

Form ADV Part 2A

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Preservation Equity Fund Advisors, LLC

CRD Number: 300968

17782 Sky Park Circle
Irvine, CA 92614
Tel (714) 662-5565
Fax (714) 662-4412
www.pefadvisors.com

This brochure provides information about the qualifications and business practices of Preservation Equity Fund Advisors, LLC ("PEFA"). If you have any questions about the contents of this brochure, please contact us at (949) 236-8132 and/or ecampbell@pefadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about PEFA also is available on the SEC's website at www.adviserinfo.sec.gov.

Although PEFA may use the term "registered investment adviser" or use the term "registered" through this Form ADV Part 2A, the use of these terms is not intended to imply a certain level of skill or training.

Item 2. Material Changes

Brochure

Preservation Equity Fund Advisors, LLC (“PEFA” or the “Advisor”) is required in this Item to identify and discuss any material changes made to this Brochure since its last annual update which was filed in March 2023. No material changes have been made in this filing.

PEFA recommends that you read this Brochure in its entirety. If PEFA makes any material changes to this Brochure, this Item will be revised to include a summary of such changes.

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Item 4. Advisory Business

Preservation Equity Fund Advisors LLC, a California limited liability company was formed January 30, 2019 under the name WNC Advisory Partners, LLC. PEFA will specialize in managing private funds with a primary focus on affordable housing communities.

Ownership

PEFA's sole owner, as disclosed on Schedule A of Part 1A of PEFA's ADV filing, is PEF Preservation Managing Partners, LLC ("PEFPLLC"), which is the direct owner, and sole member, of PEFA. PEFPLLC is in turn owned by entities affiliated with and owned by its principal, Wilfred N. Cooper Jr.. Wilfred N. Cooper, Jr. serves as the manager of PEFPLLC. Neither PEFA nor PEFPLLC is, directly or indirectly, part of a publicly held company.

Advisory Services and Investment Program

Fund Management Services

PEFA provides fund management services to select private funds, currently WNC California Preservation Equity Fund, L.P. ("PEF1"), WNC Preservation Equity Fund 2, L.P. ("PEF2") and Preservation Equity Fund 3, L.P. ("PEF3"). In addition to PEF1, PEF2 and PEF3, PEFA may in the future establish additional funds, which may include (i) pooled investment vehicles pursuing different or complementary investment strategies and (ii) one or more pooled investment vehicles structured as parallel funds, co-investment funds or related investment fund vehicles of existing pooled investment vehicle advisory clients (these vehicles, along with PEF1, PEF2 and PEF3, are referred to as "Funds" or "Clients").

Investment Programs

Funds managed by PEFA include geographically-focused and nationwide funds that are designed to make investments in affordable housing assets. The Funds generally focus on making investments that involve multi-family rental housing, which primarily benefits low and moderate income households. The Funds generally invest with the view that some or all of their investments will constitute qualifying investments under the Community Reinvestment Act of 1977, as amended ("CRA"), and associated regulations promulgated thereunder ("CRA Regulations"). The Funds may focus on investing in and raising equity for affordable housing developments at or near the end of their low-income housing tax credit ("LIHTC") compliance periods and owned by limited and/or general partners seeking to exit their investments.

The Funds invest in specific investment strategies set out in the applicable Fund's offering documents, and PEFA, which is generally appointed by the general partner of the applicable Fund through an investment management or other agreement, will generally have sole discretion to determine the composition of the Funds' portfolios. PEFA tailors its fund management services to the specific needs and objectives of each Fund. PEFA does not tailor its advisory services to the individual needs of underlying investors in the Funds.

Prospective investors should generally consult the applicable Fund's offering memorandum, operating or partnership agreement and other disclosure materials for further details. While PEFA provides investment advisory services to the Funds in line with the Funds' investment strategies, as set forth in the applicable offering documents, PEFA will not necessarily limit the types of investments on which it plans to advise the Fund, except as expressly set forth in the applicable Funds' offering documents.

Wrap Fee Programs

PEFA does not participate in any "wrap fee" programs.

Assets under Management

As of December 31, 2023, PEFA had \$329,866,039 in discretionary regulatory assets under management and managed no assets on a nondiscretionary basis.

Item 5. Fees and Compensation

Investment Management Fees and Other Advisory Compensation

Management Fees and Carried Interest

In exchange for its advisory services, PEFA generally receives advisory fees that are calculated based on a percentage of each Fund's committed or invested capital ("Management Fees"). PEFA, in its sole discretion, may waive or agree to reduce or grant rebates of the Management Fees charged by the Funds with respect to certain investors or limited partners. Management Fees are charged to the Funds quarterly and are payable in arrears, as set forth in the offering documents for the relevant Fund.

PEFA and/or certain of its affiliates may also receive incentive-based compensation ("Carried Interest") based on realized gains from investments, subject to agreed-upon preferred return rates and claw-back provisions applicable to the Fund's general partner. Carried Interest calculated and deducted from distributions on a Fund's realized investments in accordance with a distribution waterfall and not on a pre-determined schedule.

PEF reserves the right to vary the fees as to particular investors by separate agreement and to reduce or waive any fees and carried interest at any time without entitling any other investor to a waiver or reduction. PEF may waive or reduce the fee for its own capital and that of its constituent partners, affiliates, and employees, and family members of the foregoing.

Construction Management Fees

Where permitted by the applicable Fund's offering documents, affiliates of PEFA will receive compensation for managing, supervising and coordinating construction related to portfolio investments acquired by a Fund ("Construction Management Fees"). Construction Management Fees are generally equal to a percentage of the cost of the construction work related to one or more of the Fund's portfolio investments, which percentage is set forth in the applicable Fund's offering documents. Construction Management Fees will typically be assessed on all costs of construction, which include "hard" costs, such as any land, materials and labor, and "soft" costs, such as insurance, legal work related to development transactions, planning, permitting and other preparatory and transaction costs related to the construction. Any Construction Management Fees will not be offset against Management Fees or other fees and compensation payable to PEFA or its affiliates.

Development Fees

Community Preservation Partners, Inc. ("CPP"), an affiliate of WNCPPM, provides property rehabilitation and redevelopment services with respect to properties and portfolio investments in need of significant capital improvements. CPP services third party property owners and, in limited cases, portfolio investments of PEFA Clients and acts as a fee-based developer, co-developer and sole developer. While generally not a focus of the investment strategy of a PEFA-managed Funds, since the Funds intend to invest in properties and assets that are functional at the time of acquisition and require only minimal capital investment, from time to time, CPP may be engaged to act as an entity-level general partner or co-general partner (alongside a third party managing general partner) and the Fund portfolio will be entitled to asset-level promote with respect to its services, similar to compensation arrangements that would be entered into with other third party service providers to the applicable Fund's portfolio investments. CPP may also, from time to time, receive fixed or variable fees from portfolio investments, which may be in addition to or in lieu of asset-level

promote, depending on the nature of the engagement. In such cases, CPP seeks to establish pricing with Clients or with Fund portfolio investments at terms that are commercially reasonable and competitive with the fees that would otherwise be paid to third parties providing the same services in the same real estate market. Further, certain states or municipalities may set limits on the amount of development fees that may be paid with respect to a property, which will generally limit amounts payable to CPP.

PEFA and its affiliates may have financial incentives to recommend or cause one or more Funds or its portfolio investments to enter into engagements with CPP. Any promote, other performance-based compensation or fees received by CPP will not be offset against or reduce any Carried Interest distributions, other performance-based compensation or fees that may be payable to or received by the General Partner or its affiliates in relation to the applicable Fund. Any asset-level promote, other performance-based compensation or fees received by CPP will be indirectly borne by the applicable Fund through its investment in the portfolio investment where CPP is engaged and will reduce cash distributable to the Fund related to such investments.

Other Fees Payable to PEFA Affiliates

WNC Capital Corporation ("WNC Capital"), a subsidiary of WNC & Associates, Inc. ("WNCA"), which is an affiliate of PEFA, is an SEC-registered broker-dealer and a member of the Financial Industrial Regulatory Authority, Inc. (FINRA). It is not anticipated that WNC Capital will be engaged as a broker or dealer by the Funds with respect to their investments (and given the nature of each Fund's assets, as discussed below, PEFA-managed Funds generally do not anticipate making use of an executing broker or dealer with respect to the Fund's assets). WNC Capital does not currently, and does not anticipate, charging broker-dealer commissions or other fees directly to the PEFA-managed Funds for any services it may provide. WNC Capital, and its registered representatives, may receive compensation from PEFA or its affiliates however with respect to certain services provided in connection with the offering of one or more Funds the Funds may utilize third party broker-dealers directly to provide services with respect to the Funds or its portfolio investments, as described in further detail in Item 10 below.

Fund-Related Expenses and Fees

As set forth in the applicable offering documents for each Fund, a Fund generally will bear all fees, costs and expenses, which may include or exclude placement fees, incurred in connection with the formation and organization of the applicable Fund and the offering and sale of interests in the Fund (together, "Organizational Expenses"). These Organizational Expenses may be subject to limits or caps as set forth in the applicable Fund's offering documents. Organizational Expenses in excess of a cap (if any) will be paid by PEFA or one or more of its affiliates or, alternatively, may be paid or reimbursed by the Fund and borne by the PEFA through an offset against Management Fees. No interest will be paid by PEFA to any Fund for any amounts that may be reimbursed by it.

In addition to applicable Management Fees, each Fund shall normally bear their ordinary operating expenses (or its allocable portion thereof) relate to carrying out the business of the Fund (other than expenses attributable to the applicable Fund's general partner, as discussed below), including without limitation: (a) all out-of-pocket fees, costs and expenses (including investment-related travel and entertainment) directly or indirectly related to the researching, making, management and disposition of investments; (b) interest on and fees and expenses relating to indebtedness of a Fund; (c) all out-of-pocket expenses directly related to the purchase or sale of proposed investments that are not consummated; (d) all administrative, tax and reporting expenses of a Fund; (e) costs and expenses of hosting meetings of a Fund's advisory committee (an "Advisory Committee") or conferences with investors; (f) insurance premiums related to a Fund; (g) interest and other borrowing costs of a Fund or its portfolio investments; (h) fees and expenses of service-providers, agents and consultants retained by or on behalf of a Fund; (i) insurance, indemnification or litigation expenses; (j) any fees related to annual audits, accountants or service providers to the portfolios (k) taxes, fees or other governmental charges levied against a Fund; (l) expenses of liquidating a Fund and its portfolio investments; and (m) Organizational Expenses including any alternative investment vehicle or SPV (up to a cap, if any).

To the extent any break-up fees or any other types of transaction fees identified in a Fund's offering documents are earned in connection with a Fund's investment activities, such fees may be paid to PEFA or any of its affiliates and such fees will be applied as a fee credit to the applicable Management Fee payable by a Fund.

Prospective investors should refer to the Funds' offering documents for further information regarding the fees and expenses of PEFA and the Funds. Any expenses common to one or more of the Funds or investments by the Funds or to any other accounts managed by PEFA generally will be allocated among such entities or investments on a basis reasonably believed to be equitable and fair by PEFA in accordance with the Funds' offering documents. The costs and expenses directly relating to a Fund investments made by two or more Funds will be generally allocated between the Funds in proportion to their respective commitments to such investment.

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

As outlined in Item 5 of this brochure, PEFA and/or its affiliates and related persons are generally entitled to receive Carried Interest distributions from the Funds based on investment gains after other distributions are made to the investors or limited partners of the applicable Fund, as specified in such Fund's offering documents.

Where performance-based fees are charged, the applicable Funds generally have preferred returns or other performance hurdles before any distribution of Carried Interest may be made to the Carried Interest recipient, which generally is the general partner of the applicable Fund.

Prospective investors should refer to the applicable Fund's offering documents for further disclosure regarding the potential conflicts associated with Carried Interest and performance-based compensation in general. PEFA has implemented internal controls and procedures to evaluate each investment opportunity in light of the applicable Fund's investment objectives to seek to mitigate certain of the risks associated with performance-based compensation arrangements.

Item 7. Types of Clients

PEFA provides investment advisory services to the Funds, each of which is a pooled investment vehicle as described in Item 4 above.

Where provided for under the relevant Fund's offering documents, PEFA may sponsor additional Funds formed to make co-investments alongside an existing Fund (each, a "Co-investment Fund"). Such Co-investment Funds will also be Clients of PEFA. The terms of any Co-investment Fund, including the terms of any Management Fees or other compensation arrangements, are described in the offering documents for each Co-investment Fund, and any constraints thereon generally are set forth in the offering documents for the applicable Fund alongside which the Co-investment Fund invests.

Each Fund advised by PEFA generally will accept subscriptions for limited partnership or other interests only by individuals and entities that are "accredited investors" as defined in Regulation D under the Securities Act of 1933, as amended ("Securities Act"), and "qualified purchasers" as defined under the Investment Company Act of 1940, as amended ("Investment Company Act"). In addition, each Fund will only accept limited partners or other investors that are "qualified clients" as defined in the Advisers Act, where PEFA or its affiliates will receive performance-based compensation as described in Item 6 above.

PEFA or its affiliates reserve the right to impose additional requirements for subscription by particular types of investors and may decline to accept any prospective investor's subscription. Generally, each Fund will have a minimum investment amount for investors, which amounts are set forth in the applicable Fund's offering documents; however, the offering documents for each Fund generally provide that such minimum amounts may be lowered or waived by PEFA or its affiliates in it or their sole discretion.

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

Methods of Analysis and Investment Strategies

The investment strategies utilized by PEFA in managing each Fund and in evaluating and acquiring portfolio investments for such Funds are set forth in the offering documents for the relevant Fund, which also may include formal or informal investment guidelines developed with respect to the investment strategy that the Fund will pursue. As noted, the general focus of the Funds is to make investments in affordable housing opportunities. Funds sponsored by PEFA are generally focused on U.S. opportunities and may pursue nationwide strategies or geographically-focused strategies (i.e., strategies focused on specific states or regions).

In targeting affordable investments, PEFA or its affiliates will generally look for investments meeting relevant affordable criteria and offering what PEFA sees as attractive entry points for investment. The Funds may invest in such affordable housing opportunities through a number of transaction structures, including through direct or indirect investments in fee simple properties, investments in general or limited partner interests in partnerships owning property or investments through other subsidiary structures in real property. The Funds from time to time may pursue certain debt or other non-equity opportunities, where consistent with the applicable Fund's investment focus and offering documents.

There can be no assurance that PEFA or its affiliates and each Fund will achieve its investment objectives or that investment strategies employed by PEFA or its affiliates will be successful.

As a general matter, PEFA utilizes the methods of analysis and investment strategies described in the Funds' offering documents. The information contained herein is a summary only.

Risk Factors and Special Considerations

The following include a number of risk factors and special considerations associated with investments in the Funds and the Funds' operations. The information contained below is a summary only and is not a complete list or explanation of all the potential risks that may be associated with an investment in any Fund managed by PEFA. The investment program of any Fund is speculative and entails risks, including risk of loss of the entire investment. Investors and prospective investors should refer to the offering documents of the applicable Fund for a more comprehensive overview of PEFA's methods of analysis and investment strategies and its potential risks. Prospective and existing investors are encouraged to consult with their outside legal, tax and other advisors with respect to an investment in any Fund.

Fund-Related Risks

The following include, without limitation, Fund-related risks that may be associated with an investment in one or more Funds managed by PEFA:

- ***Lack of Liquidity.*** It is not intended nor anticipated that a public market will develop for the purchase and sale of Fund interests because of restrictions on transferability imposed in the Fund's offering documents and as a result of applicable tax and securities laws.
- ***Lack of Control; Reliance on General Partner.*** All decisions concerning the management of the Fund, including selection of the Fund's investments and the amount of interests in the Fund that will be offered, will be made by PEFA and the Fund's general partner subject to any constraints imposed by the applicable Fund's offering documents.
- ***Risks Related to Limited Voting Rights.*** The applicable Fund's offering documents grant the limited partner or investors only limited voting rights, and if a limited partner does not respond to a request from the general partner, such limited partner's consent will generally be deemed to have been granted.

- *Limitations on a General Partner's and PEFA's Liability.* Under the applicable Fund's offering documents, a Fund's general partner and certain of its affiliates, including PEFA, may be exculpated and indemnified from certain acts and omissions performed or omitted in the scope of its performance with respect to the Fund. The Fund's offering documents shall not, however, purport to waive any duty or liability imposed by the Advisers Act that is not permitted to be waived thereunder.
- *Unconditional Contributions; Negotiability of Limited Partner Obligations.* The obligation of a limited partner of a Fund to make payments or capital contributions to the Fund is unconditional. In the event of a default by a limited partner, the limited partner will remain personally liable for its obligations, and may be subject to additional penalties and remedies available to the general partner of the Fund, as set forth in the applicable Fund's offering documents.
- *Risks of Limited Partner Liability.* If a Fund's limited partner is deemed to be taking part in the control of the business of the Fund, it potentially would lose its limited liability, which could mean that the debts and other obligations of the Fund could be satisfied out of its personal assets to the extent that assets of the Fund were inadequate to discharge such Fund's obligations.
- *Investment Company Act.* The Funds will generally rely on one or more exclusions from being required to register as an "investment company" under the Investment Company Act, and the Funds would not be able to operate according to their objectives if one or more Funds were required to register as an investment company thereunder.
- *Lack of Operating History.* Each Fund and each applicable Fund's general partner generally has no or limited operating history. No assurance can be given that a Fund's operations will be successful or that a Fund will meet its stated investment objectives.
- *Not a Complete Investment Program.* An investment in one or more Funds managed by PEFA is not intended as a complete investment program.
- *Valuation Risks.* Each of the Fund's assets will be valued by the applicable Fund's general partner in good faith in compliance with its internal valuation policies. Any such valuations are inherently subjective analyses of the fair market value of an asset and require the use of techniques that are costly and time-consuming and ultimately provide no more than an estimate of value. Valuations may result in adjustments to the Fund's aggregate fair market values. PEFA and the Fund may also use and rely on valuation information and analyses provided by third parties, which PEFA believes to be reliable, but which may include information that will not be independently verified.
- *Cybersecurity Risks.* The Funds' investments will have ongoing cybersecurity risks to which all real estate investments are subject. To the extent that an investment is subject to cyber-attack or other unauthorized access is gained to a related system, such investment may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or investment financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications tends to heighten these risks. Any of such circumstances could subject an investment, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt to use fraudulent means to induce such businesses or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at PEFA or one of its service providers holding its financial or investor data, PEFA, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under PEFA's policies and practices. Losses could also occur with respect to investor data.
- *Public Health Emergencies.* Widespread public health emergencies, including pandemics and outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and COVID-19, give rise

to market disruption. Such emergencies have the potential to impact economic production and activity in material and adverse ways that are impossible to predict, which could result in a significant adverse impact and losses to the Funds.

Investment Risks of Fund Investments

The following include, without limitation, risks related to underlying investments that may be made by one or more Funds managed by PEFA. Because each Fund may pursue a different investment strategy with different investment objectives and associated risks, the following generally are risks that may be associated with investments in affordable housing opportunities (which generally is the focus of the Funds):

- *Risks of Real Estate Ownership.* Each Fund's investments will be subject to the risks inherent in the ownership of real estate assets and, to the extent the Fund makes any such investment, real estate debt investments (including originated investments in preferred equity, mezzanine debt or other private loans). These risks include, but are not limited to, the burdens of ownership of real property, general and local economic conditions, adverse local market conditions, the financial conditions of tenants, buyers and sellers of properties, changes in building, environmental, zoning and other laws, changes in real property tax rates, changes in interest rates and the availability of debt financing, changes in operating costs, negative developments in the local, national or global economy, risks due to dependence on cash flow, environmental liabilities, uninsured casualties, unavailability of or increased cost of certain types of insurance coverage, acts of God, acts of war (declared or undeclared), hostilities, terrorist acts, strikes, pandemics, risks regarding limited information in the diligence of real estate investment opportunities and other factors which are beyond the control of the applicable Fund's general partner.
- *Difficulties in Obtaining Tenants.* Governmental regulations and Fund restrictions with regard to the eligibility of tenants for renting units in affordable housing communities that comprise a Fund's portfolio investments ("Apartment Complexes") may make it more difficult to rent the apartments in the Apartment Complexes.
- *Difficulties in Obtaining Rent Increases.* In many cases, rents in such Apartment Complexes can only be increased with the prior approval of one or more governmental agencies, including where such increases are capped by a relevant government subsidy associated with the Apartment Complexes.
- *Limitations on Cash Distributions.* Certain applicable statutes and regulations generally would limit the amount of cash that may be distributed to owners of such Apartment Complexes to amounts that are less than the amounts that could be earned by the owners of conventional apartment properties that receive no government subsidies, and thus limit the ability of certain portfolio investments of a Fund to make cash distributions.
- *Limitations on Sale or Refinancing of the Apartment Complexes.* Regulations of applicable governmental agencies and the terms of the agreements between the agencies and portfolio investment holding companies, if any, may limit the ability of a portfolio investment to sell its Apartment Complex or refinance its mortgage loan without the prior approval of such agencies.
- *Possible Changes in Applicable Regulations.* There can be no assurance that legislation may not be enacted in the future, as it has been in the past, which purports to substantially and adversely revise provisions of applicable regulations that may negatively affect a Fund and its portfolio investments. These may include regulations as varied as CRA, environmental, HUD, LIHTC, land use restriction, Americans with Disabilities Act and other regulations.
- *Competition for Investments.* The Funds will compete with many other asset managers, real estate investment partnerships, limited liability companies, and other entities engaged in real estate investment activities in pursuing and making investments.
- *Risks Associated with Use of Leverage.* Each Apartment Complex in which the Funds acquires an interest, directly or indirectly, is likely to be subject to indebtedness in the form of mortgage debt. If a portfolio investment has insufficient revenue or cash on-hand to pay such mortgage payments, the

lender of such mortgage may foreclose on the relevant property, which may reduce or eliminate the value of the Fund's investments.

- *Community Reinvestment Act.* Neither the Fund's general partner nor any of its affiliates can provide any assurance with respect to its interpretation of the CRA and CRA Regulations with respect to any investment in the Fund or with respect to a Fund's underlying investments. Each investor which is subject to the CRA or which is seeking CRA credit with respect to one or more investments in Funds managed by PEFA must determine for itself whether an investment in the applicable Fund will support compliance with the CRA under relevant CRA Regulations and guidance from its particular regulators based on the information set forth in such Fund's offering documents.
- *Risks of Limited Diversification.* It is possible that a Fund's portfolio may consist of only a few investments in Apartment Complexes, which will limit the diversification and commensurately concentrate the risks associated with each individual portfolio investment.
- *No Assurance of Geographic or Asset Type Diversification.* A Fund's investments may be concentrated in a particular geography and are generally expected to be comprised primarily of equity investments. This concentration in a particular geography or asset type may enhance or concentrate the risks associated with an investment in a particular area or in equity investments.
- *Lack of Control; Reliance on Third Parties.* The Funds may make investments through partnerships, joint ventures or other arrangements with third parties, including investments as a co-general partner or as a limited partner in property holding entities in which the Fund relies on the other co-general partners or the general partner to manage the day-to-day operations of the property holding entities and the underlying real estate. Such investments may involve risks not present in investments where a third party is not involved, including, for example, the possibility that a co-general partner, co-venturer or partner of the Fund's investments might become bankrupt, or may at any time have economic or business interests or goals which are inconsistent or misaligned with those of the Fund, or that such co-general partners, co-venturers or partners may be in a position to take action contrary to the Fund's objectives. In certain circumstances, the Fund may be liable for actions of its co-venturers or partners. There can be no assurance that any management team or any joint venture partner or other partner will be able to operate the real estate investments successfully or that PEFA will be able to conduct sufficient due diligence on third parties that may manage the Fund.
- *Risks of Investments Prior to the Receipt of Capital Contributions.* It is anticipated that, where permitted by an applicable Fund's governing documents, a Fund might from time to time make or commit to investments at a time prior to commencement of, or during, the offering of interests in the Fund, and will borrow funds for such purposes. Such investments will generally be transferred or sold to the Fund with the consent of the Fund's investors at cost or such other price as determined in accordance with the relevant Fund's offering documents.
- *Possibility of Uninsured Losses.* There are certain types of losses (generally either of a catastrophic nature, such as earthquakes, floods, pandemics and health crises, wars or relating to hazardous materials or environmental matters), which are either uninsurable or insurable only at commercially impracticable prices and terms.
- *Possible Loss on Dissolution and Termination.* Upon the dissolution or termination of the Fund, the proceeds realized from the liquidation of assets, the amount, if any, of which would be subject to the foregoing investment risks, will be distributed to the Fund's limited partners only after the satisfaction of claims of the Fund's creditors, including fees to the Fund's general partner, PEFA and each of their affiliates to the extent accrued and unpaid. In addition, pursuant to the Fund's offering documents, limited partners may remain liable and may be required to recontribute certain amounts of prior distributions received with respect to indemnification obligations incurred by a Fund.

Tax Credit, Income Tax and Other Related Risks

The following include, without limitation, certain U.S. federal income and other tax related risks that may be associated with an investment in one or more Funds or underlying portfolio investments of such Funds. Additional tax disclosures will generally be contained in the offering documents for each Fund. Because each Fund investor may have different tax considerations associated with its investments in one or more Funds, potential investors are encouraged to consult with their tax, accounting and legal advisors with respect to any investment in a PEFA-managed Fund.

- *Possible Liability as a Result of the Recapture of Low Income Housing Credits.* While the Funds generally will not be acquiring portfolio investments for the purpose of obtaining LIHTC credits with respect to such investments, in many cases the previous holders of such investments or underlying Apartment Complexes may have acquired them for LIHTC purposes. The Funds may be required to maintain certain conditions on the purchase of such investments or the Fund (or the underlying investment) may become liable for certain recapture of benefits associated with such tax credits.
- *Limitations on Sales of Apartment Complexes.* Any Apartment Complex receiving an allocation of LIHTC credits must execute an Extended Low Income Housing Commitment with the relevant credit authority for each state allocating such credits. The Funds may be required to enter into such commitments where they are purchasing a portfolio investment previously financed with LIHTC credits.
- *No Ruling or Opinion as to Federal Income Tax Matters.* Material adverse tax consequences to a Fund's limited partners would result from the classification of the Fund or any portfolio investment structured as a partnership as an association taxable as a corporation for U.S. federal income and other purposes. While the Fund's general partner will generally manage the Fund and any such portfolio investment in order to ensure its treatment as a partnership for U.S. federal income tax purposes, there can be no assurance that the IRS or other taxing authority may not reach an adverse determination. Treatment as a corporation would eliminate the pass-through treatment of such partnerships and subject such entities to additional taxes at effective corporate rates.
- *Restrictions on Use of Passive Losses.* Federal law generally imposes restrictions on the deduction of losses from real estate and other "passive" activities, which may limit certain losses otherwise claimed by the Fund and its partners.
- *Possible Delays in Obtaining Financial Data.* There cannot be any assurance that the management teams of portfolio investments will comply with requirements to report tax data and financial information in a timely manner. Failure by portfolio investments to provide such data may delay and adversely affect the ability of PEFA and its affiliates to provide timely tax and financial reporting to the Fund's limited partners.
- *Possible Tax Liabilities in Later Years.* After a period of years following commencement of operations by an underlying local limited partnership, such local limited partnership may generate profits rather than losses which may be attributable to the Fund.
- *Tax Liability on Sale of Apartment Complex.* If the Fund sells some or all of its interest in an Apartment Complex, the Fund (and its partners) may be required to recognize its allocable share of taxable gain therefrom (adjusted for the tax basis in such investment).
- *Possibility of Audit.* The IRS has the ability to audit the Fund and any underlying limited partnerships and limited liability companies at the entity level with regard to issues affecting any such entity.
- *Possibility of Challenge to Tax Allocations.* The IRS might challenge the allocations made by the Fund or any of the underlying local limited partnerships, of income, gains, deductions, and losses as not having substantial economic effect and not being in accordance with each partner's interest in any such partnership.
- *Possibility of Challenge to Tax Treatment of Certain Expenditures.* The IRS may contend that certain fees and payments which the Fund or an underlying local limited partnership expects to capitalize or deduct should in fact be deductible over a longer period of time or in a later year, are excessive and

may not be capitalized or deducted in full, should be capitalized and not deducted, or should be treated as nondeductible and noncapitalizable distributions or syndication fees and thus not as part of basis.

- **State Income Tax Risks.** A Fund's limited partner may be required to file income tax returns and be subject to tax and withholding in one or more states or local taxing jurisdictions in which (i) the Fund or any underlying local limited partnership or other entity owns an Apartment Complex, (ii) the Fund owns another type of investment or has business activities, or (iii) the limited partner or other investor is organized or is doing business.

It is critical that investors refer to the applicable Fund offering documents for a complete understanding of the material risks involved in an investment in the Fund. The information contained herein is a summary only and is qualified in its entirety by such documents.

Item 9. Disciplinary Information

Disclosure Events

In the past ten years, there have been no legal or disciplinary events involving either the PEFA or any of its management persons or advisory affiliates that would be material to an investor's evaluation of its advisory business or integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

CFTC and Broker/Dealer Affiliations

Neither PEFA nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of the foregoing type of entities.

Certain of PEFA's supervised persons, including its principal, Wilfred N. Cooper, Jr., are licensed securities salespersons of WNC Capital, a FINRA member broker-dealer. It is not anticipated that WNC Capital will be engaged as a broker or dealer by the Funds managed by PEFA with respect to their portfolio investments (and given the nature of each Fund's assets, PEFA-managed Funds generally do not anticipate making use of an executing broker or dealer with respect to the Fund's assets as described in Item 12 below). In addition, to the extent that it may provide services with respect to one or more Funds, WNC Capital does not currently, and does not anticipate, charging to, or receiving broker-dealer commissions or other fees from, PEFA-managed Funds for any services it may provide. However, registered representatives associated with WNC Capital may receive compensation from PEFA or its affiliates with respect to certain placement services provided in connection with the offering of one or more Funds. To the extent that WNC Capital provides referrals that result in a prospective investor becoming an investor in the Funds, it has a conflict of interest vis-à-vis the underlying investors in such Fund that it helps to place in the Funds because it is being compensated for those services. The Fund's offering documents disclose that WNC Capital is an affiliate of PEFA and that certain persons associated with PEFA and its related persons are also registered representatives of WNC Capital.

On occasion, PEFA and its affiliates may own interests in securities that it or they also recommend to Clients, which may present a potential conflict of interest. These may include interests in entities holding apartment complexes and other affordable housing assets, in which the Funds acquire the same or different interests. In such cases, the Funds will obtain the approval of the limited partners or a limited partners advisory committee, as applicable and as set forth in more detail in the relevant Fund's offering documents.

PEFA does not recommend or select other investment advisers for its Clients or receive compensation directly or indirectly from other investment advisers as a result of such a recommendation or selection by PEFA.

Conflicts of Interest

The processes for managing these and other conflicts of interests are described in the applicable Fund's offering documents, which include processes for addressing allocation and successor fund matters, as well as conflicted transaction scenarios involving either PEFA or its affiliates and a PEFA Client (including the Funds), on one hand, or transactions involving two or more PEFA Clients (including the Funds), on the other.

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

Code of Ethics

PEFA's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Advisers Act, and it applies to PEFA's "Access Persons" as defined in Rule 204A-1 of the Advisers Act. PEFA's Access Persons generally include any member, officer or director of PEFA and any employee or other supervised person of PEFA who (i) has access to non-public information regarding any Client's purchase or sale of securities, or non-public information regarding the holdings of a Client, or (ii) is involved in making or executing securities recommendations, or has access to such recommendations, that are non-public. In addition, certain consultants and other individuals may also be deemed to be Access Persons of PEFA.

The Code sets forth a standard of business conduct that takes into account PEFA's obligations to Clients and requires Access Persons to place the interests of Clients above their own interests and the interests of PEFA. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of PEFA management. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide PEFA's Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, PEFA's Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1. The Code also describes PEFA's and each Access Person's duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) Clients.

The Code also includes policies and procedures addressing other conflicts of interest; outside activities of supervised persons; gifts and business entertainment matters, including limitations and reporting requirements; pre-clearance and reporting of political contributions; participating or interest in client transactions and personal trading by covered associates of PEFA.

PEFA will provide a copy of its Code to any Client (including an investor therein) or prospective Client (including prospective investor therein) upon request.

Participation/Interest in Client Transactions

Neither PEFA nor its related persons or affiliates generally buy securities for itself or themselves from Clients, or sell securities it or they own to Clients (i.e., a "principal transaction") or buy or sell such securities for itself or themselves. In the event that the Funds may from time to time participate in one or more principal transactions, the general partner of the Fund will obtain the consent of the limited partners or the applicable Fund's limited partner advisory committee for each such transaction according to the requirements set forth in the applicable Fund's offering documents and applicable law. Affiliates of PEFA may have certain proprietary interests as a limited partner in one or more Funds managed by PEFA. Those interests held by the Fund's general partner or its affiliates do not pay Management Fees or Carried Interest but generally otherwise participate on the same terms as a limited partner in such Fund.

As noted above, PEFA may from time to time recommend investments to Clients in which it or a related person has some other proprietary (ownership) interest. For example, PEFA is affiliated with WNCMP, affiliates of which from time to time serve as the manager or local general partners of one or more portfolio investments held by a Fund. Conflicts associated with these and other investment structures involving participation by PEFA and its affiliates are described in further detail in the applicable Fund's offering documents.

Neither PEFA nor its related persons, as a broker-dealer or registered representative of a broker-dealer, execute securities trades for brokerage customers in which Client securities are sold to or bought from the brokerage customer (agency cross transactions). PEFA may, however, recommend to Clients, or act as a purchaser representative for Clients with respect to, the purchase of securities for which it or any related person serves as underwriter or general or managing partner. As noted above, generally brokerage and other fees will not be charged by PEFA or its affiliates to the Funds. Neither PEFA nor its related persons recommend the purchase or sale of securities to Clients for which it or any related person has any other sales interest.

Item 12. Brokerage Practices

Due to the nature of the Funds' investment strategies, which involve acquiring private interests in affordable housing communities and associated interests in real property and private entities owning real property, this section is not applicable to PEFA. As a general matter, the Funds advised by PEFA invest in private transactions that are not executed on an exchange and do not utilize securities broker-dealers. If PEFA's practices change in the future, it will amend this Brochure to provide additional information regarding such practices. PEFA does not receive soft dollar benefits, utilize capital introduction, permit directed brokerage or aggregate Client trades.

Item 13. Review of Accounts

Each Fund and its holdings generally are reviewed by personnel of PEFA, including, where applicable, the Fund's portfolio manager or investment committee members, on a periodic basis and at least quarterly. Currently, PEFA does not utilize any specific criteria to trigger a review of a Fund's investments but considers a variety of triggering factors that may affect a review of a Fund, such as any material change in industry outlook as well as other economic factors.

The nature and frequency of reports to limited partners are generally set forth in the applicable Fund's offering documents. Within 120 days after the end of each fiscal year, each Fund will distribute to its limited partners audited financial statements of the applicable Fund for such year, which will include a balance sheet and statement of operations, partners' commitments and cash flows prepared on an accrual basis in accordance with U.S. generally accepted accounting principles. In addition, the Funds generally distribute to the limited partners unaudited quarterly financial statements for each of the first three quarters of each year. Such quarterly financial statements consist of a balance sheet and a statement of operations and cash flows. Within 75 days after the end of each year or as soon as reasonably practicable thereafter, each Fund generally distributes to its limited partners such tax information as is reasonably necessary for the preparation of such partners' U.S. Federal and state income tax returns.

PEFA or its affiliates may, in its sole discretion, consider a request from any limited partner of a Fund for a report in addition to those described herein, including certain reports that may be provided pursuant to side letters with one or more investors.

Item 14. Client Referrals and Other Compensation

PEFA does not receive an economic benefit for providing investment advice or other advisory services from persons who are not a Client.

As described in Item 10 above, PEFA may engage WNC Capital to refer investors who may invest in one or more Funds.

Item 15. Custody

PEFA is deemed to have custody of the assets owned by the Funds by virtue of its status, or the status of its related affiliated general partners, as investment manager to the Funds. To confirm compliance with Rule 206(4)-2 under the Advisers Act ("Custody Rule"), PEFA will generally ensure that each of the Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the PCAOB and that each Fund's audited financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and provided to investors within 120 days of the close of each client's fiscal year.

The Funds typically invest directly in real estate or in securities that meet the Custody Rule's definition of "privately offered securities". Any other funds and securities owned by Funds, other than certain uncertificated securities purchased in private transactions, are held with a qualified custodian, as defined in the Custody Rule (i.e. a bank or broker-dealer). PEFA does not send account statements to the Funds. Investors receive quarterly and annual reports from PEFA (or its affiliates). These reports should be carefully reviewed. Investors are urged to compare such reports to the information provided in the audited financial statements prepared by the Funds' auditors and/or the statements received from the qualified custodian, as applicable.

Item 16. Investment Discretion

PEFA, through its investment management agreements with the Funds, has discretionary authority over the management of assets of the Fund, as set forth in the Fund's offering documents. The investment management agreement between PEFA and each of the relevant Funds authorizes PEFA to determine the investments to be bought and sold, the amounts to be bought and sold, and the timing of purchases and sales of investments made for each Fund, subject to certain limitations set forth in the Fund's offering documents. When selecting investments and determining amounts to be invested, PEFA adheres to the limitations and restrictions applicable to the Funds to which it provides investment advice.

Item 17. Voting Client Securities

Due to the nature of PEFA's business, which is comprised of advising Funds related to their investments in real estate properties, PEFA does not expect to receive any proxies to vote for the investments in Client accounts. However, in the event that a proxy is received by PEFA, it will seek to vote such proxy in the best interests of its Clients. Accordingly, PEFA has adopted policies and procedures reasonably designed to ensure that PEFA exercises voting authority in the best interest of its Clients and to manage conflicts of interest that may arise in connection with the voting of proxies. Investors may obtain information about how securities were voted or a copy of PEFA's proxy voting policies by contacting it at the number listed on the cover page of this brochure.

Item 18. Financial Information

Pre-Payment of Fees

PEFA does not require or solicit prepayment of fees or other compensation from the Funds six months or more in advance.

Material Impact of Discretionary Authority

PEFA does not current believe it is subject to, nor does it currently anticipate, any financial condition that may be reasonably likely to impair its ability to meet contractual commitments to its Clients at this time.

Bankruptcy Disclosure

PEFA has not been the subject of a bankruptcy petition at any time during the past ten years.