

**Part 2A of Form ADV: Firm Brochure**

**PREP Investment Advisers, L.L.C.  
200 West Madison Street, Suite 2800  
Chicago, IL 60606  
(312) 499-1900**

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This Brochure provides information about the qualifications and business practices of PREP Investment Advisers, L.L.C. ("**Pearlmark**"). If you have any questions about the contents of this Brochure, please contact us at [dlyons@pearlmark.com](mailto:dlyons@pearlmark.com) or 312.499.1952, Douglas W. Lyons or at [Robert.Pearce@conning.com](mailto:Robert.Pearce@conning.com) or 860.299.2151, Robert Pearce. 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 Pearlmark is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Pearlmark is an SEC reporting investment advisor. An investment advisor's registration or reporting with the SEC does not imply a certain level of expertise, skill or training. The registration or reporting does not imply a recommendation by the SEC or any state securities authority.

This Cover Page constitutes Item 1 to the Pearlmark Firm Brochure, Form ADV, Part 2A.

Item 2. Material Changes

None

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Item 4. Advisory Business

PREP Investment Advisers, L.L.C. ("**Pearlmark**" or the "**Firm**") is a wholly owned subsidiary of Pearlmark Real Estate, L.L.C. ("**PRE**" and collectively with the Firm, "**Sponsor**"). Pearlmark provides investment advisory services to privately offered commingled real estate funds and separate accounts for institutional and high net worth clients. With respect to such separate accounts, the Firm currently advises separate accounts solely with respect to real estate assets and, therefore, does not currently provide advice with respect to securities to any separate account. Pearlmark currently advises three Sponsor-affiliated private real estate funds. On March 28, 2023, PRE and Conning & Company, a Hartford, CT based investment management firm consummated a strategic acquisition transaction for PRE pursuant to which C&C now owns 55.5% of PRE and the Principals along with two other PRE senior executives own the balance of the interests in the newly recapitalized PRE platform.

Sponsor is a Chicago-based private equity real estate investment manager with offices in Denver, CO, Irvine, CA and New York City whose business relates back to 1996. It makes real estate related investments in various property sectors and markets across the United States (and occasionally in Canada) primarily on behalf of institutional investors, including endowments and foundations, insurance companies, corporate and public pension funds, as well as high net worth individuals. Sponsor and its predecessors had nearly \$1.2 billion of gross real estate related assets under management as of December 31, 2023.

Sponsor has a team of approximately 26 experienced professionals focused primarily on value-add and income-oriented investments under two platforms: (1) multi-family, office and industrial assets and (2) real estate high-yield debt and preferred equity investments ("**mezzanine debt**"). The overall synergies among the various investment teams have created an effective internal network that Sponsor believes is a comparative advantage. Sponsor also maintains in-house asset management, capital markets and portfolio management teams, providing streamlined execution of property business plans. Industry veterans Stephen R. Quazzo and Douglas W. Lyons guide Sponsor's day to day management and investment committees.

Sponsor's senior team has over 250 years of collective commercial real estate investment, capital markets, asset management, and portfolio management experience across the real estate spectrum and through numerous investing cycles. This depth of experience of the senior management team has translated into a broad network of industry relationships including local operating partners, financial institutions, brokers and other owners who are integral to sourcing investment opportunities in a highly competitive environment. Additional information regarding Sponsor is available at [www.pearlmark.com](http://www.pearlmark.com).

Pearlmark provides investment advisory services for direct and indirect investments in commercial real estate and mezzanine debt directly or indirectly secured by real estate.

As the adviser to commingled private real estate vehicles sponsored by Sponsor (individually a "**Fund**" or, collectively, "**Funds**") and to separate accounts, we:

- Identify, evaluate, and execute investment opportunities.
- Secure investment financing (when applicable).

- Manage and monitor investments.
- Prepare asset valuations and financial reporting.

Pearlmark provides investment advisory services to Funds and separate accounts for high net worth individuals and institutional clients that invest in real estate, real estate mezzanine debt or other real estate related investments. Interests in the Funds will be exempt from registration under the Securities Act of 1933, as amended, and the Funds will be exempt under the Investment Company Act of 1940, as amended. As such, the Funds will only be offered via "private offering," and will be intended only for investment by "accredited investors." The investment guidelines for the Funds will be defined in the PPM and Governing Documents (as defined below) for each Fund. The investment guidelines for any separate accounts will be defined in the advisory agreements for such separate accounts. As of December 31, 2023, the Firm had \$477,040,900 of regulatory assets under management, all of which is managed on a discretionary basis.

#### Item 5. Fees and Compensation

##### **Management Fees**

Compensation earned by Pearlmark and its affiliates for the provision of investment advisory services to Funds are and/or will be comprised of fees based on (1) a percentage of capital committed and contributed for Funds that are in their investment periods, and/or (2) a percentage of capital contributed, net of distributions of capital, for Funds that are no longer in their investment periods ("**Management Fees**"), plus performance-based interests ("**Performance Fees**"), plus, in some cases, acquisition, origination, accounting, exit, and/or yield maintenance fees ("**Transaction Fees**"). Management Fees, Performance Fees and Transaction Fees will vary by Fund and as such, Pearlmark does not have a fee schedule. Further, because Management Fees, Performance Fees and Transaction Fees of Funds will be set and determined at the Fund level, Management Fees, Performance Fees and Transaction Fees for Funds will generally be non-negotiable.

Management Fees to Pearlmark will generally accrue and be billed monthly in arrears and will commonly be paid from Fund income or capital and reflected in the Fund's quarterly financial statements.

Performance Fees will generally be equal to a percentage of net realized profits after restoring any loss carried forward from prior years and achieving a threshold annual return on invested capital. Performance Fees to a Pearlmark affiliated Fund manager will be comprised of a distribution of the investment proceeds of the Fund and are referred to as the "**Carried Interest**."

Transaction Fees to Pearlmark will generally be payable upon the closing of a given Fund investment and will be reflected in the Fund's quarterly financial statements, as applicable.

Compensation to Pearlmark for investment advisory services to be provided to a Fund sponsored by Pearlmark will be outlined in the applicable Fund's PPM and Governing Documents.

Compensation for separate account advisory services ("**Separate Account Fees**") will be set forth in the advisory agreement between Pearlmark and the client. Separate Account

Fees may take the form of Management Fees, Performance Fees and Transaction Fees or may be calculated in a different manner. Separate Account Fees (and any Start-up Expenses or Operating Expenses) will be negotiated with each Separate Account client and as such, Pearlmark does not have a fee schedule. Separate Account Fees (and any Start-up Expenses or Operating Expenses) will be payable as set forth in the applicable advisory agreement.

In addition to the Management Fees, Performance Fees and Transaction Fees outlined above, Pearlmark and its affiliates will generally be reimbursed for start-up expenses ("**Start-Up Expenses**"). Start-Up Expenses are typically limited and the amounts and eligible expenses are outlined in a Fund's PPM and Governing Documents or the applicable advisory agreement.

### **Operating Expenses**

Each Fund is and/or will be expected to bear all expenses related to its operations as set forth in its Governing Documents ("**Operating Expenses**"), which typically include travel costs, fees and other out-of-pocket expenses directly related to the investigation of investment opportunities (whether or not consummated) or visits to the investors, the Fund's share of the acquisition, ownership, financing (including loan origination fees and cost and debt service payments), hedging or sale of investments, taxes, fees of auditors, administrators, custodians, due diligence providers, research, appraisers and counsel, expenses of the Advisory Committee and the investment committee, insurance, litigation, information technology expenses, expenses associated with the preparation and distribution of reports to investors and any extraordinary expenses. Fund Operating Expenses are described in a Fund's PPM and/or Governing Documents.

Pearlmark's clients do not pay fees in advance of their being incurred. Neither Pearlmark nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees.

### **Co-Investment Vehicle Fees and Expenses**

In certain cases, a co-investment or other similar vehicle established to facilitate certain investors to invest alongside a Fund may be formed in connection with the consummation of a transaction. In connection therewith, certain expenses relating to the co-investment vehicle, the making of the underlying investment and/or so-called dead deal costs if the transaction is not consummated (including some incurred solely for the benefit of the co-investment vehicle) will be borne by the applicable Fund as permitted by its Governing Documents. In addition, Sponsor and its affiliates have discretion to (i) receive Management Fees, Performance Fees, Transaction Fees and/or Carried Interest or other compensation from such co-investors, and (ii) collect customary fees in connection with actual or contemplated investments that are the subject of co-investment arrangements.

## Allocation of Expenses

From time to time the Firm will be required to decide if or whether certain fees, costs and expenses (individually and collectively, “**Allocable Costs**”) should be borne by the Firm, PRE, a Fund, co-investors and/or a third party (each, an “**Allocable Party**”). The Firm allocates Allocable Costs in accordance with each Fund’s Governing Documents and if not so addressed in the Governing Documents, the Firm will make determinations among Allocable Parties in a fair and reasonable manner using its sole but good faith judgment. Allocation methodologies may include pro rata allocation based capital commitments, investment values and/or location, relative benefit received, or such other equitable methods as determined by the Firm in its sole but good faith discretion. The Firm may make corrective allocations from time to time amongst Allocable Parties if it determines they are necessary or advisable to ensure that any such allocation is equitable on an overall basis. Furthermore, while unlikely, it is possible that one Allocated Party could default on its obligation for Allocable Costs resulting in a further reallocation which could be perceived as having a disproportionate burden on the other Allocable Parties.

## Item 6. Performance-Based Fees and Side-By-Side Management

The existence of compensation based upon a Carried Interest may create an incentive for Pearlmark and the Fund manager to cause a Fund to make more speculative investments than would be the case if there were no Carried Interest. However, neither we nor any related party will receive performance-based payments if the investors in a particular Fund do not receive a return of their invested capital and a stated preferred return. We believe that the subordination of performance-based fees to Fund (and investor) returns aligns our interest with those of investors in the Fund and tempers this risk.

## Item 7. Types of Clients

Pearlmark provides and/or will provide investment and real estate advice to certain privately offered commingled real estate funds sponsored by Sponsor. Investors in such Funds may include endowments, foundations, insurance companies, public and private pension funds and high net worth individuals. We expect that any new Fund that we advise will be a privately offered commingled investment vehicle and will generally require a minimum commitment by each investor of \$5,000,000. However, any such Fund’s managing member will have the discretion to waive or reduce the minimum commitment. Pearlmark may provide separate account advisory services related to real estate related investments for high net worth individuals and institutional clients.

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

This Brochure may be provided to prospective investors in a Fund, together with the Fund’s private placement memorandum (“**PPM**”), organizational documents and other related documents (“**Governing Documents**”), in connection with an investor’s consideration of an investment in the Fund. While this Brochure may include information about the Fund, it does not represent a complete discussion of the features, risks or conflicts associated with the Fund. More complete information about the Fund is included in its PPM and other Governing Documents.

Pearlmark currently advises the following vehicle(s):

- Pearlmark Mezzanine Realty Partners IV, L.P. ("**Mezz Fund IV**") was sponsored by Sponsor and invested in real estate mezzanine debt and preferred equity diversified by geography, underlying property type, borrower and risk/return profile. Mezz Fund IV is fully invested.
- Pearlmark Mezzanine Realty Partners V, L.P. ("**Mezz Fund V**" and together with Mezz Fund IV, the "**Mezz Funds**") was sponsored by Sponsor to invest in real estate mezzanine debt and preferred equity diversified by geography, underlying property type, borrower and risk/return profile. Mezz Fund V focuses on providing mezzanine debt and preferred equity for high quality, well-located real estate assets throughout the U.S., with reputable and well-capitalized equity owners and structured to provide current income and safety of principal relative to equity real estate investments.
- Pearlmark Equity Partners II, L.P. and Pearlmark Equity Partners II-PL, L.P. (collectively, "**PEP II**") was sponsored by Sponsor to make middle market equity investments (defined as \$25-\$100 million gross asset value) in core plus, value-add and opportunistic real estate assets in the multi-family and industrial sectors and in certain limited office markets. PEP II's investments may include direct acquisitions and joint ventures, including co-GP arrangements as set forth in the PEP II PPM.

In addition to the Mezz Funds and PEP II, Sponsor also sponsored various privately offered commingled real estate funds not advised by Pearlmark. As of December 31, 2023, Sponsor and its predecessors have collectively made 577 investments in office, retail, industrial and multifamily properties, inclusive of more than 153 mezzanine debt investments, representing approximately \$14.2 billion of aggregate gross real estate related assets. Experienced teams focus on each investment strategy and have been successful in developing diversified portfolios across geography, property type and risk profile.

In valuing and structuring investments for clients, Sponsor attempts to select assets that are expected to provide the best opportunity to achieve a specific client's return objective. Each of the strategies requires a combination of fundamental real estate expertise, a keen understanding of capital market flows, and hands-on asset and portfolio management. Having experienced multiple economic cycles, Sponsor is highly focused on acquiring high-quality properties, driving property-level operations, and maintaining well-balanced capitalization structures. In addition, Sponsor has maintained a reputation for transparency and integrity among its investors and lenders and believes that these attributes are fundamental to its success.

There can be no assurance that the use of any strategy for any Fund or other client will achieve particular returns or avoid a loss. A client's ability to achieve returns will depend on a variety of factors and is subject to a number of risks, many of which are beyond the control of Pearlmark. The material risks relating to the investment strategies and methods of analysis described above, and to the types of investments typically made by or for the Funds, include the following:

- Investment Risk: A client's investments will involve a high degree of risk, including risks associated with investing in real estate, exposure to unfavorable business



cycles, resistance from creditors and other uncertainties. There will be no assurances that a client will achieve its investment objectives.

- Illiquidity and Pricing of Investments: There may be little or no active market for many of a client's investments and, therefore, a client may not be able to dispose of an investment when it desires to do so or may dispose of an investment at a price that is not commensurate with the valuation assigned by a client to such investment.
- Availability of Suitable Investments: There can be no assurance that suitable investments will be available for investment by a client.
- Dependence on Real Estate Team; Prior Performance: A client will be dependent to a substantial degree on the continued service of key employees of Sponsor. Should all or some of the key employees discontinue their services to a client it may materially and adversely affect the performance of a client's investments.
- Environmental Risks: Environmental laws often impose responsibility for investigation and clean-up of hazardous substances and materials found on real property on the owner and operator for a site without regard to culpability. Uncertainty as to whether properties in which a client has invested are in compliance with such laws could adversely affect the value of such investments.
- Joint Venture Investments: Investments in joint ventures often involve delegating significant discretion to operational issues to operating partners. Operating partners may have tax or financial goals that are different from those of a client, which could cause them to act in a manner not consistent with a client's objectives. Joint venture partners may be highly dependent upon one or a limited number of individuals, the unavailability of whom may adversely affect the value of the joint venture investment.
- Distressed Debt Investments: A client may invest in debt of issuers that have defaulted or are anticipated to default. Bankruptcy and other insolvency proceedings are expensive, highly complex and have unpredictable outcomes. There can be no assurances that a client will obtain favorable results in such proceedings.
- Use of Leverage: It is expected that a client will leverage its investments and that certain entities in which a client invests will themselves be borrowers, potentially resulting in substantial amounts of aggregate leverage relative to the underlying assets. While leverage may increase returns, it also will increase the risk of loss.
- Lack of Liquidity: Interests in a Fund will not be listed for trading on any exchange or be transferable without the consent of the managing member. Investors should not expect to be able to liquidate their investment in a Fund prior to the liquidation of such Fund.
- Other Investments: The personnel of Sponsor responsible for making investments on behalf of a client are also responsible for managing or making investments on behalf of others. Those persons will not devote substantially all of their business activities to any single client or party.
- Incentive Compensation Arrangement: Due to the fact that the managing member of a Fund will be entitled to a Carried Interest in a Fund's profits, the managing member may have an incentive to take more risk than would be the case in the absence of such incentive compensation agreement.
- Economic Conditions and Valuation: Changes in credit markets, transaction volume and other factors (including the COVID-19 pandemic and the war in Ukraine and Israel) can make the valuation of real estate investments more difficult. There can be no assurance that the valuation given to any property is

indicative of the amount that an unaffiliated third party would be willing to pay for such property.

- Financial Market Fluctuations. In recent years, U.S. and global financial markets and the broader current financial environment have been, and continue to be, characterized by uncertainty, volatility and instability. Such conditions may reduce the availability of attractive new investments for the Funds, affect the value of or the ability to sell and/or refinance existing investments, and increase the risks inherent in the Funds' investments. It is unclear what the repercussions of this market turmoil may be or whether responsive governmental measures undertaken will have a positive or negative effect on the economic environment. The duration and ultimate effect of current market conditions cannot be predicted and there can be no assurances that financial market conditions will not worsen or adversely affect one or more a Fund's investments.
- Cybersecurity Risk. Sponsor, the Funds, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats and risks. Despite efforts to adopt technologies, processes and practices to mitigate these risks and protect the security of the information technology assets and data, the security, confidentiality, and availability of information belonging to the Fund and its investors could be compromised. A successful unauthorized human or electronic penetration, disruption or circumvention of the Firm's security and electronic systems could result in the loss of an investor's data, the inability to access electronic systems, loss of proprietary information, physical damage to computers or networks or costs associated with recoveries and repairs. Such incidents could cause the Firm and the Funds to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.
- Environmental, Social and Governance. While environmental, social or governance ("**ESG**") is only one of many factors the Firm will consider in making an investment, there is no guarantee that the Firm will successfully identify and implement ESG strategies that create positive ESG impact while achieving a Fund's targeted financial returns. The Firm's ESG-related practices may or may not achieve the desired financial and social results, and the market may not ultimately view any such practices as desirable. Applying impact investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Firm will reflect the beliefs or values of any particular investor or the market. ESG practices are evolving rapidly and there are different ESG principles, frameworks, methodologies, and tracking tools being implemented. The Firm's adoption and adherence to such concepts is expected to vary over time. There is a growing regulatory interest in improving transparency regarding the definition, measurement and disclosure of ESG factors. The Firm's ESG policies could become subject to additional regulation in the future, and the Firm cannot guarantee that its approach will meet future regulatory requirements.
- Climate Change. The Firm's investments are potentially subject to climate change, including increased storm intensity and weather severity (e.g., floods or hurricanes), sea level rise, fires and extreme and changing temperatures. These could result in financial impacts and operational disruptions; increased insurance costs; decreases in available coverages; decreased net migration to certain areas resulting in reduced demand for investments; increased insurance claims/liabilities; increased energy costs; changes in the availability or quality of

water, food or other natural resources; and incorrect long-term valuation due to changing conditions not anticipated at the time of the investment.

- Possibility of Fraud and Other Misconduct. Misconduct by employees of the Firm, service providers to the Firm or the Funds and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures (including due diligence procedures), misrepresentations as to investments being considered, the improper use or disclosure of confidential or material non-public information (which could result in litigation, regulatory enforcement or serious financial harm), and noncompliance with applicable laws. The Firm has controls and procedures to minimize the risk of such misconduct but no assurances can be given that the Firm will be able to identify or prevent such misconduct.
- Russian Invasion of Ukraine. In February 2022, Russian President Vladimir Putin commenced a full-scale invasion of Ukraine. The United States, United Kingdom and European Union immediately announced a series of sanctions targeting the Russian financial system and individuals and national leaders, banning Russian planes from their airspace, and limiting Russian exports, including oil and natural gas. Russia's invasion of Ukraine, related cyberattacks, the displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on various economies and business activity globally, and therefore could adversely affect the performance of the Funds' investments. Furthermore, given the evolving nature of the situation, it is difficult to predict the conflict's ultimate impact, and, as a result, it presents material uncertainty and risk with respect to the Funds and the ability to achieve investment objectives.

#### Item 9. Disciplinary Information

None of Pearlmark, Sponsor or any management person has been involved in the past ten years in any legal or disciplinary event that would be material to a prospective investor or client in an evaluation of Pearlmark's advisory business or the integrity of its management.

#### Item 10. Other Financial Industry Activities and Affiliations

None of Pearlmark, Sponsor or any of its management persons recommend or select other investment advisers for our clients, however from time to time, certain management persons may recommend investment opportunities to various investors in Pearlmark's clients.

C&C owns a majority interest in Sponsor. Conning Holdings Limited, the parent company of C&C, is a wholly owned subsidiary of Cathay Life Insurance Co., Ltd., a Taiwanese company. A list of Pearlmark's affiliated entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.A. (Part 1 of our Form ADV can be accessed by following the directions provided on the cover page of this Brochure.)

Pearlmark is an affiliate of Conning, Inc., Conning Investment Products, Inc., and Goodwin Capital Advisors, Inc., (referred to herein collectively as “**Conning**”) as well as Global Evolution USA, LLC and Octagon Credit Investors, LLC each of which are registered with the SEC as an investment adviser under the Investment Advisers Act of 1940. Certain individuals have assumed dual responsibilities within Pearlmark and Conning, for example in relation to human resources, compliance, legal, information technology, or other responsibilities as determined from time to time by management. In the event such individuals have access to current Pearlmark investment information, they are subject to relevant portions of Pearlmark’s Code of Ethics as outlined in Item 11. All Conning employees are also subject to Conning’s Code of Ethics.

Conning Investment Products, Inc. is also a broker-dealer registered with the Financial Industry Regulatory Authority (“**FINRA**”). Certain employees of Sponsor may become registered as representatives or principals of Conning Investment Products, Inc. for purposes of distribution of Private Funds only. Conning Investment Products, Inc. may receive a placement fee from Sponsor or a Fund for fund placements. Pearlmark does not use Conning Investment Products, Inc. for real estate or securities transactions within client accounts.

Pearlmark will receive a variety of services from PRE. For example, we will obtain general real estate market and economic information from and will share office facilities as well as executive, back-office and administrative personnel with PRE.

The senior management team and personnel of Sponsor may provide services not only to Pearlmark clients but also to other funds and investment vehicles not advised by Pearlmark. These persons may devote significant time in the future to the management of these other investment vehicles and other professional activities.

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

##### **Code of Ethics**

We follow a Code of Ethics (“**Code**” or “**Code of Ethics**”) that is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (“**Advisers Act**”). A copy of our Code of Ethics is available to current and prospective clients and investors upon request.

This Code establishes rules of conduct for all supervised persons of Pearlmark and is designed to, among other things, govern personal securities trading activities in the accounts of access persons (as defined in the Advisers Act). In addition, our Code of Ethics, together with our Policies and Procedures Manual, includes safeguards designed to avoid conflicts of interests and unethical business conduct that could adversely affect our clients. In addition to requiring compliance with the applicable securities laws, our Code of Ethics and Policies and Procedures Manual establishes policies and procedures designed to prevent the misuse of material, non-public information (including information regarding the Funds and investors in Funds), and identifies activities that are either expressly prohibited or that require Chief Compliance Officer approval. Matters that could give rise to an appearance of impropriety also require prior approval by our Chief Compliance Officer.

The Code and our Policies and Procedures Manual are based upon the principle that Pearlmark and its supervised persons owe a fiduciary duty to our clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of those of our clients, (ii) taking inappropriate advantage of their position with Pearlmark, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

Specific, detailed procedures have been put into place by Pearlmark to address any potential conflicts of interest. More information is available to clients and investors in the Pearlmark Code of Ethics and our Policies and Procedures Manual, copies of which are available upon request.

### **Participation or Interest in Client Transactions**

Neither Pearlmark nor any of its related persons (a) recommends to clients of Pearlmark, or buys or sells for Pearlmark client accounts, securities in which Pearlmark or a related person has a material financial interest, (b) invests in the same securities (or related securities, e.g., warrants, options or futures) that Pearlmark or a related person recommends to clients, or (c) recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that Pearlmark or a related person buys or sells the same securities for Pearlmark's (or the related person's own) account, in each case other than as described in the following sentence. However, (i) the managing member of any Fund advised by Pearlmark will commit to invest capital in such Fund, (ii) Sponsor's principals, officers, employees and other supervised persons will invest capital in the managing member and therefore indirectly will invest capital in such Fund, and (iii) Sponsor's principals, officers, employees and other supervised persons may invest capital on a co-invest basis with its separate account investors in accordance in the advisory agreements for such separate accounts.

### **Conflicts of Interest**

Sponsor and its affiliates engage in a broad range of investment activities for the Funds, separately managed accounts and other investors. In the ordinary course of conducting its activities, the interests of a Fund may, from time to time, conflict with the interests of Sponsor, its affiliates or these other investment vehicles. Certain of these conflicts of interest, as well as a description of how the Firm addresses them, can be found below although the discussion below does not necessarily describe all of the conflicts that could be faced by a Fund. Other conflicts may be disclosed throughout this Brochure and the Brochure should be read in its entirety for other conflicts.

#### *Allocation of Investment Opportunities Among Clients*

As discussed herein, Sponsor and its affiliates may be the sponsor of future Funds and other investment vehicles which are not advised by Pearlmark. While the investment objectives of our clients may differ from the objectives of such other investment vehicles, it is also possible that conflicts of interest may arise in the allocation of investment opportunities between our client(s) and such other investment vehicles. If a particular investment would be appropriate for multiple investment vehicles or clients, the investment will be allocated in a manner that we determine in good faith to be fair and equitable. Our allocation will depend on our determination of all relevant factors such as investment objectives, cash availability and performance certainty.

*Conflicts Related to Purchases and Sales*

A Fund, from time to time, may co-invest with third parties through joint ventures, participations or other similar arrangements. These investments may involve risks and conflicts that would not otherwise be present in investments where a third party is not involved since the third party may have differing economic or business goals than those of such Fund or be in a position to take actions that are inconsistent with the investment objectives of the Funds. There may also be instances where a Fund could be liable for the actions of such third-party co-investors. There can be no assurance that the return of a Fund participating in a transaction with a third party would be the same as if such third party was not involved.

*Cross-Transactions*

In certain cases, and subject to the applicable Governing Documents, the Firm may cause a Fund to purchase an investment from another Fund, or it may cause a Fund to sell an investment to another Fund. In some such cases, the investment pricing may not benefit from a full third party marketing process so conflicts of interest may exist. Additionally, in connection with such transactions, (i) affiliates and/or personnel of the Firm will have a direct or indirect interest in both the buying and selling Funds, and (ii) the Firm and its affiliates may receive Management Fees, other fee and Carried Interest from both the buying and selling Funds which gives rise to conflicts of interest. To address these conflicts of interest, the Firm will follow the investment allocation requirements of the relevant Governing Documents and applicable advisory agreements.

*Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and its clients, on the other hand. Generally, if an investment adviser or its affiliate proposes to purchase a security from, or sell a security to, a client (commonly known as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with the Firm's management of the Funds, the Firm and its affiliates may engage in principal transactions. The Firm has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including any required disclosures and consents.

*Management of the Funds*

The Firm manages and may manage Funds that have overlapping or successive focuses. The Firm or Sponsor expects to establish additional Funds or vehicles with investment objectives substantially similar to, or different (and potentially conflicting) from, those of its then existing Funds. Advice or action taken by the Firm with respect to a Fund may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. The Funds will generally not make the same investments. Firm personnel responsible for managing a Fund will have responsibilities with respect to other Funds and vehicles managed by the Firm and Sponsor. Conflicts of interest arise in allocating time, services or functions of these Firm personnel. The Firm will also, from time to time, consider and reject an investment opportunity on behalf of a Fund or client and, the Firm or Sponsor may subsequently propose that another Fund make such investment. A conflict of interest arises because the potential substitute investor may benefit from the

work product and due diligence undertaken by the Firm for the original Fund considering the investment without being obligated to reimburse for such expenses.

#### *Conflicts Relating to the Firm*

Firm personnel may make personal investments as passive investors in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) unrelated to Sponsor which could in some circumstances compete with the Funds. There could be situations in which such investment vehicles invest in the same type of investments as the Funds, and there may be situations in which such vehicle engages in a transaction with a Fund. Such personnel may be incentivized to cause a Fund to act in a manner that benefits such other investment vehicles and indirectly, themselves as investors in such investment vehicles. Pearlmark believes these risks are mitigated by its Code of Ethics and securities trading policies (private investments require pre-approval from the CCO) and because no individual has the ability to make or decline investment opportunities for a Fund.

#### *Fund Level Borrowing*

The Funds from time to time borrow funds or enter into financing arrangements for various reasons, including subscription facilities to manage capital calls. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing benefits all investors in such Fund but such borrowings can also increase or accelerate the timing of the Carried Interest received by the Firm or its affiliate which in turn results in a conflict of interest in deciding whether to borrow funds because the general partner may receive disproportionate benefits from such borrowings. The use of a subscription facility may result in fewer but larger capital calls by a Fund which could amplify the magnitude of potential defaults by investors. Moreover, the existence of a subscription facility may impair an investor's ability to transfer its interest in a Fund due to transfer restrictions imposed by the lender. Pearlmark believes that the periodic pay down requirements in most subscription agreements mitigate certain of this risk.

#### *Side Letter Agreements; Advisory Committee Rights*

Pearlmark enters into side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms as permitted by the Fund's Governing Documents, including but not limited to different fee structures and other preferential economic rights, information and reporting rights, different confidentiality obligations, co-investment rights, provisions to address the legal, regulatory or policy needs or requirements of a particular investor, modification of representations, indemnification and/or liability and other obligations, veto rights and liquidity or transfer rights. Except as otherwise agreed with an investor or required by the Governing Documents, such side letter arrangements do not need to be disclosed to other investors in such Fund. Investors will have no recourse against a Fund or the Firm regarding the substance of a side letter which is permitted by the Governing Documents of such Fund. In addition, some side letters may impose additional restrictions on a Fund's invest strategy which are intended to apply solely to the side letter parties, but which may ultimately restrict any investments made by such Fund.

The Funds typically establish an advisory committee consisting of representatives of the larger institutional investors and a conflict of interest may exist since some but not all

investors participate on the advisory committee. The Fund advisory committee will meet more frequently with management and have additional information on the Fund's investments and may also have the ability to approve conflicts of interests with respect to the Firm and the applicable Fund, which decisions could be disadvantageous to the unrepresented investors. Representatives of the advisory committee are not fiduciaries. In addition, an investor may be a member of more than one Fund's advisory committee in which case, a conflict of interest exists because the Funds on which such overlapping advisory committee members may have conflicting interests and such advisory committee members may be asked to provide their consent with respect to such conflicts of interest without recusal.

#### *Other Potential Conflicts*

The Firm and its personnel have in the past and will in the future, receive certain ordinary course benefits and perquisites arising from their activities on behalf of the Funds. For example, airline travel or hotel stays incurred as Fund expenses may result in loyalty "miles" or "points" (whether or not de minimis or difficult to value) which will be retained by and exclusively benefit the Firm or such personnel and not credited to a Fund even though the cost of the underlying service was borne by such Fund and its investors. In addition, airline travel or hotel stays incurred as a Fund expense for Firm personnel travelling for appropriate Fund-related purposes may benefit the Firm or such Firm personnel to the extent the trip also serves a personal purpose or a purpose of Sponsor unrelated to such Fund. The Firm seeks to ensure these are ordinary course perquisites and/or benefits.

Sponsor will procure insurance to insure the applicable Funds and other investment vehicles as well as the general partners, officers, personnel members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds and other investment vehicles. The costs of such insurance, including premiums, brokers fees, finance costs and other expenses are Allocable Costs as described in Item 5 above.

#### Item 12. Brokerage Practices

We generally will not engage in securities trading for our own account or for the account of our clients, and except occasionally in connection with temporary short-term investments of cash received from commitment fundings pending investment, and cash flow from operations or the sale or refinancing of assets pending further investment or distribution, we do not expect to employ, engage or recommend a securities broker-dealer for any transaction related to any investments. However, as a matter of policy and practice, we (i) will seek to obtain best execution for client securities transactions (i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances), and (ii) will not accept client's instructions for directing a client's brokerage transactions to a particular broker-dealer. We do not have any soft dollar arrangements and do not expect to have this type of arrangement in the future.



Item 13. Review of Accounts

The portfolio and asset management teams of Pearlmark will monitor Fund and separate account performance and investments on a regular and current basis under the supervision of Sponsor's executive teams, including the designated portfolio manager for each such vehicle.

Clients and investors or their designated representatives in Funds generally receive the following written reports: (i) quarterly financial statements and estimates of valuations of the Fund's portfolio properties, (ii) annual audited financial statements for the Fund; (iii) information required for the preparation of investor tax returns; and (iv) ad hoc reports as requested by an investor or its representative. Investors in Funds are also generally invited to Fund annual meetings. Each Fund's "Advisory Committee" comprised of certain Fund investors or their representatives will typically receive semi-annual written reports including, but not limited to: (i) Fund performance; (ii) operational summaries and estimates of valuations of the Fund's portfolio properties, and; (iii) updates on operations at Pearlmark. The reports to be received by any non-Fund client will be determined on a case by case basis and specified in the advisory agreement between Pearlmark and such client.

Item 14. Client Referrals and Other Compensation

No person who is not a client of Pearlmark will provide an economic benefit to the Firm for providing investment advice or other advisory services to Pearlmark's clients. Pearlmark does not provide direct or indirect compensation with respect to referrals of clients.

Item 15. Custody

Pearlmark is deemed to have "custody" of certain Client accounts within the meaning of Rule 206(4)-2 under the Advisers Act to the extent Pearlmark has access to or authority over funds and securities held in these accounts for purposes other than issuing trading instructions.

With respect to any Private Funds for which Pearlmark is deemed to have custody, Pearlmark complies with Rule 206(4)-2 under the Advisers Act by maintaining Fund assets in properly designated accounts with qualified custodians, and providing investors in the Private Fund with audited financial statements within 120 days following the Private Fund's fiscal year end (or 180 days in the case of a fund-of-funds). Investors should review these audited financial statements carefully. If you have not received audited financial statements timely, please contact us immediately.

Item 16. Investment Discretion

To the extent we accept discretionary authority to manage securities accounts of clients, such authority will be subject to any limitations and investment parameters set forth in the advisory agreement between Pearlmark and the client. In the case of Fund clients, any such limits or parameters will also be described in the Fund's PPM or Governing Documents, which are provided to Fund investors prior to making an investment

commitment in a Fund, and which is further evidenced by a subscription agreement or other written document.

#### Item 17. Voting Client Securities

Pearlmark does not intend to accept authority to vote proxies on behalf of clients other than the Funds, and any proxies for clients other than the Funds received by Pearlmark will be forwarded to the relevant client. However, in the event Pearlmark has authority to consent to any corporate actions on behalf of non-Fund clients, such authority will be exercised based on what it considers to be in the best financial interests of the client.

The guiding principle by which the Firm votes or gives consent with respect to securities owned by the Funds ("**Votes**") is to vote in the best interests of such Fund taking into account applicable provisions of the Governing Documents, such Fund's investment horizon and financial objectives, any actual or perceived conflicts of interest, the Firm's then existing policies and procedures on proxy voting and any other relevant facts and circumstances the Firm determines to be appropriate at the time of the Vote. All Votes (but excluding ordinary course operational decision-making concerning a Fund's investments) will be subject to the approval of the Firm's Chief Executive Officer, Portfolio Manager and/or Chief Compliance Officer.

Pearlmark clients and investors may receive a copy of the Firm's proxy voting policy contained in its Policies and Procedures Manual upon request.

#### Item 18. Financial Information

Pearlmark is not aware of any financial condition that is reasonably likely to impair its ability meet contractual and fiduciary commitments to clients.