

Item 1 – Cover Page

Prudential Private Placement Investors, L.P.

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This Brochure provides information about the qualifications and business practices of Prudential Private Placement Investors, L.P. (“PPPI”). Unless otherwise specified (i) information provided is current as of the date of this Brochure and (ii) references throughout this Brochure to “we”, “us” or “our” refer to PPPI. If you have any questions about the contents of this Brochure, please contact us at (973) 802-8608.

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.

PPPI is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

Item 2 – Material Changes

The attached brochure for Prudential Private Placement Investors, L.P. (“PPPI”) updates the PPPI brochure dated March 31, 2014, to amend references to the Pricoa Sterling Corporate Bond Fund, (the “Sterling Fund”). A description of the features of the Sterling Fund will be included under a separate ADV filing for Pramerica Investment Management, Ltd. (“PIML”), the sub-investment manager of the Sterling Fund.

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Item 4 – Advisory Business

PPPI is a limited partnership established in 1993 that provides investment advisory services to The Prudential Insurance Company of America (“PICA”) and to affiliated and unaffiliated insurance company clients. PPPI is wholly-owned by Prudential Investment Management, Inc. (“PIM”), a registered investment adviser, which in turn is an indirect wholly-owned subsidiary of Prudential Financial, Inc. (“Prudential Financial”), a publicly held company (NYSE ticker “PRU”). PPPI is a specialized investment adviser that focuses on the management of accounts, for commingled insurance company separate accounts and other institutional clients, which primarily invest in private placements of debt securities. Private placement securities are securities which are issued by a company in an offering which is not required to be registered with the SEC.

The principal products that we manage include (i) PRIVEST and PRIVEST Plus, two commingled insurance company separate accounts offered by our affiliate, PICA, (ii) single investor private placement accounts for other institutional clients, and (iii) Private Placement Trust Investors, LLC (“PPTI”), a private fund established and structured to meet the unique needs of a specific investor. An insurance company separate account is an investment account that uses pooled money to buy individual assets (in this case, securities). These assets are kept separate from PICA's general investments and are generally not vulnerable to the claims of PICA's creditors.

In addition to the aforementioned product offerings, officers of PPPI acting as approved persons of Pramerica Investment Management Limited (“PIML”) manage the Pricoa Sterling Corporate Bond Fund, (the “Sterling Fund”), a sub-fund of Pramerica Income Funds, plc, an investment company with variable capital incorporated in Ireland. The investment manager of the Sterling Fund is PIM and the sub-investment manager is PIML.

Prudential Capital Group (“PCG”), the dedicated private placement division of PIM, originates and co-manages with PPPI the private placement investments PCG allocates to PPPI managed accounts. PCG has over 70 years of experience investing in private placements and manages a portfolio of nearly 1,000 issuers and approximately \$66.0 billion in combined affiliated and non-affiliated assets under management as of December 31, 2013. Please refer to Item 8 below for further details regarding PCG's origination and management of private placements for PPPI.

PCG allocates the private placement investments it originates to:

- PRIVEST,
- PRIVEST Plus,
- Single investor accounts managed by PPPI
- PPTI
- The Sterling Fund, and
- Other accounts which are not managed by PPPI.

PCG allocates investments it originates to these accounts by following a detailed allocation protocol (that was approved by PPPI) that is based on the individual investment objectives, guidelines and limits of each account. See Item 12 below for a further discussion of PCG's allocation process and the procedures.

PRIVEST generally invests in privately placed debt securities (mainly senior, unsecured loans to investment-grade companies). PRIVEST's investment management agreement permits the use of derivatives but limits derivatives to 15% of the portfolio's net asset value.

PRIVEST Plus generally invests in privately placed debt securities (mainly senior, unsecured loans to lower-quality investment-grade and below-investment-grade companies, including distressed securities). PRIVEST Plus may also invest in (i) credit default swap contracts (buying protection only), but such investments are limited to 15% of the portfolio's net asset value and (ii) other derivatives as PPPI deems appropriate. The average life of the investments allocated to PRIVEST's and PRIVEST Plus' portfolios generally range from 5 to 15 years.

The Sterling Fund generally invests in privately placed debt securities denominated in pounds sterling issued by companies operating in the United Kingdom with less than 500 million pounds sterling of annual revenue (mainly senior unsecured loans to investment-grade and below-investment-grade companies). The Fund may not invest in securities issued by U.S. issuers or which otherwise generate U.S. source income. Investments may include other securities issued in connection with, in exchange for or modification of privately placed securities pursuant to a workout, bankruptcy proceeding or prepayment. The Fund is also subject to several investment guidelines that are set forth in the relevant supplement of the Fund's prospectus.

PPTI generally invests in privately placed debt securities (mainly senior, unsecured loans to investment-grade companies). The investment guidelines of the limited liability company agreement permit the purchase of Treasury futures however use of such instruments is solely for portfolio duration management purposes.

The investment objectives for each of the single investor accounts we manage are specified by the investors in their individual investment management agreements. As of December 31, 2013, we managed twenty-three single investor accounts on behalf of insurance company clients. These accounts invest in investment grade privately placed debt securities. Additional investment guidelines vary by client and may prohibit PCG from allocating investments in certain securities to the client's accounts.

PPPI's account management offers customized portfolio constraints and reporting and benefits from full access to PCG's deal flow and dedicated private placement investment staff of approximately 167. PPPI works closely with PCG to monitor the performance of the private placement investments in the accounts that PPPI co-manages with PCG, and

ensures that the assets in each account are invested and reinvested in accordance with the individual investment objectives, guidelines and limits of each account.

PPPI manages its client accounts through a portfolio manager, Albert Trank, Jr., and his staff. Mr. Trank is a Managing Director of PCG's Institutional Asset Management unit and an officer of PPPI serving as a Director and President. In addition to acting as portfolio manager for PPPI, Mr. Trank is part of PCG's senior management team.

PPPI and PCG have distinct roles in co-managing PPPI's clients' investments. PPPI provides management oversight of PPPI client portfolios, while PCG's investment staff, headed by Allen A. Weaver, makes the individual investment decisions and handles the day-to-day investment-related aspects of PPPI's clients' investments. In addition to heading PCG, Mr. Weaver is an officer of PPPI, serving as a Director and Chairman. With respect to the Sterling Fund, PIML, as sub-investment manager, also has a distinct role in making investment decisions for the Sterling Fund, including decisions to purchase or sell investments or to amend material economic terms of individual investments, while PPPI officers in their capacity as PIML approved persons provide management oversight of the Sterling Fund portfolio, including cash management activities and ensuring that the portfolio constraints are aligned with the fund's investment guidelines, and provides periodic reporting and analysis of the portfolio to the fund investors.

PPPI's total discretionary assets under management as of December 31, 2013 were \$13.694.18 billion. As of December 31, 2013, we did not manage any non-discretionary assets.

Item 5 – Fees and Compensation

Single Investor Accounts

We individually negotiate fees for our single investor accounts. Our fees consist of an asset origination fee and a portfolio management fee. We directly invoice our fees quarterly in arrears. The specific fixed fee for each client is identified in the individual investment management agreement with that client and, in some historical cases, may be based on outstanding book value or net asset value of the client's portfolio. Certain investors may also have separate fee agreements that establish a global fee schedule based on total investments across multiple single investor accounts and participation in PRIVEST, PRIVEST Plus. We also charge our clients for certain limited out-of-pocket fees and expenses we incur as more fully described in our investment management agreement with each client.

Insurance Company Separate Accounts

PICA, the issuer of the insurance company contracts for PRIVEST and PRIVEST Plus, charges the fees for the PRIVEST and PRIVEST Plus portfolios. PPPI, in turn, receives fees from PICA for our advisory services to PICA relating to PRIVEST and PRIVEST Plus.

Fees for PRIVEST and PRIVEST Plus are charged quarterly. The fee schedule for PRIVEST and PRIVEST Plus is not negotiable and participants may opt to have management fees directly billed or paid through a reduction in their account. PRIVEST and PRIVEST Plus clients may also incur brokerage and other transaction costs as described in Item 12 below.

PPTI

Management fees under the PPTI mandate consist of an asset origination fee and a portfolio management fee. We directly invoice our fees quarterly in arrears. The fee is calculated based on the outstanding principal amount of the portfolio plus the market value of Other Securities if applicable. As managing member of PPTI we also charge the regular members for certain out-of-pocket fees and expenses we incur. These items are more fully described in the Limited Liability Company Agreement.

Other Investment Vehicles

Depending on the specific needs of a client, PPPI may provide investment advice with respect to privately-placed securities or make investments in privately-placed securities for clients through a variety of investment vehicles. Such vehicles may include commingled insurance company separate accounts of PICA, single client insurance company separate accounts of PICA, investment companies, partnerships, limited liability companies and trusts. We may provide investment advice to clients who do not want their money managed through PRIVEST or PRIVEST Plus. The fee arrangements for such services would be negotiated with clients and may vary from the fee arrangements outlined above for PRIVEST and PRIVEST Plus.

Compensation of our Investment Professionals

Compensation of our investment professionals includes a combination of base salary, a performance-based annual cash incentive bonus, and a long-term incentive grant. The base salary component is based on market data relative to similar positions within the industry as well as the past performance, experience, and responsibility of the individual. Investment professionals' annual cash incentive bonus is paid from an annual incentive pool. Each investment professional's incentive compensation, including both the annual cash incentive bonus and the long-term incentive grant, is primarily determined by how significantly they contribute to delivering investment performance to clients consistent with portfolio objectives, guidelines, and risk parameters, as well as the individual's qualitative contributions to the organization. Some members of PCG's staff also receive (i) allocations of carried interest from mezzanine funds that PCG manages and (ii) the opportunity to participate in mezzanine investments through PCG- sponsored management co-investment vehicles.

Our incentive compensation program is designed to align the interests of each investment professional with those of our clients. The performance of our clients' accounts, our overall business, and the individual employee are all important factors in determining the size of the annual bonus awarded to each individual. Total compensation is designed to be competitive with the market, but an individual's actual compensation will vary. Investment professionals are all covered by the same general compensation structure, although they manage multiple accounts. All investment compensation is paid by PIM, and not from any assets of managed accounts.

Deal-Related Fees

To compensate it for its additional time and effort when it acts as placement advisor to an issuer or assists the issuer in structuring an investment, PCG may charge the issuer a fee. Receiving a fee from an issuer that it does not pass on to the investors participating in the financing creates a conflict with our investors. We mitigate that conflict by (a) only acting as placement advisor as a means to access deal flow and (b) maintaining a fee allocations policy which generally requires that all fees paid by an issuer to PCG are passed pro rata to non-affiliated investors, but allows PCG to receive and keep certain specific types of fees, including "shelf set-up fees" and disproportionate fees (that is, a fee paid to PCG above and beyond any fee received by other investors participating in the same transaction whose investments are not managed by PCG). However, because ERISA regulations require that ERISA separate accounts must be allocated a pro rata portion of every fee generated by any deal in which it participates, there is a potential for disparate treatment in cases where PCG receives a fee which is not required to be passed pro-rata to non-affiliated investors under the fee policy because PCG may allocate a pro rata share of such fee to participating ERISA separate accounts but not to other PCG-managed investors.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

As noted in Item 4 above, we provide portfolio management services to our affiliate, PICA, with respect to PRIVEST and PRIVEST Plus, Pramerica Investment Management with respect to the Sterling Fund, trust investors under the PPTI Limited Liability Company Agreement and to affiliated and non-affiliated insurance companies. The investors participating in our PRIVEST and PRIVEST Plus commingled accounts include corporate pension plans, Taft-Hartley plans and government pension plans. PPPI also provides single investor discretionary private placement accounts (investment grade and below investment grade) to insurance company, pension and non-U.S. investors. Customized

single investor accounts range in commitment size from \$50 million to \$1 billion. We do not have a minimum account size; however, PRIVEST has a minimum annual investment management fee of \$10,000.

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

The primary assets in which PPPI managed accounts invest are private placement securities. As noted in Item 4 above, PCG originates and co-manages private placement securities for our managed accounts. PCG uses a geographic approach to sourcing private placement investments. In addition to its Newark office, PCG has eight U.S. regional offices and three offices outside the U.S. PCG has offices in:

- Atlanta,
- Chicago,
- Dallas,
- Los Angeles,
- Minneapolis,
- New York,
- San Francisco,
- Los Angeles,
- Frankfurt,
- London, and
- Paris.

Each regional office is run by a Managing Director with 20 or more years of experience. Each domestic region is broken into two to five deal teams, generally led by a vice president or a senior vice president who covers, generally, two to three states. Internationally, in addition to covering parts of the host country, each deal team has responsibility for one or more other countries. Each deal team is responsible to know, and maintain an active dialogue with, middle market companies in their territory, subject to any regulatory constraints. We expect each deal team to make approximately 100 to 150 face-to-face calls per year with both existing issuers and prospects. PCG's approach is to seek diversity in its portfolio on a geographic basis and in a diverse range of industries.

PCG generally originates more than 50% of its business on a "direct" basis with the remainder sourced through intermediaries (commercial and investment banks). PCG has a detailed process for documentation of transactions and a formal monitoring process which facilitates the sharing of information. This enables PCG to benefit from the considerable information advantage that its resources and depth provide. As part of the origination process, PCG investment professionals conduct extensive due diligence and credit analyses with respect to each potential investment.

PCG determines the coupons on its private placement securities using public comparables and/or a sector-adjusted matrix if no relevant comparables are available. Once a deal is booked and allocated, the same team that originated the transaction is responsible for monitoring it. Credit risk is the primary risk we manage and we are very focused on minimizing payment default rates and maximizing recovery rates on all investments. PCG's credit monitoring process is very intensive and PCG monitors each investment with a formal proprietary rating evaluation process. PCG enters quarterly financial investment data into its tracking system that evaluates key financial ratios relative to PCG's customized target thresholds for each individual investment. PCG establishes target monitoring ratios inside of the underlying contractually negotiated financial covenant ratios for each individual investment. Each deal team prepares a quarterly review sheet to evaluate quarterly performance of, and to provide commentary on, each of their investments.

PCG performs a thorough re-examination of all investments at least annually. PCG's annual review includes both a qualitative and quantitative re-assessment of its proprietary quality rating. Senior PCG (and PPPI) management conducts quarterly review meetings to discuss investments that are in early stages of decline. Investments identified as on the "early warning list" are evaluated and discussed in quarterly senior management meetings. PCG places investments with more severe problems on a "watch list" and it generally transfers those investments to PCG's workout/restructuring unit for more intensive management. Senior management conducts a formal quarterly review of all investments on its "watch list".

The workout process begins with early involvement by PCG's workout professionals including frequent contact with regional offices, the "early warning" monitoring process, and consultation with deal teams on certain early warning accounts. PCG's workout teams take a proactive approach to each workout asset, applying a realistic assessment of workout options/alternatives while aggressively enforcing rights and remedies. Where possible, PCG ensures that its investors are compensated for loan concessions and credit deterioration and will employ outside resources (i.e. workout/bankruptcy attorneys, turnaround/industry consultants and crisis managers) where necessary.

Investing in securities involves risks that can include reduction in the value of assets. Because there are no guarantees of return on investments, clients should be prepared to bear a loss. A summary of PPPI investor risks include but are not limited to:

Highly Competitive Market for Investment Opportunities: The activity of identifying, completing and realizing on attractive investments is highly competitive, and involves a high degree of uncertainty. We cannot provide any assurance that PCG will be able to locate, consummate and exit investments that satisfy the investor's overall objectives.

Reliance on Key Management Personnel: Our ability to meet our investors' investment objectives will depend, in substantial part, upon the skill and expertise of our investment professionals. The death, disability or departure of any key professionals may adversely affect our business or the performance of accounts we manage.

Potential Conflicts of Interest: As described in more detail in Item 11 below, PPPI and its affiliates, on their own behalf or on behalf of any of their investors, (i) will engage in a broad spectrum of activities, including investment advisory activities, and have extensive investment activities that are independent from, and may from time to time conflict with, those of any individual PPPI client, and (ii) may invest in, advise, sponsor and/or act as investment manager to investment vehicles and other entities that may have investment objectives similar to those of any individual PPPI client and that may compete with that client for investment opportunities. For example, while PCG's deal allocation process (discussed in more detail in Item 12 below) is designed to ensure that the deals sourced by PCG are allocated fairly and equitably among all of PPPI's clients and PCG's clients, when PCG has originated two or more investments in or relating to the same issuer where the investments are linked economically or have different legal priorities, making such investments may involve material conflicts of interest between the investors in each of the investments. Item 12 below explains how we address these conflicts of interest.

Limited Liquidity: Private placements are generally considered to be more illiquid than publicly traded corporate bonds and their valuation is more subjective. PCG's ability to sell the investment in the secondary market may be limited (and is inconsistent with PCG's relationship approach to long-term investing) therefore investors in individual discretionary accounts should be prepared to retain the investment until maturity. While PRIVEST and PRIVEST Plus are managed to maintain a degree of liquidity, withdrawals are limited to the available cash in the respective accounts. We have discretion to raise the necessary funds required to meet redemptions when and in such manner as we believe to be appropriate, including through the sale of the assets in the account to meet any redemption requests. Investors should anticipate that there generally will be a substantial period of time between the date an investor in PRIVEST or PRIVEST Plus submits a redemption request and the date which it can expect to receive full redemption.

Material, Non-Public Information: In connection with other activities of PIM, certain employees of PCG and/or PPPI may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. PCG and PPPI will not be free to act upon any such information. Due to these restrictions, we may not be able to engage in a transaction that we otherwise might have engaged and we may not be able to sell an investment that we otherwise might have sold.

Alternative Investments: Insurance company commingled separate accounts such as PRIVEST and PRIVEST Plus are subject to different regulations than other types of pooled investment vehicles, such as mutual funds, and are not subject to the same registration and disclosure requirements. Consequently, it may be difficult to assess their performance or independently verify information we report.

Interest Rate Risks: The valuations of private placements tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of securities to move in directions which were not initially anticipated.

Credit/Issuer Exposure: The ability of each issuer of a private placement to meet its obligations under the security will depend on, among other things, the financial ability of each issuer. Thus, the investments in a particular account will be subject to the financial strength of each underlying issuer. Additionally, although PPPI's portfolios typically invest in senior securities, in a bankruptcy or liquidation of an issuer, investments in the account may have a lower priority than those of other creditors, such as the liquidator, tax authorities and other claims which have priority under law or regulations.

No Assurance of Investment Return: As with other investment vehicles, we cannot assure you that your investment objectives will be achieved or that you will receive any return on your investment. Performance may be volatile. An investment should only be considered by investors who can afford a material loss on their investment. Our past performance is not a guarantee or a reliable indicator of our future results.

Side Letters: We have entered into side letters with respect to certain of the funds that we manage, and may do so with respect to funds that we may manage in the future. Such side letters are agreements with investors in the funds (including affiliated investors) that grant such investors terms and conditions more advantageous than those granted to other investors. We may have multiple side letters with respect to a single fund, each with a different investor.

Financial Regulatory Reform: Laws and regulations affecting our business change from time to time, and we are currently operating in an environment of significant regulatory reform, scrutiny and uncertainty. We cannot predict the effects, if any, of future legal and regulatory changes or the implementation of existing regulatory reforms on our business or the services we provide.

Item 9 – Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no facts or events to report in response to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Please see Item 4 above for a description of PCG as a unit of PIM, and the relationship, overlapping personnel and coordinated investment processes that exist between PCG and PPPI.

Certain of our management persons and other employees are registered representatives of Prudential Investment Management Services LLC, an affiliated SEC-registered broker-dealer.

As an affiliate of Prudential Financial, we are part of a diversified, global financial services organization. As a result, we are affiliated with many types of financial service providers, including broker-dealers, insurance companies and other investment advisers. Some of our personnel are officers of some of these affiliates.

PIM is registered with the U.S. Commodity Futures Trading Commission (“CFTC”) as a Commodity Trading Advisor and a Commodity Pool Operator and is a member of the National Futures Association. PIM advises qualified eligible persons (QEPs) under CFTC Rule 4.7.

As described in the response to Item 4 above, we provide investment advisory services to PICA in connection with the investment of PRIVEST and PRIVEST Plus.

PIM and its affiliated investment advisers may actively engage in the creation of limited partnerships or limited liability companies as vehicles for client investments. Our clients may be solicited to invest in these partnerships. We act independently of our affiliates and are not involved in the management of such limited partnerships.

Item 11 – Code of Ethics

PPPI maintains a code of ethics as required by applicable SEC rules. Our code of ethics requires employees to conduct business in an honest and forthright manner in accordance with the highest of ethical standards. In addition, our code of ethics requires employees to put client interests ahead of our own and disclose actual and potential meaningful conflicts of interest. Our code of ethics incorporates our information barrier and personal securities trading policies that are described in greater detail below. Our employees are required to report any violation of our code of ethics promptly to our chief compliance officer.

We will provide a copy of our code of ethics to clients or prospective clients upon request and without charge.

Information Barrier Policy

PIM's information barrier policy, which applies to PPPI, is designed to prevent the communication of material, non-public information across PIM's various U.S. asset management investment sectors. Under the policy, an employee of one investment sector, may not communicate material, non-public information to an employee of another investment sector without approval from each sector's compliance unit. The information barrier policy also restricts physical access to an investment sector's offices by employees of a different investment sector.

PIM maintains various restricted lists of issuers about which it or we have material, non-public information or other trading restrictions. The restricted lists are contained in electronic databases that can be viewed only by specified associates who have been granted access.

Personal Securities Trading Policy

We maintain a personal securities trading policy that governs the trading activities of our employees as well as their household members and dependents. Subject to certain limited exceptions, employees are required by our policy to:

- report personal securities transactions to our corporate compliance unit;
- preclear personal securities transactions (for employees considered to be "access persons" under SEC rules);
- maintain brokerage accounts only with certain approved brokers that report transaction information to our corporate compliance unit; and,
- annually report securities holdings to our corporate compliance unit.

Our access persons and investment personnel are subject to additional restrictions under the policy, including the following:

- investment personnel are generally prohibited from purchasing securities in initial public offerings; and,
- access persons may not trade any security on the same day that we trade such security (or an equivalent security) for client accounts (other than in client accounts that replicate a broad-based index).

We monitor personal trading activity versus firm trading and restricted list content, and matches may be escalated by our compliance unit. An ethics committee meets regularly to consider possible violations and take disciplinary action where appropriate.

All employees receive annual training regarding our personal securities trading and information barrier policies. In addition, employees must annually confirm that they have read and understand our code of ethics, including the personal securities trading and information barrier policies.

Gift & Entertainment Policy

Our employees may occasionally give or receive gifts, meals or entertainment of moderate value, subject to compliance with applicable laws and regulations and rules of self-regulatory organizations. PIM has adopted a gift and entertainment policy, which applies to PPPI, to address the conflicts of interest related to gifts and entertainment, such as the appearance of having given or received something of value that influenced our business decisions or the business decisions of our clients. The policy requires the reporting and preclearance of gifts, meals and entertainment given or received which exceed certain thresholds. In addition, our employees are prohibited from soliciting the receipt of gifts, meals or entertainment. Senior management periodically reviews summaries of gifts and entertainment activity to detect trends of abuse, conflicts of interest, or possible violations of the policy.

Political Contributions

Due to the potential for conflicts of interest, Prudential and PIM have established policies and procedures relating to political contributions that are designed to comply with applicable federal, state and local law. Under PIM's political contributions policy, which applies to PPPI, all employees (including spouses and dependent children) must obtain preapproval before making any political contribution. This policy also prohibits PPPI employees from making any political contributions with the intent of influencing a public official regarding the award of a contract to PPPI or its affiliates.

Conflicts of Interest

As a result of the broad range of PPPI's and its affiliates' businesses, conflicts of interest will inevitably arise in our operations. We have described below significant conflicts of interest and have organized the discussion under headings for ease of reading only. Conflicts described under one heading could appear or be repeated under one or more other headings below. We do not intend for the headings to limit the applicability of the conflict to other headings or other parts of our business. Additionally, when we refer to PIM in this discussion, the reference includes PPPI and PCG, wherever the context allows or requires.

While PIM follows Prudential Financial's policies on business ethics, personal securities trading by investment personnel, and information barriers and has adopted a code of ethics, allocation policies, supervisory procedures and conflicts of interest policies, among other policies and procedures, which are designed to ensure that clients are not harmed by these potential or actual conflicts of interests; we cannot guarantee that such policies and procedures will detect and ensure avoidance, disclosure or mitigation of each and every situation in which a conflict may arise.

Conflicts arising from our Affiliations and Portfolio Management Responsibilities

PIM is an indirect, wholly-owned subsidiary of Prudential Financial and is part of a full-scale global financial services organization, affiliated with insurance companies, investment advisers and broker-dealers. PIM's portfolio managers are often responsible for managing multiple accounts, including accounts of affiliates, institutional accounts, insurance company separate accounts, nondiscretionary model portfolios and various pooled investment vehicles, such as unregistered funds (including hedge funds). These affiliations and portfolio management responsibilities may cause potential and actual conflicts of interest. PIM aims to conduct itself in a manner it considers to be the most fair and consistent with its fiduciary obligations to all of its clients.

Management of multiple accounts and funds side-by-side may raise potential conflicts of interest relating to the allocation of investment opportunities, the aggregation and allocation of trades and cross trading. PIM has developed policies and procedures designed to address these potential conflicts of interest.

Legal, regulatory and contractual restrictions may limit how much, if any, of a particular security PIM may purchase or sell on behalf of a client, and the timing of our purchase or sale of a security. Such restrictions may arise as a result of PIM's relationship with Prudential Financial and its other affiliates. PIM may be prohibited from engaging in transactions with its affiliates even when such transactions may be beneficial for client accounts. Certain affiliated transactions are permitted in accordance with procedures adopted by PIM.

Certain affiliates of PIM develop and may publish credit research that is independent from the research developed within PIM. PIM may hold different opinions on the investment merits of a given security, issuer or industry such that PIM may be purchasing or holding a security for a client and an affiliated entity may be selling or recommending a sale of the same security or other securities of the issuer. Conversely, PIM may be selling a security for a client and an affiliated entity may be purchasing or recommending a buy of the same security or other securities of the same issuer. In addition, PIM's affiliated broker-dealers or investment advisers may be executing transactions in the market in the same securities as PIM at the same time. It is the policy of PIM not to engage in principal transactions with affiliated broker-dealers for unaffiliated institutional accounts managed by PIM.

PIM may cause securities transactions to be executed for a client's account concurrently with authorizations to purchase or sell the same securities for other accounts managed by PIM, including proprietary accounts or accounts of affiliates. In these instances, the executions of purchases or sales, where possible, are allocated equitably among the various accounts.

PIM may buy or sell, or may direct or recommend that one client buy or sell, securities of the same kind or class that are purchased or sold for another client, at prices which may be different. In addition, PIM may, at any time, execute trades of securities of the same kind or class in one direction for an account and trade in the opposite direction or not trade for any other account due to differences in investment strategy or client direction.

Conflicts arising as a result of our Possession of Material, Non-Public Information and our Information Barrier

PIM may come into possession of material, non-public information with respect to a particular issuer and as a result PIM will be unable to execute purchase or sale transactions in securities of such issuer for its investors. Within PPPI, this can occur because PPPI, in the normal course of business, obtains material, non-public information about public issuers resulting in restrictions on trading in securities of such issuers.

We have procedures in place to track the acceptance of material, non-public information and a process to analyze and resolve related trading issues. In addition, PIM maintains information barriers or “fire walls” designed to prevent the transfer of such information between units of PIM as well as between affiliates and PIM. In some instances, PIM may create an “isolated information barrier” around a small number of employees within an investment unit who may come into possession of material, non-public information about an issuer, so that their knowledge is not attributed to the rest of the unit.

Conflicts arising from Fee Practices

Some of the fees charged by PIM business units are negotiable so one client with similar investment objectives or goals may be paying a higher fee than another client. Also, large accounts generate more revenue for PIM than do smaller accounts. A portfolio manager may be faced with a conflict of interest when allocating scarce investment opportunities given the potential benefit to PIM of favoring accounts that generate more income for PIM. To address this conflict of interest, PIM has adopted allocation policies as well as supervisory procedures that are intended to fairly allocate investment opportunities among competing client accounts.

Conflicts arising from Placement Advisor Activity

We compete directly with agents/intermediaries to win direct mandates from issuers for investments. Occasionally, the desired amount of capital an issuer proposes to raise exceeds the amount we can provide alone. In those situations, we have found it advantageous to partner with other institutional investors in order to gain direct access to deal flow. To compensate us for our additional time and effort when we act as placement advisor to an issuer, we may charge the issuer a fee. Receiving a fee from an issuer that we do not pass on to the investors participating in the financing creates a conflict with our investors. We mitigate that conflict by (a) only acting as placement advisor as a means to access deal flow and (b) obtaining the agreement of our impacted investors that we can receive and keep disproportionate fees (that is, a fee paid to us above and beyond any fee received by other investors participating in the same transaction whose investments are not managed by us).

Conflicts arising from Relationships with Large Clients

Conflicts of interest may arise due to PIM's relationship with especially large clients and its affiliates. Such clients may have needs for information, reporting, operational support, or PIM's other resources that may be disproportionate to the nature or amount of assets PIM manages for them and may be different or greater than provided to all clients generally. Representatives of Prudential Financial, PICA's general account, PIM's proprietary accounts and accounts of other affiliates of PIM (collectively, the "Affiliated Accounts") who are responsible for monitoring Prudential Financial's enterprise investment risk have access to information about PIM's assets under management, including for third parties, that is not made available to non-affiliated clients (although their access does not include specific non-affiliated client identifying information or portfolio information for clients of PIM who have asked for confidentiality with respect to sharing of information with PIM's affiliates). PIM believes that it manages its relationships with such clients in a manner that is consistent with the best interests of all its clients.

Conflicts arising from PIM's or its Affiliates' Investment and Other Activities and Relationships

Conflicts of interest may also arise in connection with the investment or other activities of PIM and its affiliates or relationships of such parties with issuers of securities. Affiliated Accounts may at times have various levels of financial or other interests, including but not limited to portfolio holdings, in companies whose securities may be held or purchased or sold in PIM's client accounts. These financial interests may at any time be in potential or actual conflict or may be inconsistent with positions held or actions taken by PIM on behalf of its client accounts. These interests can include debt or equity financing, strategic corporate relationships or investments and the offering of investment advice in various forms. Thus PIM may invest client assets in the securities of companies with which PIM or an affiliate of PIM has a financial relationship, including investment in the securities of companies that are advisory clients of PIM. PIM may also be unable to invest client assets in the securities of certain issuers as a result of these investments or relationships.

Conflicts arising from Competing Interests

A client account may have an investment in securities of an issuer, including an equity interest in a joint venture or another entity that is engaged in a business that competes with issuers whose securities are held in other client accounts, or that competes directly with the business of PIM or an affiliate. While these types of conflicts cannot be eliminated, PIM has implemented policies and procedures designed to ensure that, notwithstanding these conflicts, investments of its clients are originated and managed in their best interests.

In addition, PIM's portfolio managers may advise Affiliated Accounts. PIM's portfolio manager(s) may have a financial interest in the accounts they advise, either directly or indirectly. To address potential conflicts of interest, PIM has procedures, including supervisory review procedures, designed to ensure that (including to the extent that client accounts are managed differently from Affiliated Accounts) each of the client accounts, and each affiliated account, is managed in a manner that is consistent with its investment

objectives, investment strategies and restrictions, as well as with PIM's fiduciary obligations.

Potential conflicts of interest may exist in instances in which PIM or its affiliates determine that a specific transaction in a security is appropriate for a specific account, including the Affiliated Accounts, based upon numerous factors including, among other things, investment objectives, investment strategies or restrictions, while other accounts (including the Affiliated Accounts) may hold or take the opposite position in the security in accordance with those accounts' investment objectives, investment strategies and restrictions. PIM periodically conducts reviews of these accounts and assesses the appropriateness of these differing positions.

Because of the substantial size of PICA's general account, trading by PICA's general account in certain securities may result in market changes in response to trades. Although PIM expects that PICA's general account will execute transactions that will move a market in a security infrequently, and generally in response to unusual market or issuer events, the execution of these transactions could have an adverse effect on transactions for or positions held by other clients.

Conflicts arising from overlapping Investment Mandates

Through PCG, PIM invests on behalf of its clients in certain asset classes, including debt securities offered pursuant to Rule 144A under the Securities Act of 1933 and bank loans. When PCG invests in these asset classes, it generally invests in issues that are smaller and less liquid than the issues in which its affiliate, Prudential Fixed Income, invests. In some cases, however, PCG and Prudential Fixed Income discuss particular issues and mutually determine which unit will consider investing in it, based on the issue's characteristics and distribution channel.

Conflicts from employees' other Compensated Activities

Certain employees of PIM are registered representatives of affiliated broker-dealers or officers or directors of certain commingled investment vehicles managed by PIM. These employees may engage in marketing efforts in such capacities on behalf of the commingled vehicles and may receive transaction-based compensation for their efforts in the form of bonuses and long term compensation that may be based directly or indirectly on the additional revenues generated from new or existing relationships.

Conflicts arising from the Valuation of Assets

PIM's client accounts may at times hold illiquid or difficult to value investments. PIM will face a conflict of interest when making a recommendation to clients regarding the value of such investments because PIM's investment management fees are generally based on the value of assets under management. PIM believes that its valuation policies and procedures are effective to enable it to value client assets fairly and in a manner that is consistent with the best interests of its clients.

Conflicts arising from Relationships with Vendors

PIM and its affiliates may have service agreements with various vendors that are also pension plan investment consultants. Pursuant to the agreements, PIM or its affiliates from time to time may compensate these vendors for the provision of certain services, including software, market data and technology services. PIM's clients may also retain these vendors to provide investment consulting services. The existence of these service agreements may create a conflict of interest for the investment consultants when they advise their clients regarding the investment management services of PIM. Information about services PIM obtains from these consultants is available to clients upon request.

Conflicts arising from Personal Trading of Employees

PPPI and PCG do not allow their staff to purchase securities also owned by their clients in PPPI-managed or PCG-managed accounts; however, our staffs may through written exception sell out of existing positions that overlap with our clients. Each of these exceptions is assessed on a case-by-case basis to evaluate and mitigate potential conflicts.

Item 12 – Brokerage Practices

We generally have the authority to purchase or sell securities permitted by our investment advisory agreements with clients or by the plans of operation of the insurance company separate accounts we manage. We are not expected to accept direction from investors to effect securities transactions with specific investment bankers. To the extent we effect securities transactions for our clients, we intend to select brokers based upon the broker's ability to provide best execution for the clients. Cross trades involve the transfer, sale or purchase of assets from one client to another client without the use of a broker-dealer. We may engage in cross trading where permissible under applicable law, if we determine that such action would be favorable to both clients and the conditions for the transaction are fair to both parties. Upon a client request or direction, we may also engage in trades between two accounts owned by a client or affiliated clients using a broker-dealer.

The terms of private placement transactions are negotiated directly between issuers and PCG; investment bankers frequently serve as originators and intermediaries in the issuance of these securities but no brokers are involved in these transactions. We may enter into negotiations through any investment banking firm that may offer private placements that meet our investment criteria.

We maintain a well-documented, objective allocation protocol which is intended to provide a fair and equitable allocation of private placement transactions among affiliated and non-affiliated investors. Each of our investment advisory clients, including PICA (with respect to its general account and the PRIVEST and PRIVEST Plus separate accounts), have agreed to PCG's allocation protocol which provides that, whenever an issue of privately placed debt

securities meets the investment criteria of both (i) proprietary accounts of one or more of our affiliates and (ii) other accounts managed by PPPI and our affiliates, these proprietary accounts in the aggregate will have priority access to 50% of the amount of the issue available to PCG and such other accounts in the aggregate will have priority access to 50% of the amount, and allocations among the accounts in each category will generally be pro rata based on the respective amounts of the issue determined by PCG to be appropriate for the accounts in such category, subject to provisions relating to minimum allocations and conflicts of interest.

PCG has adopted a statement of policy to deal with conflicts of interest relating to multiple investments in the same issuer, which applies to the accounts managed by PPPI as well as the general accounts of PICA and its insurance company affiliates. The purpose of the statement of policy is to establish procedures for the allocation of multiple investments in the same issuer where either (i) the investments are linked economically or (ii) the investments have different legal priorities or include a credit default swap contract. It is designed to ensure that PCG will not favor the interests of any client or group of clients over those of any other client or group of clients, including in each case clients affiliated with PCG.

In general, whenever any material conflict of interest arises, PCG's conflict committee will meet to determine whether the investment being considered could give rise to a circumstance where PCG might be in a position to favor the investors in one investment over the interests of the investors in another investment, which may occur in investments in which PCG managed investors own a controlling portion of each investment. Where the committee determines that a conflict exists, it will generally allocate such an investment only to the same client(s) to which, and in the same proportions in which, the earlier investment is allocated (which may result in allocating the new investment to affiliated investors only). Additionally, PCG may limit participation in an investment to affiliated investors if (a) the issuer requires that no unaffiliated investors participant in the investment or (b) the issuer requires a financing facility that creates a conflict for PCG that is not otherwise adequately mitigated (for example, requiring issuance at different levels within the issuer's capital structure may create such a conflict). In both of the preceding cases, PCG's only real choices are to either lose the investment or restrict the investment to affiliated investors. Copies of PCG's policy will be provided to existing and prospective investment advisory clients of PPPI upon request.

Item 13 – Review of Accounts

PPPI manages its client accounts through a portfolio manager, Albert Trank, Jr., and his staff. Additional oversight is provided by Allen A. Weaver (who is the head of PCG as well as a director and the Chairman of PPPI) and Paul G. Price, PCG's Chief Credit Officer (and a director and a Vice President of PPPI).

As noted in Item 8 above, PCG has a detailed and intensive investment monitoring process and each investment is monitored through a quarterly rating evaluation process and an annual review which includes both a qualitative and quantitative re-assessment of its proprietary quality rating. Senior management conducts quarterly review meetings to discuss investments that are in early stages of decline. Investments identified as on the “Early Warning list” are evaluated and discussed in quarterly senior management meetings. PCG places investments with more severe problems on its “watch list” and generally transfers those investments to PCG’s workout/restructuring unit for more intensive management. Senior management conducts a formal quarterly review of such “watch list” cases.

Each month, PPPI prepares a detailed analysis of the performance and characteristics of the PPPI managed accounts and market conditions. In conjunction with that analysis, Albert Trank and members of his staff, meet with Paul Price and Allen Weaver to review performance and discuss portfolio management strategy.

PPPI provides its investment advisory clients with a statement of their accounts showing portfolio holdings, portfolio transactions and investment performance at least quarterly.

Item 14 – Client Referrals and Other Compensation

We are not currently entering into any arrangements in which a third party is compensated for client referrals or that provides any other investment advisory services to clients. See Item 5 for a discussion of the conflict of interest which results from PCG’s receipt of certain deal-related fees and the fee allocation policy which PCG maintains to address this conflict of interest.

Item 15 – Custody

We do not take physical custody of the assets of our clients. Client assets are generally held in custodial accounts with banks, broker-dealers or other qualified custodians retained by our clients under arrangements negotiated by them. If we are deemed under SEC rules to have custody of client assets and clients receive account statements from qualified custodians, we are required to make certain disclosures. With respect to any funds for which the qualified custodian sends quarterly or more frequent account statements directly to our clients, clients are advised to review such statements for accuracy. In instances that PPPI provides account statements in addition to the custodian, clients are encouraged to compare both sets of reports.

PPPI is subject to an annual independent audit and the audited financial statements are distributed to investors within 120 days of the end of the funds’ fiscal year.

Item 16 – Investment Discretion

We receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment guidelines and restrictions must be provided to PPPI in writing.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the clients for which we advise.

Item 17 – Voting Client Securities

We invest predominantly in privately placed debt, so we vote very few, if any, traditional proxies. Accordingly, we evaluate each proxy we receive and vote on a case-by-case basis. In determining how to vote, we consider a number of items including detailed knowledge of the issuer's financial condition, long- and short-term economic outlook for the issuer, the issuer's capital structure and debt-service obligations, the issuer's management team and capabilities, as well as other relevant factors. In short, we attempt to vote all proxies in the best economic interest of our clients based on the clients' expressed priorities, if any.

Item 18 – Financial Information

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