

Item 1 – Cover Page

FIRM BROCHURE

April 02, 2020



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This brochure provides information about the qualifications and business practices of Pender Capital Management, LLC ("PCM" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at (310) 853-8001 or cameron.nazemi@pendercapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about Pender Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

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

Item 2 – Material Changes

The most recent annual amendment to PCM's brochure was filed on March 28, 2019. PCM materially amended this brochure in April 2019 to reflect PCM's change in Chief Compliance Officer. In the annual updating amendment filed March 25, 2020, the following material changes occurred since the prior filing:

- Item 4 Regulatory Assets Under Management were amended to reflect current assets.
- Item 5 Fees and Expenses were amended to reflect additional client relationship.
- Item 8 Risk of Loss factors were amended to reflect current risk factors.

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Item 4 – Advisory Business

Firm Description

Pender Capital Management, LLC is an independent investment advisory firm that acts as discretionary adviser for real estate limited partnerships that include the Pender Capital Asset Based Lending Fund I, LP (the “Fund”) and the PC ABL SMA 1, L.P. (the “SMA”) (each a “Client” and collectively the “Clients”). PCM personnel also participate in the origination and servicing of commercial mortgage loans via two wholly owned subsidiaries of the Fund, East Credit 1 REIT, LLC. (the “East Coast REIT”) and West Credit 1 REIT, LLC. (the “West Coast REIT,” collectively together with the East Coast REIT, the “REITs”).

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

PCM is an experienced fund manager that includes a team of investment professionals with more than 50 years of combined industry experience. PCM serves as the manager of Pender Capital Asset Based Lending Fund I Management, LLC, and PC ABL SMA 1 GP, L.P., each of which are the general partner for the applicable Clients (each a “General Partner”). PCM is also the operator of the REITs.

Types of Advisory Services We Offer

The Fund is an open-ended pooled investment vehicle regulated by the SEC and the California Department of Business Oversight. The SMA is a limited partnership established as a private fund established for the purpose of providing co-invest opportunities alongside the Fund. PCM specializes in managing a portfolio of real estate loans. The Clients are designed to provide investors with exposure to commercial real estate loans. PCM’s investment advice is limited to discretionary investment advisory services with respect to such types of investments. PCM and its affiliates seek to identify real estate transactions that cannot be completed by traditional financing sources. Loan to Value (“LTV”) is a primary consideration for qualifying loans. In addition, PCM targets transactions with inherently strong borrower equity positions. PCM’s goal is to create a portfolio of loans that have attractive LTVs with borrowers who, based on their need for private financing, are willing to pay above market interest rates for such financing. Specific property locations will be targeted on a micro market level with particular focus on assessing market depth, lease rates, vacancy, absorption and job growth.

Tailoring of Advisory Services

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

Wrap Fee Programs

We do not offer wrap fee programs.

Regulatory Assets Under Management

The investment strategy includes providing exposure to short term (12-month standard term), senior position (no junior or mezzanine position), commercial real estate backed bridge loans to borrowers with significant equity participation (65% LTV target) of income producing commercial real estate assets (no land development, or heavy construction loans) via direct investments made by the Clients, together with its affiliates. The Fund, via its REIT subsidiaries, strategically targets loans varying in size up to 10% of the total capital contributions of all partners and loans are geographically located across the United States. The SMA co-invests in opportunities alongside the Fund, by purchasing a participating interest in each applicable loan invested by the Fund. The SMA participates in each such loan by co-investing the lesser of \$1,000,000 and 10% of the principal balance of the loan originated.

As of December 31, 2019, PCM manages \$279,014,836 in discretionary regulatory assets under management. PCM does not manage assets on a non-discretionary basis.

Item 5 – Fees and Compensation

How We Are Compensated For our Services

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

Pender Capital Asset Based Lending Fund I, L.P.

The General Partner of the Fund is entitled to management fees as set forth in the Offering Documents. All capitalized terms not defined in this section shall have the meaning ascribed in the Offering Documents.

In general, Investment Cash Flow from the loans held by the REITs will be passed up to the Fund, and thereafter ultimately distributed to the Partners, at such times and in such amounts as determined by the General Partner as follows:

- (i) First, to all the Partners until they have achieved a hurdle equal to a 7% per annum return (calculated and paid monthly) on their Unreturned Capital, pro rata in proportion to their respective accrued and unpaid return (the "7% Hurdle").
- (ii) Thereafter, (A) 80% to the Partners, pro rata in proportion to their respective "Post Hurdle Sharing Percentage" and (B) 20% to the General Partner as compensation (the "GP Distribution Split").

A management fee, which will accrue on the Unreturned Capital of the Partners at the rate of 1.5% per annum (except as may be lower for investments of \$5,000,000 or more), calculated based on Unreturned Capital at each month end, and paid monthly in arrears by the Fund to the General Partner. The undisbursed portion of Capital Contributions in the subscription account will not be counted in calculating the management fee.

A loan servicing fee (the "Loan Servicing Fee") applies if the General Partner services the loans in-house. The Loan Servicing Fee will accrue on the aggregate outstanding principal amount of all loans in the portfolio of the REITS at the rate of 0.25% per annum, calculated based on the aggregate principal

amount outstanding at each month end, and paid monthly in arrears by the Fund the General Partner.

The General Partner is entitled to all underwriting fees for loans in the portfolios of the REITs, and receives 50% of Net Origination Fees earned by the REITS, calculated as a percentage of the principal amount loaned, with the remaining 50% being for the account of the Fund.

If a REIT is forced to take control of collateral, normal and customary property management fees ("Property Management Fees") will apply for property management services provided by the General Partner or its affiliates with respect to any real property that comes into the REIT's control.

Any markups on loan costs and expenses incurred by the General Partner and then charged to borrowers and third parties will be paid to the General Partner.

PC ABL SMA 1, L.P.

The General Partner of the SMA is entitled to management fees as set forth in the Offering Documents. All capitalized terms not hereinafter defined shall have the meaning ascribed in the Offering Documents. Distributable Proceeds from any Investment shall be apportioned preliminarily among the Partners in proportion to their Sharing Percentages with respect to the applicable Investment. The amount so apportioned to any Affiliated Partner shall be distributed to such Person, and the amount so apportioned to each other Partner shall be distributed between the General Partner and such Partner (subject to Sections 7.6 and 7.7 of the Offering Documents) as follows:

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

PCM shall receive an annual Management Fee equal to 1.25% of an amount equal to the Non-Affiliated Partners' Percentage of Net Drawn Capital. The Management Fee shall be paid on a quarterly basis in advance on January 1, April 1, July 1, and October 1 of each year. The Management fee shall be reduced by an amount equal to the Non-Affiliated Partners' Percentage of any Transactions Fees received by a Pender Person during the immediately preceding quarterly period. Organizational Expenses in excess of \$100,000 shall reduce the Management Fee as set forth in the SMA offering documents.

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

How Clients are Billed

PCM and its affiliates may incur costs and expenses contemplated in the Offering Documents on behalf

of the Clients and then seek reimbursement by each Client, on a pro-rata basis, as applicable.

Other Fees and Expenses

The Clients will bear some of their own operating expenses as more fully described in each respective Offering Documents. These expenses include, without limitation, the following: (a) the costs and expenses of evaluating, originating, servicing, managing and disposing of its investments (whether or not consummated); (b) legal, accounting, consulting and other fees or compensation of service providers to, or co-venturers of the Fund (including costs and fees of third party loan servicers, if any); (c) interest and other fees and expenses on indebtedness incurred by the Partnership; (d) insurance premiums; (e) printing, advertising, travel, filing and similar fees and expenses; (f) foreclosure, litigation and indemnification expenses; and (g) costs of organizing, forming and qualifying any REIT Subsidiaries (as defined below)

Termination and Refund

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

Commissionable Securities Sales

We do not sell securities for a commission.

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

PCM does not receive performance-based fees as such term is typically defined. However, PCM does receive a portion of the carry over a hurdle rate for the investments which has a similar effect for investors.

Item 7 – Types of Clients

PCM provides discretionary investment advisory service to the General Partner of pooled investment vehicles operating as limited partnerships that are exempt from registration as investment companies pursuant to Section 3(c)(5) of the Investment Company Act. The Fund's investors are accredited investors, qualified clients, and/or qualified purchasers.

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

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

We use the following methods of analysis in formulating our investment strategy:

- LTV (as set forth in each Client's Offering Documents) is the primary consideration for qualifying loans originated and PCM generally will target transactions with inherently strong borrower equity positions. The goal is to create a portfolio of loans at attractive LTVs with borrowers who, based on their need for private financing, are willing to pay above market interest rates for such financing, and will generate a competitive preferred return to investors. In addition, the holder

of the applicable loan will hold the senior secured position on all properties funded.

- In our selection of investments for the Clients, we consider investments nation-wide. Regardless of the market of each potential investment, we and/or our affiliates complete an initial due diligence investigation of each property prior to the applicable funding of a potential loan. During the underwriting process, our analysts typically conduct a site inspection and investigate market conditions, title, environmental concerns, zoning, borrower credit, and most importantly, property value. We use a variety of economic models to analyze the safety and quality of each Client's portfolio.

Risk of Loss

An investor's decision to invest in the Clients entails risk. All investments have risk of loss, including loss of your investment. There are no guarantees that any past success of the Clients will result in positive investor investment returns in the future. Private investment partnerships have their own set of risks, including but not limited to; lack of liquidity and diversification, strategy risk and conflicts of interest related to affiliated party transactions as set forth below. Moreover, no investor (Limited Partner) may sell, transfer, assign, convey, pledge, mortgage, encumber, hypothecate or otherwise dispose of all or any part of its partnership interest (Interest) without the General Partner's consent. There is no public market for Interests in the Fund.

A more complete discussion of the risks associated with an investment in the Clients is set forth in each Client's private placement memorandum ("PPM"), and investors are encouraged to carefully review the PPM prior to making an investment decision.

Description of Material, Significant or Unusual Risks

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

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

The Client's investments, including those of its affiliates are speculative, and profitability depends on the ability of our borrowers to repay their loans. The ability of a borrower to repay may be affected by local, regional, and national real estate market and economic conditions beyond control of the Clients.

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

- general economic conditions;
- business conditions;
- local market competition and conditions, including competing with additional institutional lenders;
- cybersecurity incidents and technology failure can also cause catastrophic loss for any investment manager; and

- competition amongst loan originators can vary from market to market, and the Client's returns can be affected by heavy competition in the loan origination space.

Interest Rate Risk

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

Concentrated Investment Strategy Risk

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

Risk Associated with Borrowing

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

Incomplete Information Risk

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

Principal Repayments as a Source to Repay Unreturned Capital

The General Partner intends to cause the Partnership to retain all or any principal repayments for purposes of investing in additional qualified loans or maintaining or improving collateral. Principal repayments for reinvestment will therefore be unavailable for repayment of a limited partners unreturned capital during the limited partner's investment in the Client. In turn, a limited partners ability to withdraw its investment is subject to risk that the General Partner's determination that the proposed withdrawal will impair the capital or operation of the Client partnership. No reserves will be set aside for withdrawals and the General partner is not required to liquidate any assets to pay for withdrawals. If there are insufficient principal repayments, then the Client partnership may not be able to make any payments to withdrawing partners.

Risk of Loss of Services of Management & Key Man Risks

The loss of services of any of the members of PCM management or Advisory Board members for any reason, including through termination, departure, death, disability, natural disaster or general unavailability, could have a material adverse effect on the Client's ability to achieve its objectives. Moreover, among the members of management, Mr. Cory Johnson is the sole manager of PCM and he controls that entity. Loss of his services would have a material adverse effect on Client performance.

While there are restrictions on the ability of the General Partner to transfer its general partnership interest or to withdraw as General Partner, there are no restrictions on PCM's ability to transfer and relinquish control of the General Partner to another party, except for those set forth under the Advisers Act. Accordingly, no person should invest with PCM unless he or she is willing to face the possibility that PCM, Mr. Cory Johnson and other members of management may no longer be involved in managing the portfolio.

Public Health Risk

Certain countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and most recently, the COVID-19. The outbreak of an infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy, and business activity in any of the locations in which the Fund may invest or where portfolio companies transact and thereby adversely affect the performance of the Funds' investments.

Fees Payable to the General Partner and Its Affiliates May Affect the Investment Decisions Made by the General Partner

The General Partner, directly or through its affiliates, is entitled to certain fees such as the Management Fee, the Loan Servicing Fee, the General Partner's share of Net Origination Fees, if any, and underwriting and other fees charged to the borrowers. Such fees are not tied to the interest income generated by Client capital, but are instead based, in the case of the management fee, on the average unreturned capital of the partners, and in the case of origination, loan servicing and other fees, on the amount of principal on borrowers' loans. There may be an incentive for the General Partner to enter into certain loan transactions that are either riskier or have lower returns, or hold loans for extended periods of time, in order to generate fee income for the General Partner. The General Partner has attempted to mitigate the risk of this potential conflict through other aspects of the General Partner's compensation and the partnership's structure of each Client, including any hurdle set forth in the Offering Documents. However, while this structure is based on management's attempt to balance the respective interests of the parties, no independent third party has determined the fairness or reasonableness of any aspect or the whole of the General Partner's compensation.

Conflicts May Arise Due to Co-Investments

The Clients have co-invested in, and or may co-invest in the future in one or more loans with the General Partner, certain limited partners, and/or their respective affiliates, strategic investors, other Client accounts, and lenders and/or other third parties through joint ventures or other entities. This may cause control rights to those assets to be relinquished to other parties which may have different interests or superior rights than a PCM Client. Any co-investment will subject each Client to the risks typical with co-investors, including different goals and interests, financial difficulties of co-investors affecting their ability to perform their obligations and liability for the actions of co-investors.

Conflicts May Arise as a Result of Purchases of Loans by the General Partner

The General Partner will have the right, through itself or through affiliates, to purchase non-performing loans from the Clients to remove them from the books of those Clients. In the event of any such purchase, a conflict of interest will arise, in that the General Partner will be selling the Client's asset on the one hand and yet purchasing the same asset for the General Partner's own account on the other hand. While the General Partner will only purchase non-performing loans, there is a risk to the Client

that the loan and/or the collateral will end up more valuable than when purchased by the General Partner. It is impossible to predict how a nonperforming loan or its underlying collateral will perform once the General Partner acquires it.

Risks Relating to Compliance with Applicable Law and Changes in Law

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

REIT Subsidiary Election

As it relates to the Fund, PCM's strategy takes advantage of REIT tax benefits. There can be no assurance that any potential REIT subsidiary's expected election to be taxed as a REIT for U.S. federal income tax purposes can be made, or, if made, can be continued. If a REIT subsidiary fails to so qualify or fails to maintain its qualifications, it will be subject to tax on its taxable income at regular corporate rates.

For a more detailed discussion on the investment strategy and risk, we strongly encourage investors to review the Fund's Offering Documents.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

Item 9 - Disciplinary Information

PCM is required to disclose the facts of any legal or disciplinary events that are material to the evaluation of its advisory business or the integrity of management. PCM has no disclosure items applicable to its advisory business nor to the integrity of management.

Item 10 – Other Financial Industry Activities and Affiliations

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

However, the Fund maintains a California Commercial Finance Lenders License in order to facilitate the process of originating commercial mortgage loans. Cory Johnson also continues to maintain an active Real Estate Brokerage License.

Conflicts of Interest arising out of other activities of Management

Each member of Management will devote such time as they deem necessary and appropriate to the business and affairs of each Client, but members of Management, directly and through affiliates, may be and are involved in other entities whose investment activities may overlap with those of the Clients.

Item 11 – Code of Ethics

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

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

- engage in and promote ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and to disclose to Senior Management, any material transaction (including gifts and entertainment and other gifts of value) or relationship (including all outside business activities) that reasonably could be expected to give rise to such a conflict;
- maintain the confidentiality of our investors data;
- carry out their responsibilities honestly, in good faith, and with integrity, due care and diligence, exercising at all times their best independent judgment;
- assist in the production of full, fair, accurate, timely and understandable disclosure in reports and documents that the Firm and its subsidiaries file with, or submit to, the SEC and other regulators and in other public communications made by the Firm;
- comply with applicable laws, rules, and regulations of federal, state and local governments, and other appropriate regulatory agencies;
- report receipt of material non-public information and conduct business with sophisticated awareness of potential insider trading rules that apply to our business;
- promptly report (anonymously, if they wish to do so) to Senior Management any violation of this Code of Ethics or any other matters that would compromise the integrity of the Firm's financial statements; and
- never to take, directly or indirectly, any action to coerce, manipulate, mislead, or fraudulently influence the Firm's independent auditors in the performance of their audit or review of the Firm's financial statements.

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

Neither our Firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our Firm or a related person has a material financial interest. Related persons of our Firm may buy or sell securities and other investments that are also owned by our clients.

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

Conflicts of Interest

Fees payable to the General Partner and its affiliates may affect the investment decisions made by the General Partner.

The General Partner, directly or through its affiliates, is entitled to certain fees that are not available to the Limited Partners (e.g., the Management Fee, the Loan Servicing Fee, the General Partner's share of

any Net Origination Fees and underwriting fees charged to the borrowers). Such fees are not tied to the Client's interest income, but are instead based, in the case of Origination, loan servicing, and other fees, on the amount of principal on borrower's loans. There may be an incentive for the General Partner to enter into certain loan transactions that are either riskier or have lower returns, to generate fee income for the General Partner.

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

Any General Partner distribution split, which entitles the General Partner to receive 20% of the distribution made from the investment activity, after allocation of the hurdle set forth in each Client's Offering Documents, is intended to incentivize the General partner to seek investments that would generate high returns for the Clients. However, the General Partner might seek these higher returns even if the loans would be disproportionately riskier than loans with lower returns.

Conflicts may arise due to co-investment

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

Conflicts may arise as a result of purchases of loans by the General Partner

The General Partner will have the right, through itself or through affiliates, to purchase non-performing loans from the Clients to remove them from the books of the Clients. In the event of any such purchase, a conflict of interest will arise, in that the General Partner will be selling the Client's asset on the one hand and purchasing the same asset for the General Partner's own account on the other hand. While the General Partner will only purchase non-performing loans, there is a risk to the Clients that the loan and/or the collateral will end up more valuable than when purchased by the General Partner. Additional information is provided in the Offering Documents.

Conflicts may arise out of withdrawals by Partners

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

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

In order to minimize these potential conflicts of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day.

Item 12 – Brokerage Practices

PCM and the General Partner specialize in managing portfolios of real estate loans, and the Clients are designed and formed to provide investors with a real estate lending investment vehicle. PCM's

investment advice is limited to advising on such types of investments. As such, PCM does not have traditional brokerage relationships with broker/dealers who execute trades of publicly available securities.

Soft Dollar Benefits

PCM does not receive any Soft Dollar Benefits of any type.

Brokerage for Client Referrals

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

Directed Brokerage

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

Item 13 – Review of Accounts

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

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

Item 14 – Client Referrals and Other Compensation

PCM does not accept client referrals for which compensation is paid.

Item 15 – Custody

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

PCM's limited partnership interests are privately offered securities. The Clients hold and invest in only privately offered securities. As such, PCM is not required to hold certain limited partnership interests or privately offered securities interests with a qualified custodian or generate an internal control report.

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

The SEC issued a no-action letter with respect to Rule 206(4)-2 under the Investment Advisers Act of 1940. The letter provided guidance on the Custody Rule and clarified that an adviser who has the authority to disburse client funds to a third-party under a standing letter of instruction is deemed to

have custody. As a result, our Firm has adopted the following safeguards in conjunction with our custodians:

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

Item 16 – Investment Discretion

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

Item 17 – Voting Client Securities

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

Item 18 – Financial Information

We are not required to provide financial information in this brochure because:

- we do not require the prepayment of more than \$1,200 in fees and six or more months in advance;
- although we do have discretionary custody of client funds, there are no financial conditions that are reasonably likely to impair our ability to meet contractual commitments to our clients; and
- we have never been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisors

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