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This Brochure provides information about the qualifications and business practices of PCI Management LLC (“**PCIM**”), a wholly owned subsidiary of Pembroke Capital Management LLC (“**PCM**”). If you have questions about the content of this brochure, please contact Robert Hellman at (212) 906-8690 or rhellman@pembrookgroup.com. The information in this brochure has not been approved or verified by the SEC or any state securities authority.

Additional information about Pembroke Capital Management LLC and PCI Management, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

This is PCIM's Annual Updating Amendment for the Form ADV for the fiscal year ending December 31, 2014. Since the last ADV filing filed February 7, 2014, there have been no material changes to report.

Item 3 – Table of Contents

Item 1 – Cover Page	1
Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	4
Item 6 – Performance-Based Fees and Side-By-Side Management	5
Item 7 – Types of Clients	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 – Disciplinary Information	19
Item 10 – Other Financial Industry Activities and Affiliations	19
Item 11 – Code of Ethics, Participation or Interest in Client Transaction and Personal Trading.....	20
Item 12 – Brokerage Practices	20
Item 13 – Review of Accounts	21
Item 14 – Client Referrals and Other Compensation	21
Item 15 – Custody	22
Item 16 – Investment Discretion	22
Item 17 – Voting Client Securities	22
Item 18 – Financial Information	23

Item 4 - Advisory Business

PCI Management, LLC (“**PCIM**”) is a Delaware limited liability company and was formed in May 2009 for the purpose of serving as the manager of PCI Investors Fund II LLC (“**Fund II**” or the “**Fund**”), which was also formed in May 2009. PCIM is a wholly owned subsidiary of PCM. PCM is a limited liability corporation and was founded in 2006 by Stuart Boesky. PCM is owned 65% by SJB Associates, Inc. (wholly owned by Stuart J. Boesky), and 35% by MIG Holdings, LLC. PCM is the majority owner of Pembroke Management Holdings, LLC (“**PMH**”) and also owns and PCI III Management, LLC (“**PCI III**”). PCM, PCI III, PMH and PCIM are collectively referred to as Pembroke.

As of December 31, 2014, PCIM managed approximately \$101 million in regulatory assets under management.

The objective of Fund II is to originate, purchase, sell (including short sales), invest and trade in a spectrum of mortgage loans and other real estate-related assets, to originate and invest in investments that directly or indirectly fund the creation or preservation of housing affordable for low- and moderate-income families, community services for low- and moderate-income individuals, or properties or activities that revitalize low- and moderate-income areas, and in each case, to engage in financial transactions relating thereto. In furtherance of such purpose, the PCIM shall have the power to purchase, sell and otherwise invest, trade and dispose of the assets of the Fund, and to enter into, make, execute, deliver and perform all contracts, agreements and other undertakings, and engage in all activities and transactions, as may in the opinion of PCIM to be necessary or advisable to carry out such purpose.

Item 5 - Fees and Compensation

Management Fees

PCIM is paid an annual asset management fee by Fund II, payable quarterly in arrears.

During the Commitment Period, PCIM is paid a fund management fee for each fiscal quarter payable in respect of each member will be equal to two percent (2%) per annum of the capital commitment of each such common member.

Upon the earlier to occur of (1) the date on which all capital commitments to Fund II have been called and contributed to the Fund and (2) the date of the expiration of the commitment period, the Fund II management fee for each fiscal quarter payable in respect of each member to Fund II will be equal to two percent (2%) per annum of the net equity invested of each such member.

Incentive Fee

All cash which the PCIM deems available for distribution with respect to each of the Fund's investments, net of expenses attributable to such investment and an allocable portion of expenses not directly relating to any investment, will be distributed by the Fund at least quarterly to the Members as follows:

(1) First, to the Members, until the cumulative distributions relating to the preferred return made by the Fund to the Member with respect to the investment and all realized investments equals a return of 8% per annum, compounded annually, on (A) all capital contributed by the Members with respect to the investment and all realized investments, and (B) a pro rata portion of the capital drawn for Fund expenses not directly relating to a particular investment, calculated for the period such capital was outstanding;

(2) Second, to the Members, until the cumulative distributions relating to a return of capital made by the Fund to the Members with respect to the investment and all realized investments equals a return of all capital contributions made by the Members with respect to the investment and all realized investments, including a pro rata portion of capital drawn for Fund expenses not directly relating to a particular investment;

(3) Third, (A) 50% to the Members, and (B) 50% to PCIM (or its designated affiliates), until PCIM (together with its designated affiliates) has received a cumulative 20% of the cumulative distributions (under subparagraph (1) and this subparagraph (3)) made by the Fund to date with respect to the investment and all realized investments; and

(4) Finally, all remaining funds with respect to the investment shall be distributed (A) 20% to PCIM (or its designated affiliates) and (B) 80% to the Members.

Origination Fees

PCIM or affiliated entities or person may be paid origination fees, commitment fees, points and/or similar compensation in connection with loan origination services performed by PCIM or its affiliates relating to loans originated for Fund II including sourcing, due diligence and the negotiation and documentation of loan transactions, provided, however, that any origination fees shall be paid to or retained by Fund II which in turn, will pay such origination fees to PCIM.

The fee arrangements between Pembroke and the Fund were not the product of an arm's length negotiation with a third party.

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

The Fund is dependent on PCIM for its day-to-day management and does not have any independent officers or employees. The management agreement with PCIM was negotiated between related parties and its terms, including fees and other amounts payable, may not be as favorable as if it had been negotiated at arm's length with an unaffiliated third party. The Fund relies on Pembroke for its daily operation, origination of

its investments and the management of its assets. Pembrook employees and its affiliates may have conflicts in allocating their management time, services and functions among the Fund, Fund II and any future real estate investment programs or other business ventures which Pembrook may organize or serve, as applicable. Pembrook believes that it and its affiliates have enough staff to perform their responsibilities in connection with all of the real estate programs and other business ventures in which they are involved and that the employees of Pembrook will devote a sufficient portion of their time attending to the existing business of the Fund.

As noted in Item 5, PCIM is entitled to incentive fees or performance-based fees from Fund II. PCIM generally believes that the existence of performance fees aligns the interest of the PCIM with the investors. Currently, all the private funds managed by advisers managed by entities wholly owned or controlled by PCM (“**Pembrook**”) receive generally the same percentage performance fee. Thus, there is no incentive to favor one fund over another.

However, conflicts of interest may arise in the allocation process of the investment opportunities that become available. In order to minimize this conflict and to ensure that the funds managed by Pembrook, Pembrook has adopted policies and procedures which include the investment allocation process. In general, these policies provide for the fair and equitable allocation of investment opportunities among all Pembrook accounts and Pembrook Accounts or affiliated parties. Pembrook or its affiliate’s right to invest in the same investment opportunities is subject to the suitability of each investment opportunity for the particular client and the availability of cash for investment. However, Pembrook would seek Fund investor approval before any transaction with an affiliated party.

Fund II’s LLC Agreement prevents PCIM and its affiliates from engaging independently or with others in other business ventures, activities or investments of every nature and description, whether similar or dissimilar to those of the type included within the definition of designated investments or with investment objectives substantially similar to those Fund II, including the rendering of advice or services of any kind to other investors and the making or management of other investments and serving as the managing member, or advisor of other public or private investment funds.

In addition to co-investments with other funds managed by Pembrook, PCIM may offer co-investment opportunities in investments of Fund II. In the event any such co-investment opportunities are offered by PCIM in investments by Fund II (i.e., other than co-investments by other funds managed by Pembrook, such co-investment opportunities shall be offered first to the common members pro rata in proportion to their capital commitments. The terms of any such co-investment opportunities offered shall be no less favorable to the common members than if such co-investment were held through Fund II.

Item 7 - Types of Clients

As indicated above, PCIM's only client is Fund II. The types of investors in Fund II will generally be pension funds, commercial banks, investment bank, a multi-strategy fund and individuals. However, any investor who qualifies as a "accredited investor" as defined in Regulation 501(a) of Regulation D under the Securities Act and a "qualified purchaser" as defined under Section 2(a)(51) of the Investment Company Act may be considered as permissible investors. In general, natural persons must own at least \$5,000,000 in investments, and entities own at least \$25,000,000 in investments, in each case as defined under the Investment Company Act. The minimum commitment for the Fund is \$10 million, which PCIM may reduce at its own discretion.

It is Pembroke's policy not to disclose and private information to any other party and to ensure that any personal information is adequately safeguarded. Individual investors will be given a Privacy Notice upon investing in the Fund and annually.

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

PCIM believes that the asset management process begins within the origination phase and is integral to the underwriting of a transaction. Asset management is involved in the final review and approval of all transactions. Upon closing of a loan and once all information is verified and placed on the loan monitoring system, transactions are reviewed quarterly for covenant compliance and cash flow performance. Critical to the review are the following items:

- Financial statements to assess current and prospective debt service coverage
- A current market analysis prepared by Pembroke
- A property level leasing and occupancy review
- A progress report detailing the property's progress in achieving its business plan and any resulting impact on the viability of the exit strategies
- A reserve report for monitoring interest shortfalls, tenant improvement allowances, and other capital expenditures.

PCIM leverages its senior resources by using third party servicers to execute the back office functions at the asset level. Such servicers are rated and follow CMSA standards and include well-known market participants such as Key Bank and Bank of America. Furthermore, PCIM believes in the ability to utilize technology to lever the expertise of the Management Team and has invested in proven and scalable technology.

PCIM also monitors macro real estate and local market metrics through their various industry contacts to further verify quality of the portfolio. The management team takes a proactive approach to potential collateral issues by working directly with a borrower and any co-lenders in order to aggressively defend the interests of the Fund. The management team's experience as owners and developers of real estate in all product types allows for a high level of assistance in problem situations and, if ever necessary, a willingness to

assume an owner's position.

Members holding Common Interests and Preferred CRA Interests are subject to investment and trading risks in general.

All investments risk the loss of capital. No guarantee or representation is made that the Fund II's program will be successful, and investment results may vary substantially over time. Fund II's investment program will utilize investment techniques such as futures, options, derivatives, margin transactions and short sales, which practices can, in certain circumstances, maximize the adverse impact to which the Fund may be subject.

Interest rate fluctuations may cause losses.

Fund II will bear interest rate exposure related to its mortgage backed securities and variable-rate debt, as well as its interest rate swaps and caps that the Fund primarily intends to utilize for hedging purposes. Changes in interest rates will affect the Fund's net interest income, which is the difference between the interest income the Fund earns on its interest-earning investments and the interest expense the Fund incurs in financing these investments. Changes in the level of interest rates also may affect the Fund's ability to originate and acquire assets, the value of the Fund's assets and the Fund's ability to realize gains from the disposition of such assets.

In a period of rising interest rates, Fund II's interest expense could increase, while the interest Fund II earns on its fixed-rate debt investments would not change. This would adversely affect Fund II's profitability. In addition, any increase in interest rates will increase the aggregate Series A Distributions (as defined below) payable by Fund II on its Series A Preferred CRA Interests (which are based on a variable rate). Any increase in the amounts payable on the Series A Preferred CRA Interests will reduce the current yield on the Common Interests. In addition, any subsequent series of Preferred CRA Interests issued by Fund II that are entitled to distributions based on variable rates will be subject to these same risks. Further, the yields on Preferred CRA Interests are subject to reset at the market rate on or about the fifth anniversary of the date of issuance of such Preferred CRA Interests. The rates at which the Preferred CRA Interests are reset could dramatically increase Fund II's cost of capital and thereby reduce the yield on the Common Interests.

Fund II's operating results will depend in large part on differences between the income from its assets, net of credit losses, and financing costs. Fund II anticipates that, in most cases, for any period during which its assets are not match-funded, the income from such assets will respond more slowly to interest rate fluctuations than the cost of its borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may significantly influence Fund II's net income. Increases in these rates will tend to decrease Fund II's net income and market value of its assets. Interest rate fluctuations resulting in Fund II's interest expense exceeding interest income would result in operating losses for the Fund.

Fund II may attempt to minimize risk by engaging in hedging transactions.

Fund II may utilize financial instruments such as forward contracts, options, futures and swaps for hedging purposes or as part of its trading strategies. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Hedging transactions may also limit the opportunity for gain if the value of the portfolio position should increase.

The success of Fund II's hedging transactions is subject to the movements in the direction of securities prices and interest rates. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. The Fund may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss.

Fund II's real estate investments are subject to risks particular to real property.

The Fund will own assets secured by real estate and may own real estate directly. Real estate will be subject to various risks, including: (i) acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses, and acts of war or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001; (ii) adverse changes in national and local economic and market conditions; (iii) changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances; (iv) costs of remediation and liabilities associated with environmental conditions such as indoor mold; and (v) the potential for uninsured or under insured property losses. If any of these or similar events occurs, it may reduce the Fund's return from an affected property or investment and reduce or eliminate the Fund's ability to make distributions to members.

Fund II's investments in subordinated mortgage backed securities will be subject to losses.

In general, losses on an asset securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit provided by the borrower, if any, and then by the "first loss" subordinated security holder. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit and any classes of securities junior to those in which Fund II invests, Fund II may not be able to recover all of its investment in the securities it purchases. In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related mortgage backed securities, the securities in which Fund II invests may effectively become the "first loss" position behind the more senior securities, which may result in significant losses to Fund II.

The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual issuer developments. A projection of an economic downturn, for example, could cause a decline in the price of lower credit quality securities because the ability of obligors of mortgages underlying mortgage backed securities to make principal and interest payments or to refinance may be impaired. In such event, existing credit support in the securitization structure may be insufficient to protect Fund II against loss of Fund II's principal on these securities.

The B-Notes in which Fund II may invest may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to Fund II.

Fund II may invest in one or more B-Notes. A B-Note is a mortgage loan typically (i) secured by a first mortgage on a single large commercial property or group of related properties and (ii) subordinated to an A-Note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining for B-Note holders after payment to the A-Note holders. B-Notes reflect similar credit risks to comparably rated commercial mortgage backed securities. However, since each transaction is privately negotiated, B-Notes can vary in their structural characteristics and risks. For example, the rights of holders of B-Notes to control the process following a borrower default may vary from transaction to transaction. Further, B-Notes typically are secured by a single property, and so reflect the risks associated with significant concentration. B-Notes also are less liquid than commercial mortgage backed securities.

Fund II may invest in first mortgage loans, and will face special risks relating to commercial mortgage loans.

Commercial mortgage loans have certain distinct risk characteristics. Mortgage loans on commercial properties generally lack standardized terms, which may complicate their structure and increase due diligence costs. Commercial real estate properties tend to be unique and are more difficult to value than residential real estate properties. In addition, commercial real estate properties, particularly industrial and warehouse properties, are generally subject to relatively greater environmental risks than non-commercial properties and to the corresponding burdens and costs of compliance with environmental laws and other regulations.

Commercial mortgage loans also tend to have shorter maturities than residential mortgage loans and are generally not fully amortizing, which means that they may have a significant principal balance or "balloon" payment due on maturity. Mortgage loans with a balloon payment involve a greater risk to a lender than fully amortizing loans because the ability of a borrower to make a balloon payment typically will depend upon its ability either to fully refinance the loan or to sell the property securing the loan at a price sufficient to permit the borrower to make the balloon payment. The ability of a borrower to effect a refinancing or sale will be affected by a number of factors, including the value of the property, the level of available mortgage rates at the time of sale or refinancing, the

borrower's equity in the property, the financial condition and operating history of the property and the borrower, tax laws, prevailing economic conditions and the availability of credit for loans secured by the specific type of property.

Commercial mortgage loans generally are non-recourse to borrowers. In the event of foreclosure on a Commercial mortgage loan, the value at that time of the collateral securing the mortgage loan may be less than the principal loan and the accrued but unpaid interest thereon.

Commercial mortgage loans are also subject to the effects of (i) the ability of tenants to make less payments, (ii) the ability of a property to attract and retain tenants, which may in turn be affected by local conditions such as oversupply of space or a reduction in demand for rental space in the area, the attractiveness of properties to tenants, competition from other available space and the ability of the owner to pay leasing commissions, provide adequate maintenance and insurance, pay tenant improvement costs and make other tenant concessions, (iii) interest rate levels and the availability of credit to refinance such loans at one prior to maturity, (iv) compliance with regulatory requirements and applicable laws, including environmental controls and regulations, and (v) increased operating costs, including energy costs and real estate taxes. Also, there may be costs and delays involved in enforcing rights of a property owner against tenants in default under the terms of leases with respect to commercial properties and such tenants may seek in protection of the bankruptcy laws which can result in termination of lease contracts. In addition, while commercial properties generally will carry comprehensive liability and casualty coverage, such coverage may not provide full protection for the value of the underlying property and may not protect against all casualty losses, including damage due to floods, earthquakes, hurricanes and terrorism.

If the properties securing the mortgage loans do not generate sufficient income to meet operating expenses, debt service, capital expenditure and tenant improvements, the obligors under the mortgage loans may be unable to make payments of principal and interest in a timely fashion. Income from and values of commercial properties are also affected by such factors as the quality of the property manager, applicable laws, including tax laws, interest rate levels, the availability of financing for owners and tenants and the impact of and costs of compliance with environmental controls and regulations.

Fund II may investment in mezzanine loans which involve greater risks of loss than senior loans secured by income producing properties.

Fund II may invest in mezzanine loans that take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of investments involve a higher degree of risk than long-term senior mortgage lending secured by income producing real property because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, the Fund may not have full recourse to the assets of such entity, or the assets of the entity may not be

sufficient to satisfy the Fund's mezzanine loan. If a borrower defaults on the Fund's mezzanine loan or debt senior to the Fund's loan, or in the event of a borrower bankruptcy, the Fund's mezzanine loan will be satisfied only after the senior debt. As a result, the Fund may not recover some or all of its investment. In addition, mezzanine loans may have higher loan to value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal.

Fund II may investment in military housing debt are subject to risks related to risks associated with military facilities and military bases.

Fund II may invest in debt securities, the proceeds of which will finance military housing meant to address both the poor condition of government-owned military housing and the shortage of appropriate housing for the military. However, at any time, the U.S. government may close all or any part of a particular military base or deploy or reassign a large portion of the armed forces stationed at a particular military base. An issuer of debt securities financing such an affected military base will be at risk of defaulting on principal and/or interest payments due on such debt securities, and in no event will the U.S. government guarantee the payment of amounts due on such securities. Should Fund II invest in military housing debt related to a facility that suffers an occupancy shortage described above, Fund II may suffer the loss of much of its initial investment or anticipated investment return. In addition, the heightened security policies and regulations affecting military bases may affect the completion of projects financed through the issuance of military housing debt securities and may render military housing financed through debt securities unattractive to potential tenants, in each case decreasing the ability of an issuer to make payments on such debt securities.

Fund II's investments in unsecured REIT securities are subject to the risks of investing in subordinated real estate-related securities, which may result in losses to Fund.

REITs generally are required to invest substantially in operating real estate or real estate-related assets and are subject to the inherent risks associated with real estate-related investments discussed in this Private Placement Memorandum. The Fund's investments in TruPS and other REIT securities are also subject to the risks described herein with respect to mortgage-backed securities and similar risks, including (i) risks of delinquency and foreclosure, and the resulting risks of loss, (ii) the dependence upon the successful operation of and net income from real property, (iii) risks generally incident to interests in real property, and (iv) risks that may be presented by the type and use of a particular property. Unsecured REIT securities are generally subordinated to other obligations of the issuer and are not secured by property underlying the investment.

Investments in REIT securities are also subject to risks of: (i) limited liquidity in the secondary trading market, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) subordination to the prior claims of banks and other senior lenders to the issuer, (iv) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the issuer to reinvest premature redemption proceeds in lower yielding assets, (v) the possibility that earnings of the REIT issuer may be insufficient to meet its debt service and dividend obligations

and (vi) the declining creditworthiness and potential for insolvency of the issuer of such REIT securities during periods of rising interest rates and economic downturn. These risks may adversely affect the value of outstanding REIT securities and the ability of the issuers of such securities to repay principal and interest or make dividend payments.

Preferred equity investments involve a greater risk of loss than traditional debt financing and specific risks relating to particular issuers.

Fund II may invest in preferred securities (other than TruPS, but including those of REITs and real estate operating companies) depending upon Fund II's ability to finance such assets in accordance with its financing strategy. Preferred equity investments involve a higher degree of risk than traditional debt financing due to a variety of factors, including that such investments are subordinate to debt and are not secured by property underlying the investment. Furthermore, should an issuer of preferred equity default on the Fund's investment, Fund II would only be able to proceed against the issuer, and not the property owned by the issuer and underlying Fund II's investment. In most cases, a preferred equity holder has no recourse against an issuer for a failure to pay stated dividends; rather, unpaid dividends typically accrue and the preferred shareholder maintains a liquidation preference in the event of a liquidation of the issuer of the preferred securities. There can be no assurance that an issuer would have sufficient assets to satisfy any liquidation preference to which Fund II may be entitled. As a result, Fund II may not recover some or all of its investments in preferred equity securities.

Bridge loans will involve a greater risk of loss than traditional insured and investment grade mortgage loans.

Fund II may provide bridge loans secured by first lien mortgages on a property to borrowers who are typically seeking short-term capital to be used in an acquisition and renovation of property. The borrower has usually identified an undervalued asset that has been under-managed and/or is located in a recovering market. If the market in which the asset is located fails to recover according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management and/or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the bridge loan, and Fund II bears the risk that Fund II may not recover some or all of Fund II's investment.

In addition, borrowers usually use the proceeds of a conventional mortgage to repay a bridge loan. Bridge loans therefore are subject to risks of a borrower's inability to obtain permanent financing to repay the bridge loan. Bridge loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of any default under bridge loans held by Fund II, Fund II bears the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount of the bridge loan. To the extent Fund II suffers such losses with respect to Fund II's investments in bridge loans, the value of Fund II may be adversely affected.

The mortgage loans Fund II may invest in and the mortgage loans underlying the mortgage backed securities the Fund may invest in will be subject to delinquency, foreclosure and loss, which could result in losses to Fund II.

Commercial mortgage loans are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

In the event of any default under a mortgage loan held directly by Fund II, Fund II will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on Fund II's cash flow from operations and limit amounts available for distribution to the members. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on the Fund's anticipated return on the foreclosed mortgage loan.

Commercial mortgage backed securities evidence interests in or are secured by a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, the mortgage backed securities Fund II invests in are subject to all of the risks of the underlying mortgage loans.

Fund II may invest in synthetic securities, which bear unique contractual, enforcement and other risks.

Fund II may invest a limited portion of its assets (which, together with any assets located outside the United States (but not including synthetic securities utilized by Fund II for hedging purposes), from and after the first anniversary of the initial closing of

commitments to purchase Preferred CRA Interests in Fund II, will not exceed 5% of Fund II's total net assets, as determined in good faith by PCIM) in a wide range of synthetic securities that are structured to track the economic characteristics of direct ownership interests in assets in which the Fund otherwise intends to invest. The Fund will not have a contractual relationship with the reference obligor on the reference obligation. The Fund generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation and no rights of set-off against the reference obligor, nor will Fund II generally have any voting or other consensual rights of ownership with respect to the reference obligation. Fund II will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the default or insolvency of the synthetic security counterparty, Fund II will not have any claim of title with respect to the reference obligation. Consequently, the Fund will be subject to the credit risk of the synthetic security counterparty as well as that of the reference obligor.

Fund II may invest in tender option bonds, or put options.

Fund II may invest in tender option bonds, or put options, and utilize such vehicles for financing purposes. If a tender option bond, or a put option, that is purchased by Fund II is not sold or expires when it has remaining value, or if the value of the individual or basket of securities underlying the options remains above the exercise price of the options at expiration, Fund II will lose its entire investment in the tender option bond. Also, when a tender option bond is purchased to hedge all or part of Fund II's debt investments, the price of the tender option bond may move more or less than the value of Fund II's debt investments.

Fund II may invest in total rate of return swaps and credit default swaps, which involve significant market and counterparty risks.

Fund II may invest in total rate of return swaps and utilize such vehicles for financing purposes. Total return swap transactions involve risks that are similar to those of interest rate swaps, and also involve additional risks. The total rate of return of a basket of securities on which the swap is based may exhibit substantial volatility and in any given period may be positive or negative. In the event the total rate of return is negative and Fund II is receiving the total rate of return of that basket of securities in its part of the swap agreement, Fund II would be required to make a payment to the counterparty in addition to that required on the other, generally floating rate, part of the swap agreement. Also, unusual market conditions affecting the basket of securities on which the swap is based may prevent the total rate of return from being calculated, in which case other provisions in the swap agreement may be invoked which could cause Fund II to lose some of the anticipated benefit from the swap, or otherwise reduce Fund II's return.

Fund II may enter into credit default swap contracts for investment and financing purposes. As the seller in a credit default swap contract, Fund II would be required to pay the par (or other agreed-upon) value of a referenced debt obligation to the counterparty in the event of a default by a third party, such as a U.S. or foreign corporate issuer, on the

debt obligation. In return, Fund II would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the portfolio would keep the stream of payments and would have no payment obligations. As the seller, Fund II would be subject to investment exposure on the notional amount of the swap. Fund II may also purchase credit default swap contracts in order to hedge against the risk of default of debt securities held in its portfolio, in which case the Fund would function as the counterparty referenced above. This would involve the risk that the investment may expire worthless and would only generate income in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial instability). It would also involve the credit risk that the seller may fail to satisfy its payment obligations to Fund II in the event of a default.

Fund II will lose money on its repurchase transactions if the counterparty to the transaction defaults on its obligation to resell the underlying security back to Fund II at the end of the transaction term, or if the value of the underlying security has declined as of the end of that term or if Fund II defaults on its obligations under the repurchase agreement.

When Fund II engages in a repurchase transaction, Fund II will generally sell securities to the transaction counterparty and receive cash from the counterparty. The counterparty is obligated to resell the securities back to Fund II at the end of the term of the transaction. Because the cash Fund II receives from the counterparty when it initially sells the securities to the counterparty is less than the value of those securities, if the counterparty defaulted on its obligation to resell the securities back to Fund II, Fund II would incur a loss on the transaction equal to the difference between the value of the securities and the amount Fund II received from the transaction counterparty. Fund II would also lose money on a repurchase transaction if the value of the underlying securities has declined as of the end of the transaction term, as Fund II would have to repurchase the securities for their initial value but would receive securities worth less than that amount. Any losses incurred on Fund II's repurchase transactions could adversely affect its earnings, and thus Fund II's returns to the members. If Fund II defaults on one of its obligations under a repurchase transaction, the counterparty can terminate the transaction and cease entering into any other repurchase transactions with Fund II. In that case, Fund II would likely need to establish a replacement repurchase facility with another repurchase dealer in order to continue to leverage its portfolio and carry out its investment strategy. There is no assurance Fund II would be able to establish a suitable replacement facility.

Prepayment rates can increase, adversely affecting yields on Fund II's investments.

The value of Fund II's assets may be affected by prepayment rates on mortgage loans. Prepayment rates on mortgage loans are influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond Fund II's control, and consequently, such prepayment rates cannot be predicted with certainty. In periods of declining mortgage interest rates, prepayments on mortgage loans generally increase. If general interest rates decline as well, the proceeds of such prepayments received during such periods are likely to be reinvested by Fund II in assets yielding less than the yields

on the assets that were prepaid. In addition, the market value of the mortgage assets may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates. Conversely, in periods of rising interest rates, prepayments on mortgage loans generally decrease, in which case Fund II would not have the prepayment proceeds available to invest in assets with higher yields. Under certain interest rate and prepayment scenarios the Fund may fail to recoup fully its cost of acquisition of certain investments.

Fund II may be adversely affected by unfavorable economic changes in geographic areas where the properties underlying its investments may be concentrated.

Adverse conditions in the areas where the properties underlying Fund II's investments may be located (including business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply of, or reduced demand for, office and industrial properties) may have an adverse effect on the value of the Fund's future properties. A material decline in the demand or the ability of tenants to pay rent for office and industrial space in these geographic areas may result in a material decline in the Fund's cash available for distribution to members.

A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could harm Fund II's operations.

Fund II believes the risks associated with its business will be more acute during periods of economic slowdown or recession if these periods are accompanied by declining real estate values. Declining real estate values will likely reduce Fund II's level of new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase or investment in additional properties. Further, declining real estate values significantly increase the likelihood that Fund II will incur losses on its loans in the event of default. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both the Fund's net interest income from loans in its portfolio as well as Fund II's ability to originate, sell and securitize loans, which would significantly harm its revenues, results of operations, financial condition, business prospects and Fund II's ability to make distributions to its members.

Fund II intends to utilize leverage to enhance its returns.

Fund II expects to use significant "leverage," or borrowing, in order to enhance its investment leverage. In this regard, Fund II generally intends to maintain target debt-to-equity ratios of between 4:1 and 5:1 for many of its investments. Notwithstanding this target leverage ratio, the only firm leverage limitation in Fund II's organizational documents is that, from and after the first anniversary of the initial closing of commitments to purchase Preferred CRA Interests in the Fund, and without regard to any leverage included other long-term financing sponsored by Fund II, Fund II will not incur indebtedness for borrowed money if such indebtedness would result in Fund II having an overall debt-to-equity ratio in excess of 5:1, as determined in good faith by PCIM. Loans generally may be obtained from securities brokers and dealers or from other financial

institutions, and will be secured by securities or other assets of Fund II pledged to such institutions. Borrowing will tend to magnify the profits or losses of Fund II. The level of interest rates at which Fund II can borrow will affect the operating results of Fund II, and the terms of any refinancing will not be as favorable as the terms of the debt being refinanced. If securities pledged to brokers to secure the Fund's margin accounts decline in value, Fund II could be subject to a "margin call," pursuant to which Fund II must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of Fund II's assets, Fund II might not be able to liquidate assets quickly enough to pay off its margin debt, and cash flow from operations may not be sufficient to make required payments of principal and interest, resulting in the loss of some or all of Fund II's assets to foreclosure or sale in order to satisfy debt obligations. Fund II may be required to dedicate a substantial portion of its cash flow from operations to payments on its debt, thereby reducing funds available for operations and capital expenditures, future business opportunities or other purposes. The use of leverage could adversely affect Fund II's ability to make distributions to members and the net asset value of Fund II.

Fund II may not be able to access financing sources on favorable terms, or at all, which could adversely affect Fund II's ability to execute Fund II's business plan.

Fund II intends to finance its assets over the long term through a variety of means, including repurchase agreements, credit facilities, and other structured financings. Fund II's ability to execute this strategy will depend on various conditions in the markets which are beyond its control, including lack of liquidity and greater credit spreads. Fund II cannot assure you that these markets will remain an efficient source of long-term financing for its assets. If Fund II's strategy is not viable, Fund II will have to find alternative forms of long-term financing for its assets, as secured revolving credit facilities and repurchase facilities may not accommodate long-term financing. This could subject Fund II to more recourse indebtedness and the risk that debt service on less efficient forms of financing would require a larger portion of Fund II's cash flows, thereby reducing cash available for distribution to the members, funds available for operations as well as for future business opportunities.

If credit spreads widen before Fund II obtains long-term financing for its net assets, the value of its net assets may suffer.

Fund II intends to price its net assets based on its assumptions about future levels of credit spreads for longer term fixed rate financing of those assets. The Fund expects to obtain longer term financing for these assets at a spread over a certain benchmark, such as the yield on United States Treasury bonds, swaps, or LIBOR. If the spread that investors will pay over the benchmark widens and the rates Fund II charges on its loans or the income Fund II generates from its other assets are not increased accordingly, Fund II may experience a material adverse effect on its income and, therefore, experience a reduction in the economic value of the assets that Fund II has originated or acquired.

Fund II expects many of its investments to be illiquid and Fund II may not be able to vary Fund II's portfolio in response to changes in economic and other conditions.

The real estate securities that Fund II purchases in connection with privately negotiated transactions will not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. Certain mortgage backed securities and REIT securities and all of the B-Notes that the Fund intends to purchase will be traded in private, unregistered transactions and will therefore be subject to restrictions on resale or otherwise have no established trading market. As a result, Fund II's ability to vary Fund II's portfolio in response to changes in economic and other conditions may be relatively limited. Fund II may not be readily able to dispose of non-publicly traded securities, and in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. The mezzanine and bridge loans Fund II will originate will be particularly illiquid investments due to their short life, their unsuitability for securitization and the greater difficulty of recoupment in the event of a borrower's default. In addition, an exchange or regulatory authority may suspend trading in a particular security or contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Illiquid investments may require a significant amount of time from the date of initial investment before disposition. Sales of such illiquid investments may not be possible and, if possible, may be at substantial discounts from cost. Furthermore, redemptions of Common Interests are subject to significant restrictions and limitations.

Item – 9 Disciplinary Information

There have been no legal or disciplinary events by Pembroke or its employees.

Item – 10 Other Financial Industry Activities and Affiliations

Pembroke and related entities invest, on behalf of their clients, in and originates commercial real estate debt to finance all parts of a capital structure from first mortgages, mezzanine, bridge loans and commercial mortgage-backed securities, as well as preferred equity and loans for real estate operating companies.

PCIM also has a relationship with Mariner through their indirect ownership of PCIM. Through its affiliation with PMC and Mariner, PCIM has several related persons. A full list of those persons may be found on Schedule D of PCM's Form ADV.

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

Code of Ethics

Pembrook has adopted a code of ethics as required by Rule 204A-1 under the Investment Advisers Act. The code of ethics requires employees to conduct business with the highest ethical standards and always put the client interests before above the interests of themselves and restricts them from purchasing securities in which their clients may invest. It requires employees to report any violations immediately to the Chief Compliance Officer. It also addresses:

- Employee personal trading including:
 - Reporting personal security transactions
 - Preclearance of certain transactions
 - Annual reporting of securities holdings
- Limits and reporting requirements for gifts and entertainment
- Limits and reporting requirements for political contributions
- Employees are required to acknowledge receipt of the Code
- Electronic Communication and Social Media Policy

A copy of the code of ethics is available upon request.

Pembrook has adopted other policies to protect the interest of its clients and prevent violations of applicable laws as required by Rule 206(4)-7 under the Investment Advisers Act (“**Rule 206(4)-7**”). In accordance with Rule 206(4)-7, Pembrook reviews these policies and procedures no less frequently than annually to ascertain their effectiveness and determine whether they are being adequately followed.

Compensation of Investment Professionals

Compensation of the investment professionals for PCIM generally consists of salary, discretionary bonus and may receive a percentage of the incentive fee earned by PCIM.

Certain employees of PCM are registered representatives of Mariner Group Capital Markets, Inc. (“**MGCM**”). MGCM is an affiliated broker of PCM. These employees may engage in marketing efforts on behalf of the Fund and may receive compensation based on investments made in these funds paid by PCIM.

Item 12 - Brokerage Practices

PCIM does not currently engage in trading transactions on behalf of the Fund or utilize the services of broker dealers for transaction related services. In the event PCIM were to select or recommend broker-dealers for Fund transactions, PCIM would seek best execution of transactions and allocate transactions to broker-dealers for execution on

markets/exchanges and at prices and commission rates that in PCIM's good faith judgment are in the best interest of the Fund. In selecting brokers or dealers to effect portfolio transactions on behalf of the Fund, PCIM considers such factors as price, the ability to effect the transactions, the brokers' or dealers' facilities, reliability and financial responsibility, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services, and any research or services provided by such brokers or dealers. PCIM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. PCIM may cause an amount to be paid to a broker or dealer that furnishes research or services at a higher price than that which might be charged by another broker or dealer for effecting the same transaction, provided that PCIM determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker/dealer. Research and services obtained by the use of commissions arising from portfolio transactions may be used by PCIM in its other investment activities, and, therefore, the Fund may not, in any particular instance, be the direct or indirect beneficiary of the research or services provided. Research and related services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services; discussions with research personnel and other news utilized in the investment management and execution process. The research that is provided by the broker/dealer is generally proprietary information made available by the broker/dealer to all of its clients or prospective clients. PCIM does not enter into any agreement with any broker/dealer to obtain any research from third party providers or from the broker/dealer in exchange for agreeing to direct a certain level of commissions to that broker or dealer.

PCIM does not consider any referrals when selecting broker/dealers.

Item 13 - Review of Accounts

Senior management of Pembroke maintains constant surveillance of the holding and investments made by the Fund. Management receives monthly and quarterly reports to assist them in the management of the Fund's assets which includes a summary of all investments. Management also performs ad hoc testing to ensure that the Fund's investments are within the parameters set by the Fund.

Item 14 – Client Referrals and Other Compensation

Pembroke does not receive an economic benefit from any source with respect for providing investment advice or other advisory services to its clients.

Neither Pembroke nor any of its employees directly or indirectly compensates any person not related for client referrals.

PCM has entered into arrangements whereby its affiliated broker-dealer MGCM and certain of its registered representatives (some of whom are also employees of Pembroke) (hereinafter collectively referred to as “MGCM”), will act as the co-placement agent for the Fund in the distribution of Member Interests. Pursuant to such arrangements, Pembroke will pay to MGCM a portion of the Management and/or Incentive Fee with respect to Member Interests distributed by MGCM. Member Interest holders will not be subject to the payment of sales commissions or additional compensation to MGCM as a result of such distribution arrangements.

Item 15 – Custody

PCIM is deemed to have a form of custody of Fund II’s assets due to the ability to be able to deduct fees from the Fund, even though indirectly through the administrator. However, all of the cash and securities are held by a qualified custodian under Rule 206(4)-2 under the Investment Advisers Act (“**Custody Rule**”). As required by the Custody Rule, since PCIM’s sole client is a private fund, an annual audit of the Fund is conducted by an independent public accountant that is subject to inspection by the Public Company Accounting Oversight Board. Additionally, the financial statements of the Funds are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). On an annual basis the Fund will distribute an audited financial statement prepared in accordance with generally accepted accounting principles within 120 days of the end of its fiscal year. These reports are in written form and clients should carefully review those statements.

Item 16 - Investment Discretion

PCIM has only one client and has full discretion over transactions. It does not permit the client to direct brokerage.

Item 17 - Voting Client Securities

PCIM generally does not invest in equity securities that regularly vote shares. However, PCIM has adopted a proxy policy should a proxy vote arise or to handle any class actions. Should any matters arise that requires a vote of the holders of any securities held by Fund II, senior management of Pembroke would review the issue or issues to be voted on and cast their votes in the best economic interest of the Fund. A copy of the proxy voting policy and a record of all votes cast by PCIM on behalf of Fund II, may be obtain by mailing the request to the attention of Robert Hellman at Pembroke Capital Management LLC, 485 Madison Avenue, 22nd Floor, NY, NY 10022 or emailing the request to rhellman@pembrookgroup.com.

Item 18 - Financial Information

Pembrook has no financial commitment that impairs its ability to meet any contractual or other fiduciary commitments to its clients.