

Item 1 – Cover Page

FIRM BROCHURE

March 19, 2024



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This brochure provides information about the qualifications and business practices of Pender Capital Management, LLC ("PCM" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at (310) 853-8001 or jason.aro@pendercapital.com. 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 Pender Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Please note that the use of the term "registered investment adviser" and description of PCM as "registered" does not imply a certain level of skill or training. You are encouraged to review this brochure and brochure supplements for information on the qualifications of our firm and its employees.

Item 2 – Material Changes

The most recent amendment to PCM's brochure was filed on November 16, 2023. Since the amendment, the following material changes were made:

- Item 4 Regulatory Assets Under Management were amended to reflect current assets.

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Item 4 – Advisory Business

Firm Description

Pender Capital Management, LLC is an independent investment advisory firm that acts as discretionary adviser to a continuously offered closed-end interval fund with limited liquidity registered under the Investment Company Act of 1940, focused on private CRE debt the Pender Real Estate Credit Fund (“the Fund”) and the PC ABL SMA 1, L.P. (the “SMA”) (each a “Client” and collectively the “Clients”). PCM personnel also participate in the origination and servicing of commercial mortgage loans as fully described in the Fund’s Form N-2 registration statement.

PCM was formed as a limited liability company in the state of Delaware in May of 2015. Its principal owners are Pender Capital, Inc. and Zachary Murphy. Pender Capital, Inc. is the majority owner of PCM and is an entity that is wholly owned by Cory Johnson.

PCM is an experienced fund manager that includes a team of investment professionals with more than 50 years of combined industry experience. PCM serves as the investment adviser to each of the Fund, and PC ABL SMA 1, LP including PC ABL SMA 1 GP, L.P. (the “General Partner”) General Partner.

Types of Advisory Services We Offer

The Fund is a continuously offered closed-end interval fund with limited liquidity, registered under the Investment Company Act of 1940, focused on private CRE debt and seeks to capitalize on factors such as the reduction in lending options, coupled with increased borrower demand for short-term loans, which as a result, has created a compelling investment opportunity for well-capitalized lenders. The SMA is a limited partnership established as a private fund established for the purpose of providing co-invest opportunities alongside the Fund. PCM specializes in managing a portfolio of real estate loans. The Clients are designed to provide investors with exposure to commercial real estate loans. PCM and its affiliates seek to identify real estate transactions that cannot be completed by traditional financing sources. Loan to Value (“LTV”) is a primary consideration for qualifying loans. In addition, PCM targets transactions with inherently strong borrower equity positions. PCM’s goal is to create a portfolio of loans that have attractive LTVs.

Tailoring of Advisory Services

PCM’s investment advice is tailored to the investment objectives, investment strategy and restrictions (if any) set forth in each Client’s agreement of limited partnership (as applicable), private placement memorandum, in the case of the Fund, its publicly available prospectus¹, and/or other agreements organized between PCM and Clients (collectively referred to as “Offering Documents”). PCM’s investment advice is not tailored to individual investors. The Clients have set forth the investment criteria in each respective Offering Document, which describes the types of qualified loans in which the Clients may invest, LTV restrictions, investment restrictions, and the allocation of investment opportunities. The SMA was established for the purpose of providing exposure to co-investment opportunities alongside the Fund in the portfolio of real estate loans managed by PCM. This relationship was separately negotiated between PCM and the SMA Client.

Wrap Fee Programs

¹ https://www.sec.gov/ix?doc=/Archives/edgar/data/1929777/000121390023019838/ea151295_424b3.htm

We do not offer wrap fee programs.

Regulatory Assets Under Management

The investment strategy includes providing exposure to short term (12-month standard term), senior position (no junior or mezzanine position), commercial real estate backed bridge loans to borrowers with significant equity participation (65% LTV target) of income producing commercial real estate assets (no land development, or heavy construction loans) via direct investments made by the Clients, together with its affiliates. The Fund, via its REIT subsidiary, strategically targets loans varying in size up to 10% of the total capital contributions of all partners and loans are geographically dispersed across the United States. The SMA co-invests in opportunities alongside the Fund, by purchasing a participating interest in each applicable loan invested by the Fund. The SMA participates in each such loan by co-investing the lesser of \$2,000,000 and 20% of the principal balance of the loan originated.

As of December 31, 2023, PCM manages \$389,137,904 in discretionary regulatory assets under management. PCM does not manage assets on a non-discretionary basis.

Item 5 – Fees and Compensation

How We Are Compensated For our Services

PCM and its affiliates are generally compensated for investment management services through receipt of management fees, a distribution of investment cash flow above a hurdle rate, underwriting and origination fees (as applicable), and loan servicing fees. The fees charged to each of the Clients are detailed in each Client's Offering Documents and separately negotiated with each Client.

Pender Capital Asset Based Lending SMA 1, L.P.

PCM is entitled to fees and expenses as disclosed within its prospectus, which include an investment management fee, incentive fee, loan servicing fee and additional fees and expenses as explicitly disclosed within the Fund's prospectus.

The General Partner of the SMA is entitled to management fees as set forth in the Offering Documents. All capitalized terms not hereinafter defined shall have the meaning ascribed in the Offering Documents. Distributable Proceeds from any Investment shall be apportioned preliminarily among the Partners in proportion to their Sharing Percentages with respect to the applicable Investment. The amount so apportioned to any Affiliated Partner shall be distributed to such Person, and the amount so apportioned to each other Partner shall be distributed between the General Partner and such Limited Partner as follows:

- (a) First, 100% to such Partner until such Partner has received cumulative distributions pursuant to this Section 4.2(a) equal to such Partner's aggregate Capital Contributions made on or prior to the date of such distribution.
- (b) Second, 100% to such Partner until the Unpaid Preferred Return of such Partner is reduced to zero.
- (c) Third, thereafter, (i) 20% to the General Partner and (ii) 80% to such Partner.

PCM shall receive an annual Management Fee equal to 1.25% of an amount equal to the Non-Affiliated

Partners' Percentage of Net Drawn Capital. The Management Fee shall be paid on a quarterly basis in advance on January 1, April 1, July 1, and October 1 of each year. The Management fee shall be reduced by an amount equal to the Non-Affiliated Partners' Percentage of any Transactions Fees received by a Pender Person during the immediately preceding quarterly period. Organizational Expenses in excess of \$100,000 shall reduce the Management Fee as set forth in the SMA offering documents.

Partnership shall pay or reimburse the General Partner, the Management Company or any Person advancing payment of such expenses, all Partnership Expenses. In addition, the Partnership, the General Partner, the Management Company or any member thereof may charge a Portfolio Investment and/or potential Portfolio Investment for any expenses to the extent PCM reasonably determines such expenses are attributable to such investment and/or potential investment or liquidation thereof.

How Clients are Billed

PCM and its affiliates may incur costs and expenses contemplated in the Offering Documents on behalf of the Clients and then seek reimbursement by each Client, on a pro-rata basis, as applicable.

Other Fees and Expenses

The Clients will bear their own operating expenses as more fully described in each respective Offering Documents. These expenses include, but are not limited to, the following: (a) the costs and expenses of evaluating, originating, servicing, managing and disposing of its investments, including Property Management Expenses (whether or not consummated); (b) legal, accounting, consulting and other fees or compensation of service providers to, or co-venturers of the Fund (including costs and fees of third party loan servicers, if any); (c) interest and other fees and expenses on indebtedness incurred by the Partnership; (d) insurance premiums; (e) printing, advertising, travel, filing and similar fees and expenses; (f) foreclosure, litigation and indemnification expenses; and, (g) as applicable, Designated Loan Expenses as more fully described in each Client's Offering documents.

Termination and Refund

Terminations and Refunds are provided as set forth in each Clients Offering Documents.

Commissionable Securities Sales

We do not sell securities for a commission.

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

PCM receives performance based fees as disclosed in its Offering Documents. Each Client is charged a similar fee structure reducing the potential conflict of interest faced when managing various Client accounts at the same time. Further, the SMA is a participating entity that only participates on a pro rata basis in a loan originated by the Firm when the Fund is also participating. The SMA is subject to limitations on individual loan asset participation which reduces any potential for preferential performance based fee arrangements.

Item 7 – Types of Clients

PCM provides discretionary investment advisory services to the Fund, a Registered Fund under the

Investment Company Act, and to the SMA as the General Partner of a pooled investment vehicle operating as limited partnership exempt from registration as investment companies pursuant to Section 3(c)(5) of the Investment Company Act. The SMA's investors are accredited investors, qualified clients, and/or qualified purchasers.

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

The information below is intended to provide a high-level summary of the investment strategies and risks of loss associated with each Client. It is both superseded and supplemented by information in the Offering Documents as applicable for each Client. Investors should review all Offering Documents in their entirety prior to investing.

We use both quantitative and qualitative factors to assess the risk-reward potential of each loan investment, as well as the overall composition of the Fund's portfolio. When making a decision with respect to an investment, the following are the primary considerations: (i) strength of the sponsor(s) of the loan investment (history and past performance of sponsor; evaluation of real estate business plans), (ii) strength of the loan investment (current value, past performance and future anticipated performance), (iii) real estate sector and geographic location, (iv) loan amount, and (v) Loan-To-Value of the investment

Risk of Loss

An investor's decision to invest in the Clients entails risk. All investments have risk of loss, including loss of your investment. There are no guarantees that any past success of the Clients will result in positive investor investment returns in the future. Private investment partnerships have their own set of risks, including but not limited to; lack of liquidity and diversification, strategy risk and conflicts of interest related to affiliated party transactions as set forth below.

A more complete discussion of the risks associated with an investment in the Clients is set forth in each Client's Offering Document, and investors are encouraged to carefully review the Offering Documents prior to making an investment decision.

Description of Material, Significant or Unusual Risks

Investments related to real property carry specific risks, including but not limited to:

- borrower default risk dependent on the ability of borrowers to repay their loans;
- foreclosure risk and local rules and regulations affecting the ability to foreclose on properties;
- vacancy rates and general financial condition of buyers and sellers;
- condemnation, environmental, contamination and eminent domain;
- federal, state and local regulations and/or ordinances affecting the purchase, sale or management of properties;
- litigation and insurance risk; and
- geographic market concentrations, general credit risk and other risks.

The Client's investments, including those of its affiliates are speculative, and profitability depends on the ability of our borrowers to repay their loans. The ability of a borrower to repay may be affected by local, regional, and national real estate market and economic conditions beyond control of the Clients. Such economic conditions include but are not limited to, natural disasters, pandemics, and other

uncontrollable natural disasters affecting borrower ability to repay.

Each type of property on which we underwrite loans has its own specific set of risks, including:

- general economic conditions;
- business conditions;
- local market competition and conditions, including competing with additional institutional lenders;
- cybersecurity incidents and technology failure can also cause catastrophic loss for any investment manager; and
- competition amongst loan originators can vary from market to market, and the Client's returns can be affected by heavy competition in the loan origination space.

Interest Rate Risk

Rising or falling interest rates may increase the risk associated with PCM's investment strategy, including but not limited to: increased competition; the ability of PCM and its affiliates to close loans at targeted interest rates; and a borrower's ability to refinance an existing loan and lower investment returns due to the inability to close loans at higher interest rates.

Concentrated Investment Strategy Risk

It would not be appropriate for an investor to invest a substantial portion of its wealth in any single investment or fund. An investment in each Client should be part of a comprehensive investment portfolio strategy, which includes a broad diversification of investments. Our strategy lacks broad diversification since we invest in a specific type of investment, real estate asset backed loans.

Risk Associated with Borrowing

The Firm may utilize bridge financing to cover amounts that have been called or expects to call as capital contributions in order to close on qualified loans. These borrowings may be secured by all or a part of the loan portfolio. Any borrowing will have the effect of leveraging the portfolio which involves risks to clients. The Firm intends to reduce such risks by repaying bridge loans as soon as possible after receipt of capital contributions but no such risk can be completely mitigated.

Borrower Concentration Risk

PCM may finance one or more properties held by the same underlying borrower. This practice may have the effect of concentrating the risk of default to a limited number of critical borrowers, increasing the risk of multiple defaults associated with the same borrower and potentially resulting in losses to the Fund. In order to reduce this risk, PCM subjects all borrowers to rigorous qualification standards. Financing is only extended to strong borrowers, who at the time of lending, are both willing and able to pay for financing at interest rates commensurate with the level of risk.

Incomplete Information Risk

Financial objectives have been based on assumptions, analyses, forecasts and other statistics derived from sources that PCM believes to be reliable. If such sources are inaccurate, incomplete, or even false, such reliance could impair overall results of the investment strategy and complete loss of investment. This includes the risk of inaccurate information received from prospective borrowers when determining the suitability of potential loan counterparty.

Principal Repayments as a Source to Repay Unreturned Capital

PCM intends to cause the strategy to retain all or any principal repayments for purposes of investing in additional qualified loans or maintaining or improving collateral. Principal repayments for reinvestment will therefore be unavailable for return to Clients. In turn, Clients will have a reduced ability to withdraw investments subject to risk that PCM determines that the proposed withdrawal will impair the capital or operation of the Fund. No reserves will be set aside for withdrawals and PCM is not required to liquidate any assets to pay for withdrawals. If there are insufficient principal repayments, then PCM may not be able to make any payments to withdrawing partners.

Risk of Loss of Services of Management & Key Man Risks

The loss of services of any of the members of PCM management or Advisory Board members for any reason, including through termination, departure, death, disability, natural disaster or general unavailability, could have a material adverse effect on the Client's ability to achieve its objectives. Moreover, among the members of management, Mr. Cory Johnson is the sole manager of PCM and he controls that entity. Loss of his services would have a material adverse effect on Client performance. Accordingly, no person should invest with PCM unless he or she is willing to face the possibility that PCM, Mr. Cory Johnson and other members of management may no longer be involved in managing the portfolio.

Fees Payable to the PCM and Its Affiliates May Affect PCM's Investment Decisions

PCM and as applicable the General Partner, directly or through its affiliates, are entitled to certain fees such as the Management Fee, the Loan Servicing Fee, Net Origination Fees, if any, and underwriting and other fees charged to the borrowers as set forth in the applicable Offering Documents. There may be an incentive to enter into certain loan transactions that are either riskier or have lower returns, or hold loans for extended periods of time, in order to generate fee income. PCM has attempted to mitigate the risk of this potential conflict through other aspects of the PCM's compensation and the partnership's structure, including any hurdle set forth in the Offering Documents. However, while this structure is based on management's attempt to balance the respective interests of the parties, no independent third party has determined the fairness or reasonableness of any aspect or the whole of PCM's compensation.

Conflicts May Arise Due to Co-Investments

The Clients have co-invested in, and or may co-invest in the future in one or more loans. This may cause control rights to those assets to be relinquished to other parties which may have different interests or superior rights than a PCM Client. Any co-investment will subject each Client to the risks typical with co-investors, including different goals and interests, financial difficulties of co-investors affecting their ability to perform their obligations and liability for the actions of co-investors.

Risk of Foreclosure and Real Estate Owned Property

PCM and/or its affiliates may be required to foreclose on the interests of a borrower who is unable to meet their loan repayment obligations. In the event that any collateral securing a loan is foreclosed upon, investment cash flow consistent with any excess of the proceeds received from an eventual disposition of such collateral over unpaid principal amount of the loan shall be returned to each client's prorated proportion of ownership. However, there is no guarantee that in the event PCM is required to take possession of any collateral, that PCM will be able to successfully stabilize the property and return all principal amounts. The real estate owned collateral will potentially incur substantial costs such as broker fees, property management fees, and in some cases rehab fees, which may require additional injection of capital to realize the full potential value. In addition, PCM and its clients may be subject to

laws and regulations that may limit the ability to foreclose and enforce other remedies which may impair the Firm's ability to generate sufficient income to achieve its financial objectives.

Selling and Restructuring Non-Performing Assets

PCM may sell real property or loan assets to potential purchasers (each, a "Purchaser") who may receive carryback financing from the applicable Fund holding the asset, in order to facilitate the restructure of the Fund's position in certain nonperforming and potentially impaired assets. While the PCM anticipates the restructure to maximize return on investment, there is no guarantee that such restructure will result in a higher return on investment and may result in further sustained losses to any applicable Fund given the nonperforming character and potentially impaired position assumed by one or more Purchasers. Such restructuring may include unique deal terms that are outside of the Firm's traditional underwriting guidelines in order to stabilize such assets while transitioning the day to day expenses associated with such assets to the Purchaser in an attempt to preserve the capital invested.

PCM may not require Purchasers to personally guarantee a loan to the extent carryback financing is offered as a part of the deal structure. Deal terms may include situations where the applicable Fund will be required to impair or otherwise cover the short fall following a realization or disposition event by the Purchaser, that results in proceeds to the Fund that are insufficient to cover the principal investment made by the Fund.

Despite the restructure of such nonperforming or potentially impaired assets constituting a liquidation or realization event for the Fund, such assets may impact the Fund's valuation.

PCM believes that the aforementioned restructure of non-performing assets may reduce liability to the Fund, while contemporaneously transitioning liabilities and operating expenses associated with such assets to a reputable Purchaser with a track record of stabilizing non-performing assets.

Conflicts May Arise in Providing Property and/or Asset Management Services

PCM and/or its affiliates may receive customary fees for providing property and/or asset management services to or for the benefit of any real property that serves as collateral to a loan or in which any Fund takes possession. Providing such services for a borrower may increase the risk of lender liability claims against any participating Fund managed by PCM, and/or its respective affiliates. This risk is heightened where the applicable Fund forecloses on an investment, and the PCM or its affiliates thereafter takes possession of a property. Specifically, the borrower may claim that the PCM or its affiliate provided property management services to intentionally mismanage the property to cause a foreclosure event to enable the applicable Fund to take possession of the property. While such services may increase the number of lender liability claims against the applicable Fund holding the investment, PCM and/or their respective affiliates does not believe such services will increase the likelihood of a borrower actually filing a claim against any such Fund in connection with a foreclosure or increase the likelihood of success on the merits of any such claim. PCM also believes that any lender liability exposure created as a result of such property or asset management services is outweighed by the benefit of being more involved with the management of the property, including obtaining real-time visibility into the financial performance and operations of the property, which may promote more efficient, accurate and standardized reporting by borrowers to the applicable Fund. Furthermore, PCM expects that any entity providing property or asset management services to a borrower will maintain industry standard insurance that covers, among other things, lender liability claims.

Risks Relating to Compliance with Applicable Law and Changes in Law

PCM is subject to regulations at the federal, state and local levels, including regulations on lending. Such regulations are continually proposed and amended. A violation of applicable law or failure to comply with regulatory requirements could result in serious penalties, for example, revocation of required licenses or registrations, loss of approval status, termination of contracts without compensation, damages, fines, penalties, investigation costs and litigation costs. Although PCM will endeavor to comply with all applicable regulations and to obtain all required licenses, there is no assurance that PCM or the Client will always be compliant or that there will not be allegations of non-compliance even if PCM and the Clients were or are fully compliant.

REIT Subsidiary Election

As it relates to the Fund, PCM's strategy takes advantage of REIT tax benefits. There can be no assurance that any potential REIT subsidiary's expected election to be taxed as a REIT for U.S. federal income tax purposes can be made, or, if made, can be continued. If a REIT subsidiary fails to qualify or fails to maintain its qualifications, it will be subject to tax on its taxable income at regular corporate rates. For a more detailed discussion on the investment strategy and risk, we strongly encourage investors to review the Offering Documents.

Effect of Health Crises and Other Catastrophes

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on the Client and PCM's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations. In addition, under such circumstances the operations, of PCM and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets performance.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

Item 9 - Disciplinary Information

PCM was significantly impacted by the global pandemic known as COVID-19 causing illness and disrupting businesses worldwide, beginning in Q1 2020. Federal, state and local mandates required PCM's corporate office to close, and employees to work from home. PCM, along with thousands of other businesses, were forced to create processes for remote work where no such infrastructure existed previously. In the midst of this chaos, on March 13, 2020, California ordered a statewide shut down just ahead of the deadline to file the Fund's Annual report with the California Department of Business Oversight (DBO). As a result, PCM entered a consent order with the DBO on April 27, 2020, and paid an administrative penalty of \$4,000 related to the untimely filing of the Fund's 2019 CFL Annual Report.

Other than disclosed above, there are no legal or disciplinary events that are material to a client's or

prospective client's evaluation of the PCM's advisory business or the integrity of the PSM's management persons at this time.

Item 10 – Other Financial Industry Activities and Affiliations

No management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker dealer, nor do we have any management persons registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated trading advisor.

However, the Fund maintains a California Commercial Finance Lenders License in order to facilitate the process of originating commercial mortgage loans.

Conflicts of Interest arising out of other activities of Management

Each member of Management devotes such time as they deem necessary and appropriate to the business and affairs of each Client. Members of Management are not involved, directly or indirectly through any affiliates, in other entities whose investment activities overlap with those of the Clients.

Item 11 – Code of Ethics

PCM has adopted a Code of Ethics in accordance with Rule 204a-1 under the Advisers Act, which is applicable to all members of the Firm, including the Managing Directors and all other professionals of PCM.

The purpose of our Code of Ethics is to promote honest, ethical conduct and compliance with the law, particularly as it relates to the maintenance of the Firm's financial books and records and the preparation of its financial statements. Our Code of Ethics contains and as finance professionals, all members of the Firm are expected to follow the following principals:

- engage in and promote ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and to disclose to Senior Management, any material transaction (including gifts and entertainment and other gifts of value) or relationship (including all outside business activities) that reasonably could be expected to give rise to such a conflict;
- maintain the confidentiality of our investors data;
- carry out their responsibilities honestly, in good faith, and with integrity, due care and diligence, exercising at all times their best independent judgment;
- assist in the production of full, fair, accurate, timely and understandable disclosure in reports and documents that the Firm and its subsidiaries file with, or submit to, the SEC and other regulators and in other public communications made by the Firm;
- comply with applicable laws, rules, and regulations of federal, state and local governments, and other appropriate regulatory agencies;
- report receipt of material non-public information and conduct business with sophisticated awareness of potential insider trading rules that apply to our business;
- promptly report (anonymously, if they wish to do so) to Senior Management any violation of this Code of Ethics or any other matters that would compromise the integrity of the Firm's financial statements; and

- never to take, directly or indirectly, any action to coerce, manipulate, mislead, or fraudulently influence the Firm's independent auditors in the performance of their audit or review of the Firm's financial statements.

An investment adviser is considered a fiduciary, and our Firm has a fiduciary duty to all of our clients. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times.

Neither our Firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our Firm or a related person has a material financial interest.

The Code of Ethics will be provided upon request by any Client, as well as any current or prospective investors in any Client vehicle.

Conflicts of Interest

Fees payable to the PCM and its affiliates may affect the investment decisions made by the Firm.

PCM, directly or through its affiliates, is entitled to certain fees that are not available to its investors (e.g., the Management Fee, the Loan Servicing Fee, share of any Net Origination Fees and underwriting fees charged to the borrowers). Such fees are not tied to the Client's interest income, but are instead based, in the case of Origination, loan servicing, and other fees, on the amount of principal on borrower's loans. There may be an incentive for PCM to enter into certain loan transactions that are either riskier or have lower returns, to generate fee income for PCM.

The hurdle of each applicable Client and Firm distribution split may affect the investment decisions the Firm makes on behalf of each Client.

Any distribution split, which entitles PCM to receive 10% of the distribution made from the investment activity, after allocation of the hurdle set forth in each Client's Offering Documents, is intended to incentivize PCM to seek investments that would generate high returns for the Clients. However, PCM might seek these higher returns even if the loans would be disproportionately riskier than loans with lower returns.

Conflicts may arise due to co-investment

The Clients may co-invest in one or more loans with PCM, certain Clients, and/or their respective affiliates, and with strategic investors, lenders and/or third parties through joint ventures or other entities. Although the Clients will initially retain control rights in every transaction, in certain cases, the co-investing party may have different interest or superior rights to those of the Clients.

Conflicts may arise out of withdrawals by Partners

No reserves will be set aside for withdrawals, and PCM is not required to liquidate any asset to pay for withdrawals. If there are insufficient principal repayments, PCM may be unable to fund the withdrawal of other investor or Client.

Other conflicts of interest may exist. Please review the conflicts of interest section of each Client's Offering Documents for more information and discussion regarding how PCM mitigates such risks.

In order to minimize these potential conflicts of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics.

Item 12 – Brokerage Practices

PCM specializes in managing portfolios of real estate loans, and the Clients are designed and formed to provide investors with a real estate lending investment vehicle. PCM's investment advice is limited to advising on such types of investments. As such, PCM does not have traditional brokerage relationships with broker/dealers who execute trades of publicly available securities.

Soft Dollar Benefits

PCM does not receive any Soft Dollar Benefits.

Brokerage for Client Referrals

PCM does not recommend any broker/dealer, and therefore does not receive any client referrals from a broker/dealer or third party.

Directed Brokerage

PCM does not recommend, request or require that a client direct or execute transactions through a specific broker/dealer.

Item 13 – Review of Accounts

PCM currently acts as each Client's investment adviser. PCM continuously monitors all investments for adherence to the investment objectives, policies, and restrictions of the Clients. In addition, each Client receives a copy of the audited financial statement report prepared by an independent auditor.

PCM utilizes qualified custodians to hold custody of our investors.' Such custodians may charge a custodial fee for this service and are required to send periodic statements to each Client with a custodial agreement.

Item 14 – Client Referrals and Other Compensation

PCM does not use any placement agents or marketing agents currently but reserves the right to do so. PCM does not currently receive any additional compensation beyond that which is described in this Brochure.

Item 15 – Custody

PCM is deemed to have custody of client fund assets and securities. The Firm has engaged an independent CPA firm to audit the Clients and complete audited financial statements within 120 days of the fiscal year-end. Copies of the audited financial statement reports are sent to each investor. Investors are encouraged to raise any questions with us about the custody and security of their assets.

PCM advises on the transaction in interests of privately offered securities. The Clients hold and invest in only privately offered securities. As such, PCM is not required to hold privately offered securities interests with a qualified custodian or generate an internal control report.

PCM has relationships with qualified custodians to hold custody of investors' interest in the Clients. Such custodians may charge a custodian fee for this service and are required to send periodic statements to each client with a custodial agreement.

The SEC issued a no-action letter with respect to Rule 206(4) -2 under the Investment Advisers Act of 1940. The letter provided guidance on the Custody Rule and clarified that an adviser who has the authority to disburse client funds to a third-party under a standing letter of instruction is deemed to have custody. As a result, our Firm has adopted the following safeguards in conjunction with our custodians:

- the client provides an instruction to the qualified custodian, in writing, which includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed;
- the client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time;
- the client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer;
- the client has the ability to terminate or change the instruction to the client's qualified custodian;
- the investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction;
- the investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser; and
- the client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Item 16 – Investment Discretion

PCM has discretionary authority to trade securities held by the Clients through its affiliated General Partner. PCM does not manage Client assets on a non-discretionary basis.

Item 17 – Voting Client Securities

PCM does not vote client securities, because the securities in which the Clients invest are privately held debt securities.

Item 18 – Financial Information

PCM does not require the prepayment of more than \$1,200 in fees and six or more months in advance, nor has PCM ever been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisors

PCM is not registered with one or more state securities authorities.