

Item 1. Cover Page



PNC TC, LLC (d/b/a PNC Real Estate)

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Form ADV, Part 2A
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This Brochure provides information about the qualifications and business practices of PNC Real Estate. If you have any questions about the contents of this Brochure, please contact us at 503-808-1300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about PNC Real Estate is available on the SEC's website at www.adviserinfo.sec.gov.

PNC Real Estate may refer to itself as a "registered investment adviser." You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Item 2. Material Changes

The following material changes were made to this Brochure since the last annual update was filed on March 30, 2015:

In Item 5, we added language regarding fees and expenses borne by investors in a Fund managed by the Firm when that Fund invests in another Fund that is managed by the Firm or one of its affiliates.

In Item 8, we enhanced the discussion regarding the Firm's application of its investment strategy and enhanced risk disclosures related to litigation associated with Fund investments.

In Item 10, we enhanced the discussion regarding the Firm's relationships with affiliates and handling conflicts of interest, including situations where a Firm affiliate invests in a fund managed by an unaffiliated manager that may compete for investments with Funds managed by the Firm.

In Item 12, we enhanced the discussion of the Firm's investment allocation procedures.

The following material changes were made to this Brochure since the last updated Brochure was filed on September 22, 2015:

In Item 5, we enhanced the discussion of costs and expenses incurred directly or indirectly by investors in a Fund and costs and expenses associated with assets acquired from PNC Bank or a fund solely owned by PNC Bank or an affiliate thereof.

In Item 10, we enhanced the discussion regarding differences in fees rates, amounts or discounts offered by third party service providers to PNC Bank, its affiliates and subsidiaries and those offered to a Fund and the handling of conflicts where a loan issued by PNC Bank to an operating partnership or property may become distressed, subject to a possible workout, or experience an event of default.

Important Note about this Brochure

This Brochure is not:

- ***an offer or agreement to provide advisory services to any person***
- ***an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund (as defined below)***
- ***a complete discussion of the features, risks or conflicts associated with any Fund***

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), PNC Real Estate provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Fund, together with other relevant offering materials, such as the Fund’s private placement memorandum (“PPM”), prior to, or in connection with, such persons’ investment in the Fund. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of PNC Real Estate, persons who receive this Brochure (whether or not from PNC Real Estate) should be aware that it is designed solely to provide information about PNC Real Estate as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant offering materials. More complete information about each Fund is included in relevant offering materials, certain of which may be provided to current and eligible prospective investors only by PNC Real Estate. To the extent that there is any conflict between discussions herein and similar or related discussions in any offering materials, the relevant offering materials shall govern and control.

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Item 4. Advisory Business

4.1. The Company

PNC Real Estate (the “Firm”) is a wholly owned subsidiary of PNC Bank, National Association (“PNC Bank”). The Firm was founded and registered as an Investment Adviser with the SEC in 2014. As of December 31, 2014, the Firm had approximately \$2,589,400,000.00 of assets under management, all on a non-discretionary basis.

4.2. The Funds

The Firm sponsors and manages two types of funds: (1) Low Income Housing Tax Credit Funds (“LIHTC Funds”) and (2) other funds focused on the preservation of affordable housing (“Preservation Funds”). The Firm’s LIHTC Funds invest in real estate associated with the Low Income Housing Tax Credit (“LIHTC”) program. Benefits to investors in the LIHTC Funds are largely tax-related; federal income tax credits and losses associated primarily with interest and depreciation. The Firm’s Preservation Funds are real estate funds which invest in affordable housing with the goal of preserving long term affordability. The Preservation Funds actively manage real estate investments producing cash flow and capital appreciation.

4.3. Investment Management Services

The Firm provides investment management services to LIHTC Funds and Preservation Funds, which are pooled investment vehicles that are not “investment companies” under the Investment Company Act of 1940, as amended (“Investment Company Act”), and for which an affiliate of the Firm serves as the general partner or managing member. The Funds may be either multi-investor Funds or single investor Funds.

Investments for the Funds are managed in accordance with the Funds’ particular investment objectives, strategies and guidelines and are not tailored to the individualized needs of any particular investor in a Fund. Information about the Funds, and the particular investment objectives, strategies, guidelines and risks associated with an investment, are included in the offering materials of the Funds, including the PPM’s and limited partnership/operating agreements, which are made available to investors only through the Firm or another authorized party.

Item 5. Fees and Compensation

5.1. General Information

Details of management and other fees applicable to the Funds are set forth in each Fund’s offering materials and governing documents. Management fees, performance allocations and/or any other compensation payable to the Firm or its affiliates by a Fund and its investors are generally negotiated with the Fund (or its investors) and may depend on, among other factors, the amount of capital committed to the Fund by an investor. For an additional discussion regarding performance fees, please refer to *Item 6. Performance-Based Fees and Side-by-Side Management*.

5.2. Preservation Funds

Preservation Funds are generally responsible for paying organizational expenses, portfolio management fees, and disposition fees. In addition, the managing member of a Preservation Fund is entitled to a portion of the Fund's income and gains to the extent certain performance hurdles are met.

With respect to organizational expenses, a Preservation Fund will typically pay for or reimburse the Firm for the formation costs of the Fund, up to a specified limit as set forth in the PPM.

Portfolio management fees are typically payable to the Firm or an affiliate quarterly in advance and are equal to a specified percentage (ranging from 1% to 2%, depending on the Fund) of (1) a Fund's capital commitments during that Fund's commitment period and (2) the Fund's net invested capital thereafter. To the extent that a Fund terminates on a date other than a calendar quarter end, the Firm (or its applicable affiliate) will refund the Fund for any paid, but unearned, portfolio management fees. Because the portfolio management fee for a Preservation Fund is based on net invested capital after the expiration of the commitment period, the Firm may have an incentive to deploy all (or substantially all) of a Fund's committed capital prior to such expiration.

Disposition fees are payable to the Firm or an affiliate and are equal to a certain percentage of the sales price of an asset sold by a Preservation Fund. These fees are payable whether or not an asset is sold for a gain or for a loss, are intended to compensate the Firm (or its affiliates) for their services provided in connection with the disposition of an asset held by a Fund, and may be payable where a Preservation Fund sells assets to another Fund managed by the Firm or an affiliate (*e.g.*, a LIHTC Fund). Therefore, the Firm may have an incentive to sell an asset at a time that may otherwise be disadvantageous to a Fund to earn disposition fees in connection with such sale. However, the Firm has adopted policies and procedures pursuant to which it shall act in the best interests of its clients, such as the Funds, and, in this respect, endeavors to effect all sales at a price at least equal to fair market value.

5.3. LIHTC Funds

LIHTC Funds are generally responsible for paying organizational and offering expenses, acquisition fees, disposition fees and asset management fees.

With respect to organizational expenses, a LIHTC Fund will typically pay for or reimburse the Firm for the formation costs of the Fund, which amounts may be subject to a specified limit as set forth in the PPM. For LIHTC Funds with multiple investors, investors in such Fund may be charged their pro rata share of organizational and offering expenses up front upon investment in the Fund, which charge would reduce the amount invested by each such investor.

Acquisition fees represent compensation to the Firm or an affiliate for acquiring investments on behalf of a LIHTC Fund. The acquisition fee is typically paid upon closing an investment for the Fund and typically ranges between 2.50% and 4% of the total equity invested. A portion of the acquisition fee, typically between 5% and 15% of the total acquisition fee, may be deferred for two to three years, in which case such deferred amount is paid upon achievement of a "target yield," the passage of time, and stabilization, as defined in the governing documents, of a percentage of the underlying assets, all as set forth in the applicable Fund's governing documents.

If the target yield is not achieved, the deferred acquisition fee is not paid to the Firm or any of its affiliates, and such fee may be either (1) waived in its entirety, or (2) paid into a reserve held at the Fund level.

The Firm or an affiliate may also receive disposition fees (in some governing documents referred to as “the sales/refinancing fee”) in respect of a LIHTC Fund in connection with the sale or refinancing of a real estate asset held by the Fund. These fees typically range from 2% to 2.5% and are intended to compensate the Firm (or its affiliates) for their services provided in connection with the disposition or refinancing of an asset held by a Fund. While the Firm or its affiliates could have an incentive to trigger payment of the disposition fee by disposing or refinancing an asset held by a LIHTC Fund, such actions are typically undertaken only upon the recommendation of an unaffiliated property developer and are subject to investor consent prior to the expiration of the tax compliance period applicable to a particular asset.

LIHTC Funds are also generally responsible for paying asset management fees. Asset management fees represent compensation to the Firm or an affiliate for providing asset management and reporting services through the life of a Fund. The asset management fee may be calculated one of two ways as set forth in a Fund’s governing documents: either on a fixed per operating partnership basis (in which case such fee is typically capped at \$15,000 - \$17,000 per operating partnership in the fund, or as a percentage of the total equity of the Fund (in which case such fee typically ranges from 2% to 3.5%). The asset management fee is typically paid annually, and it may either be: (1) capitalized at the onset of the Fund and paid over time; or (2) called from the investors in a LIHTC fund on an annual basis. The fee may also be partially paid from cash flow generated by the operating partnerships. Regardless of the method of payment, the asset management fee is governed by a Fund’s governing documents.

5.4. Other Fees and Expenses

The Funds may bear certain other fees, expenses, and costs (in addition to the fees discussed above) which are incidental to all ordinary and extraordinary expenses related to the operations of the Funds, including but not limited to: (1) the fees and expenses of professional advisers such as legal counsel, administrators, consultants, bookkeeping and accountants (including audit and certification fees and the expenses associated with the preparation of a Fund’s financial statements and tax returns); (2) any taxes, fees or other governmental charges levied against a Fund; (3) expenses associated with the preparation, printing and distribution of reports to the limited partners/investor members of a Fund and costs associated with any meeting of a Fund’s advisory board or investment committee or any advisory board fees; (4) investment banking and similar consulting and professional fees associated with the acquisition, holding and disposition of investments, brokerage and other transaction costs, and extraordinary expenses (such as litigation, if any); (5) any insurance, indemnity or litigation expenses relating to a Fund’s activities; (6) costs and expenses incurred by investors in a Fund, such as legal and accounting fees, subject to certain limitations and monetary caps or thresholds; (7) fees, expenses and costs paid to third party vendors or a member of the Fund, including the Managing Member, for services performed on behalf of operating partnerships on commercially reasonable terms; and (8) all other costs incurred in connection with the administration of a Fund or otherwise that may be authorized by a Fund’s PPM or limited partnership/operating agreement.

When a Fund (the “Investing Fund”) invests in another Fund managed by the Firm or an affiliate (the “Investee Fund”), the Investing Fund generally will bear its pro rata share of expenses incurred and fees paid by the Investee Fund. There may also be duplication of fees (e.g. management fees) as disclosed in the applicable governing documents.

The Firm or an affiliate may identify properties or operating partnerships that it expects might be beneficial to a Fund, even where the particular Fund to which such asset may be allocated may not have yet been formed or have available capital to invest. In these cases, the asset is acquired by PNC Bank or a fund solely owned by PNC Bank or an affiliate thereof (a “Warehouse Fund”), and at the appropriate time, the asset is then subsequently transferred to the appropriate Fund in accordance with the Firm's allocation procedures, which are described in more detail below.

The price paid by a Fund for a warehoused asset may be more or less than either fair value or the cost that the Warehouse Fund paid for such asset, and such price may not be supported by an independent appraisal. In the case of LIHTC Funds, which seek tax credits, the price of an asset acquired from a Warehouse Fund is based on the value of the remaining available tax credits, as the Firm determines in good faith. For Preservation Funds, the price paid by a Fund for a warehoused asset may be the total cost to acquire the asset initially incurred by the Warehouse Fund or based on the appraised value of the asset, plus any expenses associated with the transfer, balances in acquired accounts, and capital improvements made during the time of the Warehouse Fund's ownership.

There are costs associated with the warehousing process and the subsequent transfer of an asset from a Warehouse Fund, as more particularly described in the Fund documents, which may include unreimbursed fees, carrying costs and other expenses (in some cases including an internal cost of funds, which may be more or less than market interest rates). Such costs are included in the price paid by a Fund for a warehoused asset or otherwise paid by the Fund acquiring the asset.

Because of the potential that the interests of the Firm and its affiliates will conflict with those of the Funds, such subsequent transfers into a new or existing Fund must be approved by an independent party (e.g., all or a subset of all investors or a review party or advisory committee) at the time of investment or time of the subsequent transfer, respectively, in accordance with the Fund's governing documents. The independent party receives information regarding each such transaction, including the nature and extent of any benefit to the Firm and its affiliates in connection with the transaction.

For an additional discussion regarding brokerage fees, commissions and other related transactions costs and expenses, please refer to *Item 12. Brokerage Practices*.

5.5. Billing

The general partner/managing member of a Fund will make capital calls on investors for their pro rata share of Fund fees and expenses on an as-needed basis (generally quarterly) and as determined

by the governing documents. The amount of capital required to be contributed on each occasion will be computed by the general partner/managing member. The general partner/managing member will use commercially reasonable efforts to call for capital contributions at the approximate times when such capital contributions are actually needed.

Following the dissolution of a Fund, the general partner/managing member of the Fund will, in accordance with the limited partnership/operating agreement, make a final allocation of all items of income, gain, loss and expense. After the payment or provision for payment of all liabilities and obligations of a Fund, the remaining assets, if any, will, in accordance with the limited partnership/operating agreement, be distributed among the investors.

Item 6. Performance-Based Fees and Side-by-Side Management

As discussed in *Item 5. Fees and Compensation*, an affiliate of the Firm, in its capacity as the general partner/managing member of a Fund, may be eligible to receive performance related compensation, or “carried interest”, of up to 20% of returns in excess of certain performance hurdles. Currently, only the Preservation Fund is expected to pay such fees. In addition, certain compensation may be deferred until the achievement of certain “target yields”.

The existence of a carried interest in a Fund, or the necessity to achieve a target yield in respect of an investment, may create an incentive for the Firm to take more speculative actions on behalf of a Fund than it would otherwise make in the absence of such performance related compensation. However, the conflicts of interest associated with performance related compensation is mitigated by (1) the requirement that invested capital and related expenses be returned to investors and that such investors receive a specified annualized hurdle rate (or certain other triggers are met) before the Firm or a general partner/managing member of a Fund benefits from its carried interest or deferred compensation arrangement; (2) the general partner/managing member’s capital commitment to a Fund; (3) in the case of carried interest, a claw-back feature pursuant to which the general partner/managing member will contribute to the Fund an amount, if any, by which total distributions to the general partner/managing member on account of its carried interest exceed a percentage of the Fund’s net profits, calculated in a manner set forth in the limited partnership/operating agreement; and (4) the limited investment opportunities available that are consistent with a Fund’s investment objectives and policies at any given time.

Item 7. Types of Clients

As discussed in *Item 4. Advisory Business*, the Firm provides investment management services to the Funds, which are pooled investment vehicles that are not “investment companies” under the Investment Company Act. Funds may be either single-investor or multi-investor funds.

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

8.1. Methods of Analysis and Investment Strategies

As discussed in *Item 4. Advisory Business*, LIHTC Funds seek to provide investors with federal and state tax credits by pursuing investments in LIHTC real estate operating partnerships or limited

liability companies. The Preservation Fund seeks to acquire and manage a portfolio of public welfare investments, primarily through affordable housing investments that generate current income and capital appreciation.

The analysis of the underlying real estate investments in both the Preservation Funds and the LIHTC Funds is similar: the principals analyze underlying real estate metrics such as market, physical attributes, likely tenant attributes, developer and property manager strength, leverage and debt ratios, and projected benefits. LIHTC Funds include an analysis of compliance, both actual and projected, with Section 42 of Internal Revenue Code, which governs LIHTC.

The financial analysis for both the Preservation Funds and LIHTC Funds is a simple yield calculation, comparing the projected benefits of the underlying benefits to capital contributions. The benefits defined in the case of the Preservation Funds are cash flow and projected capital appreciation. The benefits defined in the case of the LIHTC Funds are projected tax benefits over the 15 year projected lifecycle, and in some cases, cash flow. However, the primary LIHTC benefits to investors are tax-driven.

The Firm will employ the investment strategy developed successfully by its principals over their tenure in the LIHTC and affordable housing market. The elements of the Firm's current investment strategy include:

- (i) Sourcing the majority of transactions in situations with desirable geography (including the availability and potential use of Community Reinvestment Act ("CRA") credits), and real estate metrics for investors;
- (ii) Applying a disciplined investment and diligence process driven by the credit quality of each opportunity while emphasizing equity upside;
- (iii) Working actively with developers of affordable housing before and after the transaction closes; and
- (iv) Emphasizing those industry segments and product types in which the principals of the Firm have experience.

The Firm seeks in good faith to identify, source and complete appropriate investments for each Fund based on and consistent with detailed acquisition guidelines which are disclosed to the Fund's investors through the Fund's governing documents (e.g., as an exhibit to the Fund operating agreement or PPM). However, there are more investment opportunities within the Funds' investment objectives than can be reasonably identified and sourced. The Firm shall not be liable for its failure to identify, source or complete any particular investment, provided that it has acted in accordance with the standard of care applicable to the relevant Fund(s).

8.2. Material Investment Risks

8.2.1. General Information

The Firm's investments activities involve significant risks. Risk factors include, among others, the following: risks arising from the volatility of the real estate markets; private debt; risk of leverage;

risks arising from the potential illiquidity of the Funds' investments; risks of borrowing; the irrevocable nature of subscriptions; the uncertainties associated with financial industry reform legislation and the rules promulgated thereunder, and the resulting impact on the partnership; material federal income tax risks and the risk of future changes in federal income tax laws; reliance upon the Funds' general partner/managing member, and the operating general partners/managing members for the management of individual Funds and partnerships, respectively; limitations on the transferability of the units and the lack of a public market for the units; the unconditional nature of the payment obligations of the limited partners/investor members notwithstanding the condition of the Funds or the performance of the operating partnerships; conflicts of interest; the payment of substantial fees and other compensation to the Funds' general partner/managing member and its affiliates; if less than the maximum offering amount is sold, the Funds' partnerships will not be able to diversify its investments in operating partnerships as fully as it would if the maximum offering amount were sold; the risks associated with the ownership of real estate in general and low-income housing apartment complexes in particular, including the risk of the termination of favorable government assistance to such apartment complexes; the susceptibility of some apartment complexes to hurricanes, floods and other natural disasters; the possibility of increased demand for, potential shortage of suitable construction labor and materials or a substantial increase in the costs of such labor and materials in such locations; and litigation risk associated with investing in and operating real property.

As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that a Fund will meet its investment objective or otherwise be able to successfully carry out its investment program. The Risk Factors below do not purport to be a comprehensive summary of all the risks associated with an investment in a Fund. In addition to the risks identified below, investors in a Fund may be subject to additional risks, as set forth in the applicable PPM and other offering materials of a Fund. Clients of the Firm, as well as investors in a Fund, should be prepared to incur losses.

8.2.2. Risk Factors

Legal, Tax and Regulatory Risk – Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect the Fund and its real estate investments or limited partners/investor members. All of the benefits generated by investments in LIHTC Funds, and a significant portion of the benefits generated by investments in Preservation Funds are expected to be derived from former, current or prospective Low-Income Housing Tax Credit qualifying projects. Because Low-Income Housing Tax Credits are authorized under the Internal Revenue Code, Congress could repeal or modify applicable legislation at any time or modify the tax laws so that the value of the tax credit benefits is reduced. If such legislation is repealed or adversely modified, a Fund's investment opportunities in the affordable housing market may be limited, it may not be able to dispose of its assets in a manner that is consistent with its objectives and the value of its investments may be adversely affected.

Similarly, certain of the underlying real estate assets in the Funds are likely to have long term rental subsidies provided primarily by the Department of Housing and Urban Development. Because long term rental subsidies are appropriated by Congress, there is a risk that such legislation may be repealed or adversely modified. If such long term subsidies are not available,

or are reduced as a result of federal budget appropriations, certain of the Fund's investments may be adversely affected in the short or long term.

Compliance and Recapture Risk – Ongoing availability of the Low Income Housing Tax credit for the full period of the projected investment is reliant upon units being rented to qualified households and remaining in compliance through the full 15 year period. While the Funds will endeavor to confirm the tenant files and income verification of third party developers, owners, property managers, and others, the developer of the underlying real estate asset is ultimately responsible for initial and ongoing compliance, including avoidance of foreclosure of any permanent mortgage, physical destruction of a unit and failure to rebuild, or other event leading to tax credit recapture.

No Assurance of CRA Credit for Specific Areas – Investors in a Fund that are banks, thrifts or their affiliates may obtain CRA credit for investments that qualify and that are in their assessment areas or otherwise permitted by Federal bank regulations applicable to an investor. The Firm and general partner/managing member may, but are not required to make investments with a view to any investor's CRA assessment area. Each investor should make an investment in a Fund with a view to the Fund's primary objectives. Any duplicate claims for CRA credits will not be effective under CRA Regulations. The general partner/managing member cannot guarantee whether CRA credit will be available, and/or the amount of such CRA credit.

Risks Upon Disposition of Investments – In connection with the disposition of investments in real estate assets, a Fund may be required to make representations about such real estate assets and to indemnify the purchasers of such investments to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities of a Fund. The Preservation Funds expect to hold each investment for several years on average before selling it to a developer who, the Preservation Funds expect, will rehabilitate and recapitalize the apartment complex using Low-Income Housing Tax Credits. If a Preservation Fund is unable to find a developer to enter into an acquisition agreement, the asset will be sold in whatever way the general partner/managing member determines is in the best interest of the Preservation Fund, which may be at a lower than expected price, or in a manner not conducive to preserving the applicable apartment complex as affordable housing.

Illiquid and Long-Term Investments – An investment in a Fund may require a commitment of up to 12 years for a Preservation Fund and 15 years for a LIHTC Fund, and for a period thereafter during which a Fund winds up its business and affairs. The Funds' investments will be highly illiquid and there can be no assurance that the Funds will be able to realize such investments in a timely manner. There may be little or no near-term cash flow available to investors. As such, there can be no assurance that a real estate investment will generate sufficient cash necessary to service its debt obligations or that the entire principal amount of a Fund's investment will be repaid. Real estate can be difficult to sell, especially if local market conditions are poor. Illiquidity may also result from the absence of an established market for affordable housing, as well as legal or contractual restrictions on resale of such assets. Such illiquidity will tend to limit the general partner/managing member's ability to vary a Fund's portfolio promptly in response to changes in economic or other conditions, and limit near-term cash flow available for distribution to its investors. No assurances can be given that the fair market value of any of the assets acquired by a Fund will not decrease during the term of the Fund.

Follow-On Investments – A Fund may be called upon to provide additional funding to, or have the opportunity to increase its investment in, its portfolio real estate assets. There can be no assurance that a Fund will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision not to make a follow-on investment or the inability of a Fund to make such an investment may have a substantial negative impact on a portfolio real estate asset in need of such an investment and may diminish the Fund's ability to influence the portfolio real estate asset's future development.

Risks Associated with Government Assistance - In addition to tax credits, many of the apartment complexes owned by the operating partnerships in which the Funds' partnership has invested, directly or indirectly, or will invest will be receiving one or more forms of governmental financing. Such financing may come from federal, state or local sources and may include grants, rental assistance payments, permanent mortgage financing, low interest mortgage loans, mortgage insurance, interest reduction payments, guarantees or other forms of assistance. Such operating partnerships will be required to comply with the laws, regulations and agreements relating to such government programs. Failure to comply with any aspect of such programs may result in the withholding of funds committed to the operating partnerships, loss of assistance, subsidies and/or financing, and possibly foreclosure on an apartment complex. In addition, budgetary constraints by federal, state or local authorities may lead to reduced assistance and may make it harder to rent the apartment complexes to qualified tenants.

Construction Risks - Development of the apartment complexes which are not completed when the partnership acquires an interest therein, either directly or indirectly, will be subject to certain risks of construction or rehabilitation which are beyond the control of the operating partnerships, such as labor strikes, adverse weather, supply of and price fluctuations in materials and other unknown contingencies which could cause the cost of construction or rehabilitation and/or the time required to complete construction or rehabilitation to exceed the estimates. Because of such contingencies, a contractor's ability to complete construction or rehabilitation of an apartment complex in accordance with the terms of its construction contract will be uncertain. If construction or rehabilitation of an apartment complex is not commenced or completed or required occupancy permits are not issued in a timely manner, the tax benefits and cash flow of an apartment complex during its initial years of operation may be significantly reduced or lost entirely. Moreover, there is a risk that various subcontractors and suppliers will assert claims against an operating partnership relating to nonpayment for work performed or materials supplied with respect to the development of an apartment complex.

Apartment Complex Financing - The operating partnerships will be financing ownership of their respective apartment complexes through borrowings, a practice often referred to as "leveraging". While leveraging can increase an investment's return, it presents an additional risk in the event that cash from an apartment complex's operations or other sources is insufficient to meet such financing obligations and other expenses.

Operating General Partners - Regarding LIHTC Funds, much of the management of an apartment complex is provided by the operating general partner/managing member of the operating partnership that owns the apartment complex and by the related guarantors. Often, operating general partners do not have substantial net worth. In addition, affiliates of an operating general partner often control multiple apartment complexes or other properties for multiple funds. If an

affiliate of an operating general partner/managing member has financial or other difficulties with any apartment complex or other property, such difficulties could deplete the resources available to an operating general partner/managing member in connection with an apartment complex.

Competitive Industry – Investment in real estate is a highly competitive business and the acquisition of investments may be based on competitive bidding. Moreover, other competitors for the acquisition of real estate, including REITs, insurance companies, pension funds, partnerships, investments companies, banking entities, and real estate investment funds may have greater economic and personnel resources than those of a Fund or better relationships with the sellers or developers of the underlying real estate assets, lenders and others, thereby putting a Fund at a competitive disadvantage.

Lack of Diversification – A Fund may only make a limited number of investments and because many of the investments may involve a high degree of risk, the adverse performance by a few of the investments could severely affect the total returns to the investors and no assurance can be given that the Fund will succeed in meeting its investment objectives or that there will be any return on capital. Certain Funds by their nature have geographic constraints such as specific market areas, and as a result may also lack geographic diversity. There is also an inherent lack of diversity in the incomes of the potential residents in the underlying real estate assets, as all Funds will invest in affordable housing.

Dependence Upon the Firm and its Affiliates – Decisions with respect to the management of a Fund and originating, identifying, structuring, executing and monitoring investments consistent with the Fund's investment objective and policies will be made exclusively by the Firm and its affiliate serving as the general partner/managing member. Limited partners/investor members have no right or power to take part in the management of a Fund and will not have an opportunity to evaluate the specific investments made by the Fund or the terms of any investment. The success of a Fund will depend significantly upon the skill and expertise of the Firm's principals to select investment opportunities, negotiate appropriate terms of assets purchased, and arrange the profitable disposition of assets. The carried interest of these principals should discourage them from withdrawing from participation in a Fund's investment activities. However, there can be no assurance that these principals will continue to be associated with the general partner/managing member or its affiliates throughout the life of a Fund, and the loss of key personnel could have a material adverse effect on the Fund.

Interest Rate Fluctuations – A Fund may incur variable rate indebtedness as a Fund acquires and, if required, renovates affordable housing, as well as for other purposes. Accordingly, increases in interest rates will increase the Fund's interest costs and/or interest rate hedging costs, thereby, among other things, decreasing the amount of available funds for distribution to investors. Interest rates are highly sensitive to many factors, including governmental fiscal, monetary and tax policies, domestic and international economic and political considerations, trade surpluses or deficits, regulatory requirements and other factors beyond the control of a Fund.

Failure to Make Contributions – If a limited partner/investor member fails to pay installments of its commitment to a Fund when due, and the contributions made by non-defaulting limited partners/investor members and borrowings by the Fund, if applicable, are inadequate to cover the defaulted contribution, the Fund may be unable to pay its obligations when due. As a result, a

Fund may be subjected to significant penalties that could materially adversely affect the returns to limited partners/investor members (including non-defaulting limited partners/investor members). If a limited partner/investor member defaults with respect to its obligations to fund required capital contributions, then the limited partner/investor member will be subject to the potential loss of all or a portion of its capital account and other customary default provisions.

Operating Risks of Real Estate Assets – Apartment complexes with affordable housing units compete for tenants with numerous other existing or yet to be built apartment complexes and other types of housing, and such competing apartment complexes may have superior rental histories, better locations, better physical facilities, rental subsidies, more advantageous mortgage terms or other perceived advantages. Further, prospective tenants for the apartment complexes in which a Fund invests may be limited by age, income or other tenant eligibility requirements due to restrictions imposed in connection with the Low-Income Housing Tax Credits claimed (or previously claimed) with respect to the apartment complexes. A portion of the apartment complexes acquired by a Fund may be located in federal disaster areas. As a result of the uncertainty surrounding the migration of the population and resiliency of the economies in areas affected by natural disaster, the occupancy and rental rates of such apartment complexes and the ability of such apartment complexes to attract qualified low-income tenants cannot be determined.

A portion of the benefits related to certain of the investments in Preservation Funds is capital appreciation from the period of initial investment until disposition. While the Preservation Funds are intended to be held for an interim period, certain of the real estate investments may experience overall market downturns, physical deterioration, or any other similar event that would prevent capital appreciation of the real estate.

Litigation Risk – Real property owned directly or indirectly by a Fund may be vulnerable to potential litigation arising from disputes about the acquisition, development, construction, operation and maintenance of the property. Disputes or litigation may include construction problems or delays, violations of federal, state or local ordinances, property tax valuations, and assessments, rents or profit controls, disputes regarding the terms of lease agreement with tenants or any other contract or other agreements affecting the properties. Disputes or litigation may also arise as a result of injuries sustained by tenants or other individuals present on a property.

Catastrophe – Real estate investments eligible for Low-Income Housing Tax Credits may be located in areas susceptible to hurricanes, floods and other natural disasters. It is impossible to predict, the number, force, frequency or impact of future hurricanes, floods or other natural disasters that may affect real apartment complexes. Any destruction to an apartment complex resulting from hurricanes, floods or other natural disasters may adversely affect an investor's receipt and benefit of tax credits, cash flow, and general economic performance of such property. A Fund may also encounter challenges with an insurance provider regarding whether it will pay a particular claim that the Managing Member believes to be covered under its policy. Should a loss in excess of insured limits or an uninsured loss occur or should a Fund be unsuccessful in obtaining coverage from an insurance carrier, a Fund could lose all, or a portion, of the capital it has invested in a property, as well as the anticipated future revenue from the property. In that event, a Fund might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

Subordination – The investments of a Fund will typically be subordinated to the senior obligations of an issuer, either contractually (in the case of debt securities) or because of the nature of the security (in the case of preferred stock, common stock, or holding company debt). Such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. In addition, each Fund may not have control over the amount of senior debt of the real estate asset in which it has investments. Adverse changes in the financial condition of an issuer or in general economic conditions (or both) may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on and declines in the value of such securities more quickly than in the case of the senior obligations of such issuer.

No Assurance of Investment Return – There can be no assurance that a Preservation Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of real estate described herein. Past activities of investment entities associated with the Firm and its affiliates and principals, including other Funds, provide no assurance of future success.

Indemnification – A Fund may be required to indemnify the Firm, the general partner/managing member, their affiliates and each of their respective members, officers, directors, employees, stockholders, shareholders, partners, and other persons who serve at the request of the general partner/managing member on behalf of the Fund for any and all claims, damages, liabilities, costs and expenses relating to or arising out of the investment or other activities of a Fund. Members of any Advisory Committee will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the limited partnership agreement and/or operating agreement. Liabilities resulting from such indemnification obligations may be material. The indemnification obligation of a Fund would be payable from the assets of the Fund, including the unpaid commitments of the limited partners/investor members. If the assets of a Fund are insufficient, the general partner/managing member may recall distributions previously made to the limited partners/investor members, subject to certain limitations set forth in the limited partnership/operating agreement.

General Tax Considerations – A Fund is expected to be treated as a partnership for U.S. federal income tax purposes. An investment in a Fund may give rise to a variety of complex U.S. federal income tax and other tax issues for limited partners/investor members. Prospective investors are urged to consult their own tax advisors with specific reference to their own situations concerning an investment in a Fund.

Item 9. Disciplinary Information

Not applicable.

Item 10. Other Financial Industry Activities and Affiliations

10.1. General Information

The Firm is part of a broad financial services organization and is therefore affiliated with other entities engaged in a variety of financial services businesses. In some cases, the Firm has business

arrangements with its related persons that are material to its advisory business or to its clients. These are described in more detail below and, in some cases, may cause the Firm's or a related person's interests to diverge from the best interests of a Fund.

In addition, certain of the Firm's management persons are registered representatives of PNC Capital Markets, LLC, a registered broker-dealer.

10.2. List of Related Persons

The PNC Financial Services Group, Inc.

The PNC Financial Services Group, Inc. ("PNC") is a diversified financial services company. PNC is engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking. Through its indirect wholly owned subsidiaries, PNC is: (1) the sponsoring limited partner/investor member of a Fund; (2) a member of the general partner/managing member of a Fund; and (3) the parent company of the Firm. In its capacity as a member of the general partner/managing member of a Fund, PNC is entitled to a percentage of the performance allocation described in *Item 6. Performance-Based Fees and Side-by-Side Management*.

PNC Bank, National Association

PNC Bank, a member of the Federal Deposit Insurance Corporation, is a full service bank engaged in traditional lending, cash and/or treasury management and other services. From time to time, PNC Bank may provide such services to a Fund or to a real estate investment in which a Fund has invested at commercial terms, which may vary. As discussed in Item 5 above, PNC Bank may establish certain Warehouse Funds to hold interests in operating partnerships or real estate investments in anticipation of transfer to a Fund. PNC Bank may also provide short term credit to a Fund in connection with capital calls pursuant to a line of credit facility consented to by the investor members. Such a credit line may be used, in the Fund's discretion, to facilitate investments or operating activities in lieu of immediately calling capital. It is expected that a capital call to satisfy such a borrowing will be made within 90 days of drawing on the credit line. PNC Bank will earn commercially reasonable interest on the credit line and the use of such a line may also have an impact on Fund returns. The terms of such credit lines generally provide that the borrowing is limited recourse and secured by each investor's interest in the Fund. This means that, to the extent any investor fails to contribute in response to a related capital call, only that investor's interest (and not the interests of investors who do contribute or other Fund assets) may be attached to satisfy repayment obligations.

PNC Investments LLC

PNC Investments LLC, a wholly owned subsidiary of PNC Bank, is a registered broker dealer and investment adviser which provides full service brokerage and wrap fee programs to its clients.

PNC Capital Finance, LLC

PNC Capital Finance, LLC, an indirect, wholly owned subsidiary of PNC, makes subordinated debt and/or equity investments in private companies. PNC Capital Finance does business under

the names “PNC Mezzanine Capital,” “PNC Erieview Capital,” “PNC Investment Capital” and “PNC Riverarch Capital.”

PNC Capital Advisors LLC

PNC Capital Advisors LLC, a wholly owned subsidiary of PNC Bank, provides discretionary investment advisory services to registered investment companies, institutional accounts, and personal investment management accounts.

PNC Steel City Advisors, LLC

PNC Steel City Advisors, LLC, a wholly owned subsidiary of PNC Bank, provides investment advisory services, as a co-adviser, to the Cerberus PNC Senior Loan Fund, L.P., which is expected to participate in the provision of “unitranche” financing to middle-market companies and private equity sponsors all across the United States.

National City Equity Partners, Inc.

National City Equity Partners, Inc., an indirect, wholly owned subsidiary of PNC, holds legacy equity and mezzanines investments directly or through a wholly owned subsidiary.

PNC Realty Investors, Inc.

PNC Realty Investors, Inc., an indirect, wholly owned subsidiary of PNC, provides real estate investment advisory and management services to a bank collective trust comprised of qualified retirement and pension plans.

PNC Capital Markets, LLC

PNC Capital Markets, LLC, an indirect, wholly owned subsidiary of PNC, offers loan syndication, public finance underwriting and advisory services, securities underwriting and trading, private placements and asset securitizations.

Harris Williams LLC

Harris Williams LLC (“Harris Williams”), a subsidiary of PNC, is one of the largest mergers and acquisitions advisory firms in the country focused exclusively on the middle market. From time to time, Harris Williams may provide such services to a real estate investment in which a Fund has invested.

Solebury Capital, LLC

Solebury Capital, LLC, a wholly-owned subsidiary of PNC Bank, is an equity capital markets advisory firm.

BlackRock Inc.

As of December 31, 2014, PNC, together with its subsidiaries, owned approximately 22% of the total capital stock of BlackRock, Inc. (“BlackRock”) and approximately 21% of BlackRock’s

voting common stock. BlackRock offers investment management, risk management and advisory services for institutional and retail clients worldwide, managing assets through a variety of equity, fixed income, balanced, cash management, and alternative investment products. BlackRock's subsidiaries which are registered investment advisers or registered broker-dealers include: BlackRock Advisors LLC, BlackRock Capital Management, Inc., BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock International Limited, BlackRock Investment Management LLC, BlackRock (Singapore) Limited, BlackRock Asset Management North Asia Limited, BlackRock Kelso Capital Advisors LLC, BlackRock Asset Management Schweiz, AG, BlackRock Realty Advisors, Inc., BlackRock Investments, LLC and, BlackRock Execution Services.

10.3. Relationships with Affiliates and Conflicts of Interest

PNC or its affiliates may provide broker-dealer or other services to Funds and may receive broker-dealer fees and investment banking fees with respect to real estate investment transactions. A Fund will not receive any of the fees paid by the real estate investments for such services. Furthermore, PNC or its affiliates, such as Harris Williams, acting as underwriters or broker-dealers, may be chosen by a real estate investment of a Fund to effectuate, among other things, sales or offerings, with or without the input of the Firm.

The relationship between the Firm and its affiliates, including an affiliated broker-dealer, may give rise to a material conflict of interest between the Firm and the Funds that have an interest in any real estate investment with respect to which an affiliate provides services. When managing a Fund, the Firm may have an incentive to or seek to influence the management of a real estate investment to utilize affiliates of the Firm for certain transactions or services including, but not limited to: (1) broker-dealer services when transacting in securities; (2) lending; (3) acting as counterparty in a transaction. Such transactions will proceed only on terms that the Firm believes to be commercially reasonable to the Funds (and may vary from time to time based on facts and circumstances) and, for certain Funds, only with the consent of the Fund's investors or advisory board. Moreover, if the Firm or Firm personnel hold one or more seats on the board of directors of a real estate investment, or a developer, and the board is being asked to vote on a matter involving a PNC affiliate (other than the Fund, its general partner or managing member), the Firm representative(s) will abstain from voting on the matter.

In the ordinary course of its business, PNC or its affiliates may engage in activities in which their interests may potentially conflict or compete with those of the Funds and their limited partners/investor members, including: (1) making direct or indirect real estate investments which would otherwise be suitable real estate investments for a Fund; (2) investing as a limited partner/investor member in funds that compete with a Fund for investment opportunities; or (3) lending to a real estate investment of a Fund at a level that is senior in the capital structure to the Fund's investment. PNC has adopted investment allocation policies and procedures (the "Allocation Procedures") to address certain of these conflicts, which are generally described in *Item 12. Brokerage Practices*. The Firm also has in place particular procedures with respect to situations where PNC invests as a limited partner or investor member in a fund advised by a third party that may compete for investments with Funds advised by the Firm (a "Third Party Managed Fund"). These procedures, which are separate from the Firm's Allocation Procedures, are designed to assure that the Firm is not involved in sourcing opportunities for the Third Party

Managed Fund. A Third Party Managed Fund's investments are not subject to the rotational process described in the Allocation Procedures.

PNC or its affiliates may also represent potential purchasers, sellers and other involved parties with respect to real estate which may be suitable for investment by a Fund. If PNC or one of its affiliates is engaged to provide investment banking or underwriting services to real estate investments in which a Fund has invested, the Fund will not receive any of the fees paid by real estate investments to PNC or such affiliate in connection with such services.

As discussed above, certain real estate investments in which a Fund has invested have borrowed from PNC Bank. These loans are senior in the capital structure to the Fund's investment. While the principals of the Firm believe that such loans promote attractive deal flow for the Fund and thereby benefit the Fund, loans by PNC Bank at a level senior to that of the Fund's investments present inherent conflicts of interest between PNC Bank and the Fund. 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, a Fund.

In some cases, a loan to an operating partnership or property may become distressed, subject to a possible workout, or experience an event of default. Although the Firm believes these occurrences will be rare, they may give rise to an opportunity for PNC Bank, as lender, to pursue remedies, including foreclosure, that would be contrary to the interests of a Fund as the equity owner of the relevant property or operating partnership. Should such an event occur, or if the Firm or Fund investors otherwise determine, in their judgment, that an actual conflict of interest may have otherwise developed in connection with a loan from PNC Bank, a variety of steps may be taken to mitigate the conflict. Among these may be the appointment of an independent special advisor to the Fund. The special advisor may be selected or approved in accordance with the Fund's governing documents (e.g., by vote of the limited partners or a limited partner advisory committee). The costs and expenses associated with any such special advisor will be borne by the Firm or its related Fund general partner or managing member and not by the Fund or any investor. However, the special advisor will have duties to the Fund and will not, in any case, be an affiliate of PNC. Once selected, the special advisor may advise the Fund or may have authority to take action on behalf of the Fund with respect to such loan, property and/or operating partnership, as applicable.

Furthermore, by reason of the investment banking and related activities of PNC and its affiliates, PNC or its affiliates may acquire confidential or material non-public information and therefore be restricted from initiating transactions in certain securities. In addition, under certain circumstances, a Fund may not be given access to material non-public information in the possession of PNC or its affiliates which may be relevant to an investment decision to be made by the Fund.

Real estate in which a Fund has invested may qualify for CRA credits. A Fund's managing member or general partner will typically have the sole authority to allocate potential CRA-eligible investments among Fund investors, including banks, thrifts and their respective affiliated investors, based upon each bank's or thrift's CRA assessment areas as reported to the managing member or general partner. If more than one investor, including PNC or its affiliates, makes a claim for the same CRA assessment area, then the managing member or general partner will use

commercially reasonable efforts to cause each investor, including PNC and its affiliates, to receive a pro rata share of potentially CRA-eligible investments as described in a Fund's governing documents. In the event no investor claims that an investment is in its assessment area, the managing member or general partner may allocate all potentially CRA-eligible investments to PNC or its affiliates, to the fullest extent possible, for such assessment area. Further, PNC or its affiliates may claim (or may have claimed) CRA credit in respect of certain investments when such investments are held in a PNC entity prior to being transferred to a Fund. In this respect, because PNC has broad geographic operations and CRA assessment areas, PNC may be allowed benefits for CRA purposes from a Fund's investments that are not proportionate to PNC's economic interests in the Fund when the Fund's other investors have narrow geographic operations. In addition, the Firm may make more investments on behalf of a Fund in areas and markets served by the operations of its affiliate, PNC, and included in PNC's CRA assessment area due to the Firm's greater knowledge and experience in such areas. A conflict of interest would exist if the Firm uses its discretion to select investments in PNC's CRA area. However, these conflicts are mitigated by the Firm's Allocation Procedures which provide that investments are to be allocated on a fair and equitable basis over time and consistent with its fiduciary duties to the Funds.

PNC Bank and its affiliates and subsidiaries may use some of the same service providers (e.g., legal counsel, accountants and appraisal firms) as are retained on behalf of one or more Funds. In some cases, fee rates, amounts or discounts may be offered to PNC Bank, its affiliates and subsidiaries by a third party service provider which differ from those offered to the Fund as a result of scheduled or ad hoc rate changes, differences in the scope, type or nature of the service or transaction, alternative fee arrangements and negotiation.

While the risk of these conflicts cannot be eliminated, policies and procedures have been designed and implemented to address certain of these conflict situations and to seek to assure that the Funds transact on an arms' length basis from PNC and its affiliates when a potential conflict exists.

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

11.1. Code of Ethics and Personal Trading

The Firm has adopted a Code of Ethics ("Code") which consists of certain general principles including: (1) the interest of the Funds (and investors therein, if any) must be placed first at all times, unless disclosed to the contrary; (2) all personal securities transactions must be conducted consistent with the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; (3) access persons (as defined in the Adviser Act) should not take inappropriate advantage of their positions; (4) Firm personnel must comply with applicable federal securities laws; and (5) Firm personnel must comply with all applicable compliance policies and procedures of the Firm. In addition, the Code includes provisions relating to the reporting of personal securities holdings and trading activity. All access persons at the Firm must acknowledge the terms of the Code annually. A copy of the Code will be

provided to any client or prospective client upon request. The Firm's contact information appears on the cover page of this Brochure.

Firm employees are also subject to the PNC Business Conduct and Ethics Policy, among other policies and procedures, which cover matters including compliance with law, conflicts of interest, insider trading, outside activities, and safeguarding confidential information.

11.2. Participation or Interest in Client Transactions

As discussed in *Item 10. Other Financial Industry Activities and Affiliations*, PNC Bank may provide traditional lending, cash and/or treasury management and other services to a real estate investment in which a Fund has invested. However, such services offered by PNC Bank are separate from the management services provided by the Firm. Policies and procedures have been designed and implemented to address these conflict situations.

11.3. Investments in Securities Recommended to Funds

PNC and/or its subsidiaries and other investors may invest in real estate investments alongside the Funds at the same time and on substantially the same terms and conditions as a Fund's investment in such real estate investments. For a discussion of the allocation of investment opportunities, please refer to *Item 12. Brokerage Practices*. In addition, PNC and/or its subsidiaries may acquire or sell investments from or to a Fund, in which case the Firm will seek client consent, as set forth in relevant governing documents before completion of the transaction.

Item 12. Brokerage Practices

12.1. Broker Selection and Best Execution

The Firm does not expect to engage the services of a broker-dealer in the ordinary course of its advisory activities on behalf of the Funds. However, under certain circumstances, the Firm may engage the services of a broker-dealer. In those rare cases, the Firm seeks to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to the Funds. When it is appropriate to execute portfolio transactions through brokers or dealers, the Firm seeks the best overall terms available on behalf of a Fund. In assessing the best overall terms available for any transaction, the Firm considers the full range and quality of a broker or dealer's services and other considerations, including cost, expertise and reputation.

12.2. Allocation of Investment Opportunities

As discussed in *Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, PNC and/or its subsidiaries and other investors may invest in real estate investments alongside the Funds. The Firm's investment professionals will take steps to ensure that, to the extent practicable, such co-investments are made or sold at the same time and on substantially the same terms and conditions as a Fund's investment in such real estate investment. In addition, as discussed in *Item 10. Other Financial Industry Activities and Affiliations*, the Firm, PNC and/or PNC's subsidiaries pursue investment opportunities some of which are the same as, or similar to, those pursued by certain Funds for their own accounts, either directly or through proprietary funds or vehicles in which PNC or a subsidiary thereof represents the sole or principal

interest holder. These investment opportunities are generally limited in number and may not be fungible. The Firm could be viewed as having an incentive to source such investments for the benefit of PNC and to allocate investments which the Firm believes to be more favorable to PNC and/or its subsidiaries (other accounts in which PNC or a subsidiary has a significant interest) to seek to maximize returns. However, the Firm will allocate such investment opportunities in good faith in accordance with its Allocation Procedures, which generally provides that investment opportunities will be allocated among Funds and proprietary PNC accounts in a fair and equitable manner over time. To this end, the Firm generally evaluates each investment opportunity independently for each eligible Fund and account that it manages, including proprietary accounts.

12.2.1. LIHTC Funds Investment Allocation Procedure

LIHTC Fund characteristics are unique, with each LIHTC Fund's characteristics varying based on investor need and demand. The Firm believes that an investment opportunity will typically be most appropriate for a particular LIHTC Fund by virtue of its match to the LIHTC Fund's particular investment criteria and other Fund characteristics. As a result, the Firm allocates investment opportunities among LIHTC Funds by evaluating a variety of factors, which may include but are not limited to: (1) the investment objectives or strategies of each LIHTC Fund; (2) concentration of investments within various risk factors for a particular LIHTC Fund, including but not limited to geographic or developer concentration; and (3) size of the investment. LIHTC investments are not allocated to one account over another based on any of the following considerations: (1) to systematically favor one LIHTC Fund at the expense of another; (2) to generate higher fees paid by one LIHTC Fund over another or otherwise to produce greater compensation to the Firm; or (3) to manage or equalize investment performance among different LIHTC Funds. If the Firm determines, in its judgment, that an investment opportunity is appropriate for more than one LIHTC Fund, as part of the investment approval process, the Firm will document how it determined which LIHTC Fund is allocated the investment.

12.2.2. Preservation Funds Investment Allocation Procedure

The Firm evaluates a variety of factors in determining whether an investment is suitable for the various Preservation Funds. Not all investments will be suitable for every Preservation Fund or account. In the event that an investment is suitable only for one Preservation Fund or account, such investment will be allocated to that particular Preservation Fund or account. If an investment opportunity is suitable for more than one Preservation Fund or account, the Firm will follow a rotational process in allocating the opportunity so that each account is treated fairly and equitably over time in the allocation of investment opportunities. The application of a rotational allocation process means that a Preservation Fund should not be expected to participate in all eligible investment opportunities that arise during its investment period and that certain of such opportunities may be allocated to other Funds or to PNC and/or its subsidiaries. As noted above, Third Party Managed Funds are not subject to this rotational process.

Item 13. Review of Accounts

13.1. General Firm Activities

The Firm's investment professionals will actively monitor and review each Fund's investments on a periodic basis. During this process, the investment professionals analyze existing real estate assets in an attempt to identify issues early on and to take any necessary actions. The Investment Committees of the Funds will meet at such times as necessary or appropriate, to discuss the investment portfolio of each Fund and, as necessary, implement any action recommended by the Firm's investment professionals.

The Firm (or an affiliate) will provide written reports at such frequency as will be required by the applicable agreements with each Fund, including the limited partnership/operating agreement. However, the Firm (or an affiliate) will generally provide, among other things, (1) audited financial statements and other information on an annual basis in accordance with generally accepted accounting principles and (2) unaudited summary financial and other information on a quarterly basis, to the investors in a Fund. In addition, investors in a Fund may also be invited to an annual meeting at which general information is provided.

13.2. Preservation Funds

The Advisory Committees of Preservation Funds will, among other things: (1) annually review valuations of a Fund's investments and approve or disapprove any valuations required under the applicable limited partnership/operating agreement; (2) review (and, with respect to a Preservation Fund, approve or disapprove) any actual or potential conflicts of interest; and (3) consider any other matters required under the applicable limited partnership/operating agreements or otherwise determined by the applicable general partner/managing member.

The Preservation Funds produce quarterly reports for investors that include at a minimum a description of the financial performance of the underlying real estate investments, including but not necessarily limited to occupancy, cash flow, a comparison of projected to actual cash flow, and any proposed sales or dispositions.

13.3. LIHTC Funds

The Firm's senior management and portfolio managers periodically review operations of the LIHTC Funds' operating partnerships from inception to stabilization (*i.e.*, the period of time when an operating partnership has completed construction and leasing, the permanent mortgage, if any, has closed, and all equity is contributed). The Firm's senior management and portfolio managers also periodically review operations of any underperforming operating partnership, where such underperformance may be the result of any number of issues: real estate, general partner, developer, or investment-metrics related. The LIHTC Funds produce quarterly reports for investors that include, at a minimum, a description of the operations of the underlying real estate investments, including but not necessarily limited to occupancy, debt coverage ratios, a comparison of projected to actual net operating income, the results of any recent site visits, and any issues associated with the general partners/managing members of the underlying real estate investments. The LIHTC Funds also produce regular benefit schedules updating tax benefits

(credits and losses). In some circumstances, such as operational issues with an underlying real estate investment, the frequency of reporting will be more regular and more specific to an individual asset.

Item 14. Client Referrals and Other Compensation

Not applicable.

Item 15. Custody

The Firm may be deemed to have “custody” of the Funds within the meaning of SEC Rule 206(4)-2 under the Advisers Act. In compliance with that rule, each investor in a Fund will receive audited financial statements, in accordance with generally accepted accounting principles, within 120 days following the Fund’s fiscal year end (or within 180 days for a fund of funds). Investors should review these audited financial statements carefully. If you have invested in a Fund and have not received audited financial statements timely, please contact PNC Real Estate immediately at: 225 Fifth Avenue, 5th Floor, Pittsburgh, PA 15222, Attn: Chief Compliance Officer, Telephone: 412-467-1507.

Item 16. Investment Discretion

As discussed in *Item 4. Advisory Business*, the Firm provides, pursuant to a Management Agreement, investment management services to LIHTC Funds and to Preservation Funds. It is expected that Preservation Funds will grant the Firm discretionary authority to manage the Fund’s assets, subject to the overall supervision of the general partner/managing member of the Fund and any limits upon the Firm’s investment discretion established through negotiations with the investors in a Preservation Fund and/or its general partner/managing member. These limitations, which are negotiated on a case by case basis and will vary from time to time, are incorporated in a Preservation Fund’s governing documents. In general, the Firm advises LIHTC Funds on a non-discretionary basis.

Item 17. Voting Client Securities

17.1. General Principle

The Firm, subject to the approval of any general partner/managing manager, will exercise, on behalf of the Funds, any voting, consent and/or waiver rights with respect to investments held by Funds if designated by written agreement with the general partner/managing member. Although the investments that a Fund typically holds do not include proxy rights (i.e., real estate assets), the Funds may, from time to time and under certain circumstances, be asked to consent to matters or actions with respect to certain corporate actions. In the case of a Fund’s investment in another Fund managed by the Firm or an affiliate, the Firm will typically exercise the vote or consent of the first Fund based on the underlying consent of the first Fund’s investors, as set forth in the first Fund’s governing documents.

The general principle of the Firm’s Portfolio Securities Voting, Consent, and Waiver Policy is to exercise any such rights prudently and solely in the best long-term economic interest of the Funds

considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of such vote, consent or waiver

17.2. Portfolio Securities Voting, Consent, and Waiver Policy

The Firm's Portfolio Securities Voting, Consent, and Waiver Policy is designed to ensure that if a material conflict of interest is identified in connection with a particular vote, consent or waiver, the vote, consent or waiver is not improperly influenced by the conflict. For example, in the event that an investment professional determines that he or she may have a material conflict of interest, the investment professional may vote or consent to such matter in accordance with the recommendation of any service provider (if applicable) or as instructed by the investors in a Fund (or any advisory group thereof) (if applicable).

Written requests for copies of the Firm's Portfolio Securities Voting, Consent, and Waiver Policy and information about how the Firm exercised any voting, consent and/or waiver rights should be directed to PNC Real Estate at: 225 Fifth Avenue, 5th Floor, Pittsburgh, PA 15222, Attn: Chief Compliance Officer, Telephone: 412-467-1507.

Item 18. Financial Information

Not applicable.