimately, to the head of Prudential Fixed Income.

Additional Ongoing Review of Accounts

Control functions such as Prudential Fixed Income's compliance team also monitor and assess data and processes relating to our management and trading. They report results of these analyses independently to senior management. Some examples of these independent reviews include:

- pre-trade compliance review of proposed transactions to monitor consistency with guideline restrictions (for absolute restriction-based rules such as prohibited securities or counterparties);
- post-trade compliance review, including manual review of calculation-based guidelines such as percentage limitations;
- periodic review of trading to examine allocation and trade errors; and
- periodic review by oversight committees of various investment and trading activities, including reviews by Prudential Fixed Income's:
 - trade management oversight committee;
 - pricing and liquidity committee;
 - risk operating committee; and
 - counterparty risk committee

Reports to Clients

Prudential Fixed Income provides written reports regularly to all of its clients. In most cases it distributes these reports monthly, but may provide certain reports quarterly or annually. These reports generally include:

- a list of all activity in the account during the applicable period;
- a list of positions;
- the market value of the positions in the account;
- a calculation of the account's return and the return of the applicable benchmark;
- a comparison of the characteristics of the account (such as industry, sector, issuer, credit quality and country weightings) versus the applicable benchmark; and
- a summary of performance attribution.

In addition, Prudential Fixed Income sends clients a quarterly investment outlook that summarizes its current views regarding the fixed income markets in general.

Prudential Fixed Income may agree with some clients to provide additional information in our reports or to provide some reports more frequently than monthly.

Item 14 – Client Referrals and Other Compensation

Other Compensation

Other than the research and brokerage-related services described in Item 12 under the caption “Soft Dollars and Research Services,” Prudential Fixed Income does not receive economic benefits from anyone who is not a client in connection with the advisory services it provides to clients.

Item 15 –Custody

Neither we nor Prudential Fixed Income take physical custody of the assets of our clients. Client assets are held in custodial accounts with banks, broker-dealers or other qualified custodians retained by our clients under arrangements negotiated by them.

Item 16 – Investment Discretion

We typically have the discretionary authority to purchase and sell assets for client accounts. This authority is granted pursuant to a written investment management or similar agreement, which we have delegated to Prudential Fixed Income as sub-adviser.

Our discretionary authority to manage client accounts is in all cases subject to the specific objectives, guidelines and limitations set forth in the investment management agreement. Investment guidelines generally set forth the universe of eligible investments and issuers. Guidelines may also contain one or more of the following types of restrictions or limitations:

- a list of prohibited issuers or types of issuers;
- percentage limitations regarding the investment in certain issuers, groups of issuers or asset classes;
- limitations on the use of derivatives;
- percentage limitations regarding deviation from the holdings of the account’s benchmark; and
- specifications regarding the credit quality of purchases for the account.

Certain regulated clients, such as U.S. mutual funds and ERISA accounts, are subject to additional investment, diversification and other limitations imposed by applicable law.

Item 17 – Voting Client Securities

Proxy Voting

In General

We accept the authority to vote securities held in our clients' accounts when our clients wish to provide us with this authority. Our investment management agreements with our clients will generally specify whether or not we have the authority to vote proxies on their behalf; if that is the case, we have delegated that authority to Prudential Fixed Income as sub-adviser. We do not receive a significant number of proxies since our client assets are primarily invested in public debt securities.

Prudential Fixed Income's Proxy Voting Policy and Procedures

Prudential Fixed Income's policy is to vote proxies in the best economic interest of our clients. In the case of pooled accounts, its policy is to vote proxies in the best economic interest of the pooled account.

Prudential Fixed Income's proxy voting policy contains detailed voting guidelines on a wide variety of issues commonly voted upon by shareholders. These guidelines reflect its judgment of how to further the best economic interest of our clients through the shareholder or debt-holder voting process. Prudential Fixed Income generally votes with management on routine matters such as the appointment of accountants or the election of directors. From time to time, ballot issues arise that are not addressed by the policy or circumstances may suggest a vote not in accordance with its established guidelines. In these cases, voting decisions are made on a case-by-case basis by the applicable portfolio manager taking into consideration the potential economic impact of the proposal. If a security is held in multiple accounts and two or more portfolio managers are not in agreement with respect to a particular vote, Prudential Fixed Income's proxy voting committee will determine the vote.

Not all ballots are received by Prudential Fixed Income in advance of voting deadlines, but when ballots are received in a timely fashion, it strives to meet its voting obligations. We cannot, however, guarantee that every proxy will be voted prior to its deadline.

With respect to non-U.S. holdings, Prudential Fixed Income takes into account additional restrictions in some countries that might impair its ability to trade those securities or have other potentially adverse economic consequences. It generally votes non-U.S. securities on a best efforts basis if it determines that voting is in the best economic interest of our clients. For non-U.S. holdings, it will generally vote in favor of the recommendations of management if such management has demonstrated a shareholder orientation (which vote may be contrary to Prudential Fixed Income's specific guidelines).

Client Direction of Voting

Prudential Fixed Income will use its best efforts to implement any written client voting instructions with respect to a specific solicitation.

Conflicts of Interest in the Voting Process

Occasionally, a conflict of interest may arise in connection with proxy voting. For example, the issuer of the securities being voted may also be a client of ours or Prudential Fixed Income. When Prudential Fixed Income identifies an actual or potential conflict of interest between us or it and our clients with respect to proxy voting, the matter is presented to senior management of PIM who will resolve such issue in consultation with the compliance and legal departments.

Accounts for Which Prudential Fixed Income Does Not Vote Securities

Some of our clients elect to retain voting authority for themselves. If a client has a question about a particular solicitation, the client may contact its Prudential Fixed Income client service representative and he or she will try to address the client's question. Prudential Fixed Income will not, however, disclose how it intends to vote on an issue for other clients' accounts.

How to Obtain Information Regarding Proxy Voting

Any client may obtain a copy of Prudential Fixed Income's proxy voting policy, guidelines and procedures, as well as the proxy voting records for that client's securities, by contacting the client service representative responsible for the client's account.

Other Actions with Respect to Securities in Client Accounts

Corporate Actions and Class Actions

In addition to voting rights with respect to securities held in our clients' portfolios, there may be other rights associated with those securities, including the right or opportunity to participate in corporate actions and class actions.

With respect to corporate actions (such as an issuer's merger, tender offer, reorganization, etc.), Prudential Fixed Income participates on behalf of clients unless instructed otherwise, taking such action as it deems to be in the best economic interest of the clients' accounts.

Where it has agreed to handle proof of claim filings for a client, Prudential Fixed Income will generally seek and use its best efforts to file such notices in all class action lawsuits in which the client is eligible to participate. In so doing, it will not inquire into the particular circumstances of any client. As a result, it will not seek to determine on an individual basis whether facts and circumstances relevant to that client would suggest that non-

participation in the class action is appropriate or more advantageous to that client. For example, a client on whose behalf a proof of claim is filed may, as a result of having joined the class, waive or relinquish other claims that it may have against the target of the class action. The client may also have an interest or position with respect to the nature of the class action claim that is adverse to that of the class of plaintiffs. Prudential Fixed Income would generally not be aware of those circumstances. Had the client elected to handle class action lawsuits for itself, it might have determined not to file the proof of claim in such a class action. Prudential Fixed Income does not provide any legal advice or services in connection with class actions.

Item 18 – Financial Information

We and Prudential Fixed Income have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients.