

Redwood Asset Management, Inc.

Investment Adviser Brochure

(Form ADV Part 2A)

March 2012

This Brochure provides information about the qualifications and business practices of Redwood Asset Management, Inc. If you have any questions about the contents of this brochure, please contact Andrew P. Stone, Chief Compliance Officer. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Redwood Asset Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Redwood Asset Management, Inc.
One Belvedere Place
Suite 370
Mill Valley, CA 94941-2493
Telephone: 415-389-7373
Email: andy.stone@redwoodtrust.com

Item 2: Summary of Material Changes

During 2011 the Redwood Opportunity Fund Made Its Final Distribution to Limited Partners

In 2011, the Redwood Opportunity Fund sold its remaining investment assets, made a final distribution to limited partners, and began the formal process of winding down and dissolving. As a result, Redwood Asset Management is not currently providing investment advisory services to any limited partnership funds. Investment advisory services provided to other Redwood Asset Management clients are unaffected by the wind-down and dissolution of the Redwood Opportunity Fund.

Distribution of Summary of Material Changes

Pursuant to SEC Rules, Redwood Asset Management will ensure that you receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of its business' fiscal year. Redwood Asset Management may further provide other ongoing disclosure information about material changes as necessary.

Full Brochure Available

Redwood Asset Management will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, Redwood Asset Management, Inc.'s Brochure may be requested by contacting Andrew P. Stone, Chief Compliance Officer, at 415-389-7373 or andy.stone@redwoodtrust.com.

Additional information about Redwood Asset Management, Inc. is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about persons affiliated with Redwood Asset Management, Inc. who are registered, or are required to be registered, as investment adviser representatives of Redwood Asset Management, Inc.

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Item 4: Advisory Business

Redwood Asset Management, Inc.

Redwood Asset Management, Inc. (“RAM”) is a Delaware corporation and an investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”) (file number 801-70040) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). RAM was formed by Redwood Trust, Inc. (“Redwood Trust”) in 2006. RAM currently acts as investment advisor for certain structured finance vehicles formed or sponsored by Redwood Trust or its affiliates.

RAM’s registration with the SEC should not be interpreted as implying that a certain level of skill or training has been obtained by RAM or any of its officers or employees.

Ownership of Redwood Asset Management, Inc.

RAM is a wholly owned subsidiary of Redwood Trust, which is a publicly-traded financial institution focused on investing in, financing, and managing residential and commercial real estate loans and securities.

Advisory Services of Redwood Asset Management, Inc.

RAM currently provides advisory services to structured finance vehicles formed or sponsored by Redwood Trust or its affiliates. RAM does not currently provide advisory services to other types of clients. In the past, RAM has provided advisory services to limited partnership investment funds.

Structured Finance Vehicles - Acacia CDOs. RAM's structured finance vehicle clients are generally the issuers of collateralized debt obligations (“CDOs”), marketed under the name Acacia (the “Acacia CDOs”). As described more fully in the offering documents for the particular Acacia CDO, Redwood Trust often acquired for its own account the equity and, at times, subordinated notes issued by these Acacia CDOs. RAM manages the collateral pools associated with the Acacia CDOs in accordance with the applicable governing documentation relating to each Acacia CDO.

Other Information. The various investment vehicles that are advisory clients of RAM are structured as private investment funds in reliance on the private offering exemptions from the Securities Act of 1933 (the “Securities Act”) and the private investment fund exclusions from the definition of “investment company” in the Investment Company Act of 1940. Interests in the investment vehicles are offered privately to institutional investors and high net-worth individuals who qualify to invest in that investment vehicle.

Types of Assets Under Management

RAM's Acacia CDO clients invest in debt securities (including asset-backed securities, such as residential and commercial mortgage-backed securities ("MBS"), collateralized debt obligations, debt securities issued by REITs or a special purpose securitization vehicle for which the underlying collateral consists of securities issued by REITs, and preferred stock issued by a REIT), equity securities, and U.S. agency-issued securities. RAM's Acacia CDO clients may also enter into privately negotiated investment instruments and invest in synthetic securities, including credit default swaps, total return swaps, credit linked notes, derivative instruments, structured note or trust certificates acquired with or from a synthetic security counterparty, and other privately negotiated investment instruments, including hedge agreements.

Investment Goals and Objectives

The goals and objectives for each client are set forth in the governing documents of the investment vehicle that is RAM's client (e.g., indenture). Clients may impose restrictions on investing in certain securities or types of securities through these governing documents.

Wrap Fee Programs

RAM does not participate in any wrap fee program.

Assets Under Management

As of December 31, 2011, RAM managed approximately \$178,137,527 in assets; all of these assets are managed on a discretionary basis.

Item 5: Fees and Compensation

Compensation

RAM receives management fees and, at times, may receive performance or carried interest fees. The manner of calculation and application of performance or carried interest fees are disclosed in the offering documents for the particular investment vehicle. Performance or carried interest fees are subject to regulation under Rule 205-3 of the Advisors Act. Therefore, RAM will seek to ensure that any clients or investors in an investment vehicle that are directly or indirectly assessed performance or carried interest fees satisfy the qualifications of SEC Rule 205-3 and have been advised of such fees and their risks.

Investment Funds.

Redwood Trust, its affiliates and certain of their respective employee professionals may invest in Redwood Trust-sponsored investment vehicles. Fees assessed on such investments for these affiliated investors may be substantially reduced or waived altogether. If Redwood Trust, its affiliates, and certain of their respective professionals are making investments in a Redwood Trust-sponsored investment vehicle, the investment and any actual or potential fee waiver or reduction are disclosed to potential investors in the offering documents for the particular investment vehicle and in the financial statements for the particular investment vehicle.

Pursuant to the management agreement between RAM and each investment vehicle, if RAM is terminated from its advisory role, it will refund fees it is not contractually entitled to retain and RAM may also be entitled to liquidated damages in the event of early termination of its advisory services. More detailed descriptions of these terms and the other material provisions of the management agreement pursuant to which RAM provides services to each client are included in a summary of that management agreement in the offering documents for that investment vehicle.

With respect to newly formed investment vehicles, RAM may negotiate fees depending on various factors, including: amount of capital, nature of investment strategy, multi-product relationships, and date of establishment. As a result, clients may have lower or higher fees than other clients.

Structured Finance Vehicles – Acacia CDOs. RAM receives collateral management fees quarterly in arrears (ranging from 0.1% to 0.15% of the net outstanding collateral balance) for the services it provides to the Acacia CDOs, although fees are generally negotiated at the time the vehicle is formed. In some cases RAM's right to receive a portion of these fees may be subordinate to other obligations of the Acacia CDOs or subject to satisfaction of other conditions. The manner of calculation and application of fees are disclosed in the offering documents for the particular investment vehicle (but, generally speaking, they are deducted from the assets of the vehicle by the third-party independent trustee of the vehicle and then paid to RAM by that trustee).

Calculation and Payment

The specific manner in which fees are charged by RAM is established in a client's written agreement with RAM. When negotiating such a written agreement, clients may request to be invoiced directly for fees or to authorize RAM to directly debit fees from client accounts.

Other Expenses

Redwood Asset Management, Inc.'s fees are generally exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by auditors, managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Redwood Asset Management, Inc.'s fee, and RAM shall not receive any portion of these commissions, fees, and costs.

Other Matters

Neither RAM nor any of its supervised persons (employees) accept compensation for the sale of securities or other investment products. See "Brokerage Practices – 'Soft Dollar' Arrangements" below for a description of research and other services RAM receives from brokers and dealers that it transacts business with.

Item 6: Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

In some cases, RAM will enter into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. RAM will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Advisors Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, RAM generally includes both realized and unrealized capital gains and losses.

Performance-based fee arrangements may create an incentive for RAM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Side-by-Side Management

Performance-based fee arrangements can create an incentive for an investment adviser to allocate more profitable investments to an account with a performance fee, instead of allocating those investments to other accounts that are not subject to a performance fee.

In the event that RAM were to manage new investments for more than one client, and those clients had varying fee structures that could incent the allocation of new investments to the account with the greater performance-based fee, RAM would put into place procedures designed to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7: Types of Clients

Types of Clients

As described in the “Our Advisory Business” section above, RAM’s clients include structured finance vehicles.

Conditions for Managing Accounts

New investment fund clients of RAM would typically have at least \$100 million in investment or capital commitments, subject to the discretion of RAM. The minimum investment for a limited partnership investment in funds advised by RAM is typically targeted to be more than \$10 million, although RAM does not maintain a specific minimum dollar amount and specific minimum requirements would be set forth in the fund offering documents. Investors who seek investment advice for a separate account or other individually structured vehicles would typically be expected to invest \$20 million or more, although minimum investment amounts may be waived by RAM. Depending on the structure of the investment fund or vehicle and the manner in which interests in that fund or vehicle are marketed, investors may be required to be “accredited investors” and “qualified purchasers”, in each case as defined under federal securities laws.

Types of Investments

Structured Finance Vehicles – Acacia CDOs. RAM's Acacia CDO clients invest in debt securities (including MBS, debt securities issued by REITs or a special purpose securitization vehicle for which the underlying collateral consists of securities issued by REITs, and preferred stock issued by a REIT), equity securities, and U.S. agency-issued securities. RAM's Acacia CDO clients may also enter into privately negotiated investment instruments and invest in synthetic securities, including credit default swaps, total return swaps, credit linked notes, derivative instruments, structured note or trust certificates acquired with or from a synthetic security counterparty, and other privately negotiated investment instruments, including hedge agreements.

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

Methods of Analysis, Sources of Information, and Investment Strategies

Most of the investments that RAM manages for its advisory clients are residential or commercial mortgage-backed securities. With respect to these types of investments, RAM applies loan or asset level analysis in projecting a range of future cash flows that may be generated by the underlying pool of loans or assets in a securitization. Based on the structure of the securitization's cash flows, RAM then estimates a range of cash flows that the various securities within each securitization may receive. Based on these detailed analyses, RAM is able to project a range of outcomes and develop what it believes to be appropriate values for a variety of RMBS and CMBS.

RMBS. With respect to residential mortgage-backed securities (RMBS), RAM uses a proprietary loss modeling tool (the "Redwood Credit Model") to evaluate potential investment opportunities. The Redwood Credit Model provides an investment team with the ability to analyze opportunities with a consistent application of credit views, a disciplined approach to making and modifying assumptions, and an efficient, scalable framework for collateral analysis. This proprietary credit model uses both internal and third party data to generate an expected loss on each loan in the pool backing each security. Use of the Redwood Credit Model cannot ensure that RAM will be able to predict future credit losses with accuracy, however, and actual credit losses incurred with respect to a security purchased may exceed the losses anticipated at the time of purchase.

RAM also evaluates housing data on a zip code level to project forward home prices, which are a key variable in calculating both default probability, as well as loss severity. RAM applies loss timing curves to each pool of loans based upon both historical data, as well as recent experience and information from servicers. Loan pools are also stratified to project prepayment rates, based upon loan-to-value ratios, loan type, loan vintage, and current interest rate.

CMBS. For securities backed by commercial mortgages, RAM undertakes loan level analyses, including reviewing appraisals, rent rolls, lease terms, credit-worthiness of tenants, and various other factors that affect the cash flows of a commercial building and the ability to service its debt. Economic analyses specific to the type of property and geographical area are also completed. RAM has the ability to review every loan within a commercial securitization, although the initial focus is on the largest twenty loans within each pool.

Other Types of Investments. Certain types of investments do not provide the opportunity to complete loan level analysis. In such cases RAM uses a combination of traditional credit analysis appropriate for the circumstances and the investment. Such analysis could include a review of current ratings and rating agency research on the asset, a review of current collateral performance and empirical analysis of similar collateral, a review of the overall macro-economic environment and how it would influence the investment in question, structure analysis to identify risks associated with

the investment, and in the case of equity based investments a review of the market for instruments with similar risks and returns.

Subsequent Monitoring. Following an investment, RAM actively performs ongoing market, bond, and loan level analysis to monitor and review investment exposures against initial investment expectations and market pricing. RAM's investment management and risk management teams work together to analyze and review investment positions. Extensive use of technology and analytical models, both proprietary and industry-recognized, are used in these analyses.

Risk of Loss

Investing in investment funds, structured finance vehicles, and securities involves risk of loss that clients should be prepared to bear.

All investment programs have certain risks that are borne by the investor. RAM's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks, among others:

- **Credit Risk:** Investments that RAM manages for its investment advisory clients are generally debt instruments (e.g., RMBS and CMBS), which in most cases are backed by residential or commercial real estate loans. As a result, these assets are subject to credit risk associated with the underlying obligors on those loans. To the extent underlying borrowers default on their obligations under these loans, these investments will decline in value.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing fixed rate bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a bond or other security or asset may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar tomorrow will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They generally carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

The offering materials for each structured finance vehicle managed by RAM include a specific (and lengthy) description of risks associated with an investment in that fund or vehicle. RAM has not reproduced those lengthy descriptions of risk in this document, but you should review the description of risks set forth in those offering materials before investing.

Initial Public Offerings

RAM does not participate on behalf of its clients in initial public offerings of equity securities.

Item 9: Disciplinary Information

Legal and Disciplinary Matters

RAM is required to disclose all material facts regarding any legal matters or disciplinary events that would be material to your evaluation of RAM or the integrity of RAM's management. RAM has no disciplinary events to disclose in response to this requirement. With respect to legal matters, you should review the following, which relate to the corporate parent of RAM, Redwood Trust, Inc.:

- On December 23, 2009, the Federal Home Loan Bank of Seattle (the "FHLB-Seattle") filed a claim in Superior Court for the State of Washington (case number 09-2-46348-4 SEA) against Redwood Trust, Inc., its subsidiary, Sequoia Residential Funding, Inc. ("SRF"), Morgan Stanley & Co., and Morgan Stanley Capital I, Inc. (collectively, the "FHLB-Seattle Defendants"). The FHLB-Seattle alleges claims under the Securities Act of Washington (Section 21.20.005, et seq.) and seeks to rescind the purchase of a mortgage pass-through certificate (or, residential mortgage-backed securities, "RMBS") issued through SRF's Sequoia RMBS platform as part of the Sequoia Mortgage Trust 2005-4 securitization transaction and purchased by the FHLB-Seattle. The FHLB-Seattle seeks to collect interest on the original purchase price at the statutory interest rate of 8% per annum from the date of original purchase (net of interest received), as well as attorneys' fees and costs. On October 18, 2010, the FHLB-Seattle Defendants filed motions to dismiss the FHLB-Seattle's complaint. The FHLB-Seattle alleges that the FHLB-Seattle Defendants' offering materials for this RMBS contained materially untrue statements and omitted material facts about this RMBS and the credit quality of the mortgage loans that backed it. Among other things, the FHLB-Seattle alleges that the FHLB-Seattle Defendants made untrue statements or omissions regarding the (1) loan-to-value ratios of these mortgage loans and the appraisals of the properties that secured these mortgage loans, (2) occupancy status of those properties, (3) underwriting standards of the originators of these mortgage loans, and (4) ratings assigned to this RMBS. On July 19, 2011, the Court granted Redwood Trust, Inc. and SRF's motion to dismiss for lack of personal jurisdiction. Redwood Trust, Inc. does not know whether the FHLB-Seattle will appeal or otherwise contest the dismissal, or file a claim in another jurisdiction.
- On October 15, 2010, the Federal Home Loan Bank of Chicago (the "FHLB-Chicago") filed a claim in the Circuit Court of Cook County, Illinois (case number 10-CH-45033) against SRF and more than 45 other named defendants (collectively, the "FHLB-Chicago Defendants") in relation to RMBS sold or issued by the FHLB-Chicago Defendants or by entities controlled by the FHLB-Chicago Defendants. In an amended complaint filed on March 16, 2011, FHLB-Chicago added as defendants Redwood Trust, Inc. and another one of its subsidiaries, RWT Holdings, Inc. With respect to Redwood Trust, Inc. and SRF, the FHLB-Chicago alleges that the offering materials for two RMBS issued through the Sequoia RMBS platform as part of the Sequoia Mortgage Trust 2006-1

securitization transaction contained untrue and misleading statements and material misrepresentations in violation of Illinois Securities Law (815 ILCS Sections 5/12(F)-(H)) and North Carolina Securities Law (N.C.G.S.A. §78A-8(2) & §78A-56(a)) and also alleges a claim of negligent misrepresentations under Illinois common law. On some of the causes of action, the FHLB-Chicago seeks to rescind the purchase of these RMBS and to collect interest on the original purchase price at the statutory interest rate of 10% per annum from the date of original purchase (net of interest received). On one cause of action, the FHLB-Chicago seeks unspecified damages. The FHLB-Chicago also seeks attorneys' fees and costs. Among other things, the FHLB-Chicago alleges that the offering materials for this RMBS contained materially untrue statements or omissions regarding this RMBS and the loans securitized in this transaction, including untrue statements or omissions regarding the (1) loan-to-value ratios of these mortgage loans and the appraisals of the properties that secured these mortgage loans, (2) occupancy status of those properties, (3) underwriting standards of the originators of these mortgage loans, (4) ratings assigned to these RMBS, and (5) due diligence performed on these mortgage loans.

Subsidiaries of Redwood Trust, Inc. other than RAM are also defendants in other pending litigation.

Item 10: Other Financial Industry Activities and Affiliations

Financial Industry Activities – Affiliations

Neither RAM nor any of its management persons are registered as (or as a representative of) or have a material relationship or arrangement relating to RAM's investment advisory business with any of the following types of persons or financial industry entities:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. registered investment company (including a mutual fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant

Affiliation with Licensed Real Estate Businesses

Two affiliates of RAM – namely, Redwood Residential Acquisition Corporation (RRAC) and Redwood Commercial Mortgage Corporation (RCMC) – hold licenses from various states that authorize them to originate commercial mortgage loans, acquire residential mortgage loans, and carry out certain other business activities. RAM does not engage in transactions or business with these two affiliates.

Other than its affiliations with RRAC and RCMC, RAM does not have an affiliation or material relationship or arrangement with any real estate broker or dealer.

Affiliation with Sponsor of Limited Partnerships and Structured Finance Vehicles

Affiliates of RAM may act as the sponsors and general partners of partnerships and investment vehicles which are clients of RAM. For example, affiliates of RAM were the sponsors of the Acacia CDOs.

Other than its affiliation with the sponsors of the Acacia structured finance vehicles it is the investment advisor for, RAM does not have an affiliation or material relationship or arrangement with any sponsor or syndication of limited partnerships.

Other Affiliations

Affiliates of RAM have invested in the structured finance vehicles that are managed by RAM. This could result in a conflict of interest. For example, if affiliates of RAM, in their capacities as investors, have interests that conflict with other investors in these funds and vehicles, RAM could be conflicted in making management decisions for these funds and vehicles.

Other Business Activities

Officers and employees of RAM are also officers and employees of Redwood Trust, Inc., whose primary business is investing, financing and managing residential and commercial real estate loans and securities.

Other Investment Advisors

RAM does not recommend or select other investment advisors for its clients.

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

Code of Ethics

RAM employees must comply with a Code of Ethics and Insider Trading policy. The Code of Ethics describes RAM's high standard of business conduct and addresses various matters that are intended to ensure that, among other things, persons subject to the Code do not take actions or appropriate information for personal gain to the detriment of RAM's clients.

Andrew P. Stone, RAM's Chief Compliance Officer, reviews all employee trades each quarter. His trades are reviewed by the Treasurer of RAM (or the Treasurer's designee). These reviews ensure that personal trading does not affect the markets, and that clients of RAM receive preferential treatment. Since most employee trades are small and are not in the same types of securities or instruments that RAM clients invest in, the trades do not generally affect the markets relevant to RAM.

RAM's employees must acknowledge the terms of the Code of Ethics at least annually. Any individual not in compliance with the Code of Ethics may be subject to termination. Clients and prospective clients can obtain a copy of RAM's Code of Ethics by contacting Andrew P. Stone at 415-389-7373.

Participation or Interest in Client Transactions

In connection with the formation of an investment fund or other entity to be advised by RAM, the liquidation of such an investment fund or other entity, or otherwise from time to time, affiliates of RAM may sell assets to, or purchase assets from, such a fund or other entity (each, a "principal transaction"), provided that such transactions would only be conducted in compliance with applicable law and regulation and after having received the express written approval of the fund client or other entity client in accordance with the governing documents of such fund or other entity.

RAM may also recommend to clients the purchase or sale of securities in which its affiliates may have financial interest. Notably, Redwood Trust, Inc. buys and sells for its own account securities that may be recommended to clients. RAM has adopted policies and procedures designed to detect and prevent conflicts of interest between its clients and its affiliates. These policies are designed to ensure that RAM effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law.

For example, RAM's approach to addressing the allocation of investment acquisition opportunities will generally be based on a pro rata allocation of opportunities among Redwood Trust and its affiliates and RAM's advisory clients based on the capital each has allocated to investments of the type to be acquired. In the case of investment dispositions, a pro rata allocation approach is also generally employed based on the

relative holdings of investments to be disposed. These allocation policies may vary to the extent that the agreements governing RAM's provision of investment advice or the governing documents of the investment funds or other entities advised by RAM may provide for an alternative allocation methodology or may provide that a particular client have the ability to opt out of particular acquisition or disposition opportunities.

Principal/Agency Cross Transactions

Unless prior consent is obtained in accordance with a client's governing documents, RAM's policy is that it will not affect any principal or agency cross securities transactions for client accounts. RAM will also not cross trades between client accounts with prior consent of the clients involved. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12: Brokerage Practices

Investment Discretion; Counterparty/Broker-Dealer Selection

RAM's investment discretion and authority is subject to the limitations set forth in the governing documents establishing the advisory relationship. Generally under the advisory relationships that RAM has established, RAM determines which securities are bought or sold, the total amount of the securities to be bought or sold, the broker or dealer to be used, and the terms of transactions executed. RAM will follow investment guidelines determined at the inception of the client relationship or that may be amended from time to time. These investment guidelines may include specific limitations or restrictions on the types or amounts of securities that can be bought or sold in the portfolio.

RAM's primary objective in selecting counterparties and broker-dealers is to obtain the best combination of price and execution in the market(s) involved. Best price, is normally the most important factor in this decision, but RAM also takes into account the quality of services, including, without limitation, factors such as: execution capability; willingness to commit capital; financial stability and/or credit rating; clearance and settlement capability; promptness; trading expertise; back-office efficiency; ability to handle difficult trades; knowledge of other buyers and sellers; confidentiality; prior performance in serving RAM and its clients; and other factors affecting the overall benefit clients received in the transaction.

With respect to purchases of securities, the primary driving factor behind choice of broker dealer is price and asset availability. RAM's investment expertise covers asset classes that are highly illiquid, such as RMBS and CMBS. For these asset classes, specific investment opportunities may only be available from a single broker dealer. These markets are often subject to substantial bid-ask spreads. Broker dealers are typically compensated via the bid-ask spread, as opposed to a commission. Consequently, RAM does not generally evaluate broker dealers based on commissions but rather on the competitiveness of their price for each asset.

“Soft Dollar” Arrangements

RAM may receive research and other data services from brokers and dealers that it transacts business with, although there are no formal “soft dollar” arrangements in place with such brokers and dealers.

Trade Aggregation

RAM generally aggregates purchases or sales of the same security, instrument or obligation that are transacted on the same day for multiple accounts of one or more of RAM's clients. Although such aggregations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be aggregated only when RAM believes that to do so will be in the best interest of the affected accounts. When transactions are so aggregated the actual prices applicable to the aggregation

transaction will be deemed to have purchased or sold its share of the security, instrument or obligation at the average price. If a partial execution is attained at the end of the trading day, RAM will generally allocate shares on a pro rata basis.

Client Referrals

See “Client Referrals and Other Compensation” below for further information on practices relating to client referrals.

Item 13: Review of Accounts

Portfolio Management Reviews

RAM's portfolio management team (which includes each of the individuals listed in the Supplement to this Brochure) regularly reviews the overall portfolio held by each of the structured finance vehicles managed by RAM. These reviews include performing ongoing market, bond, and loan level analysis to monitor and review investment exposures against initial investment expectations and market pricing. Extensive use of technology and analytical models, both proprietary and industry-recognized, are used in these analyses.

RAM's investment committee meets regularly and the investments of each structured finance vehicle are reviewed by the committee at least monthly. Significant changes in the markets for the debt instruments held by these structured finance vehicles may, depending on the nature of the change, trigger a review of the portfolio of an entity outside of the ordinary course. Other factors that may affect the value of these debt instruments, such as political, economic, or tax changes, may also trigger a review outside of the ordinary course.

Written Reports to Clients

Written quarterly reports are delivered to investors the structured finance vehicles managed by RAM. These reports describe the financial performance of the investment entity over the prior quarter, as well as the nature of the funds distributed to investors during the prior quarter.

Item 14: Client Referrals and Other Compensation

Client Referrals

RAM does not generally refer its advisory clients to third parties and does not accept any referral fees.

In connection with the formation of an investment fund or structured finance vehicle to be advised by RAM, an affiliate of RAM may enter into written arrangements with a placement agent, underwriter, or similar party to pay a cash fee for soliciting investors for that investment fund or structured finance vehicle (with the fee typically being based on a percentage of the investment solicited). In these cases, there will be a written agreement which clearly defines the duties and responsibilities and fees to be paid under the arrangement and the existence of the agreement will be disclosed to investors in the applicable fund or investment vehicle. A client disclosure statement is provided to the client which sets forth the relationship between RAM and the referring party as required by the SEC, under Rule 275.206(4)3 of the Advisers Act.

Other Compensation

No third party that is not an advisory client provides an economic benefit to RAM for providing investment advice to RAM's clients (other than RAM's receipt of research and other data services, as described above under "Brokerage Practices – 'Soft Dollar' Arrangements").

Item 15: Custody

Custody – Structured Investment Vehicles

Neither RAM nor any of its affiliates has custody of the assets of the structured finance vehicle clients of RAM. Instead, these assets are custodied with an independent custodian and RAM does not have the authority to debit fees from these assets.

Account Statements

Investors in the structured finance vehicles that are clients of RAM receive quarterly statements from the custodian that holds and maintains the vehicle's investment assets. Investors are urged to carefully review these statements. The financial statements of any limited partner investment funds that are managed by RAM are audited each year by an independent accounting firm and a copy of the audited financial statements are provided to each investor in those funds.

Item 16: Investment Discretion

Discretionary Authority

The governing documents of each structured finance vehicle managed by RAM provides investment discretion to RAM over the assets of those vehicles, subject to the limitations set forth in the governing documents establishing the advisory relationship. Generally, RAM determines which securities are bought or sold, the total amount of the securities to be bought or sold, the broker or dealer to be used, and the terms of transactions executed. RAM follows specific limitations and restrictions set forth in these governing documents, including limitations on the types or amounts of securities that can be bought or sold in the portfolio of these vehicles.

Item 17: Voting Client Securities

Proxy Voting

Proxies. It is RAM's policy not to vote proxies with respect to securities held in client accounts. Any proxy or vote solicitation materials relating to client securities will be forwarded to the appropriate client by RAM or the relevant custodian employed by RAM.

Class Action Litigation. If class action litigation documents are received by RAM on behalf of a client, RAM will gather any requisite information it has and forward that information to the client. Similarly, if class action litigation documents are received by RAM from a custodian employed for a client account by RAM, RAM will gather any requisite information it has and forward the same to the client. The actions to be taken in any such litigation are completely in the client's discretion, although when requested RAM may provide its view of the appropriate action to be taken.

Other Matters. RAM may confer with its clients regarding other matters relating to investments that require the client to make a determination regarding how to respond to certain matters such as, for example, a consent solicitation relating to a class or series of debt instruments. In certain cases RAM may provide its view of the appropriate action to be taken, provide a recommendation, or make a determination regarding the matter if requested by the client or if required under the client's governing documents or the management agreement between RAM and its client.

Item 18: Financial Information

Financial Condition

RAM has no financial commitment or condition that it believes will impair its ability to meet contractual and fiduciary commitments to clients.

RAM has not been the subject of a bankruptcy proceeding.

RAM does not require prepayment of fees six months or more in advance.

Other Information

Privacy

Background. The SEC's Regulation S-P (Privacy of Consumer Financial Information) requires investment advisers to disclose to certain types of clients its policies and procedures regarding the use and safekeeping of non-public personal information. The clients covered by the requirements of Regulation S-P are limited to natural persons who obtain financial products or services primarily for personal, family, or household purposes. Since none of RAM's clients is a natural person, Regulation S-P is not applicable to RAM.

Although Regulation S-P does not apply to RAM, it is RAM's policy to preserve the confidentiality of non-public client information.

Policy and Procedures. RAM will not disclose a client's non-public personal information to anyone unless it is permitted or required by law, at the direction of a client, or is necessary to provide requested services. Accordingly, RAM shall strive to ensure the security and confidentiality of customer records, protect against risks and unauthorized access to customer information.

RAM has established and maintains its information systems, including hardware, software and network components and design, in order to protect and preserve non-public personal information through secure and password protected systems and the training of personnel on the protection of client information. Non-public personal information that is no longer required to be maintained shall be destroyed and disposed of in an appropriate manner.

RAM personnel shall maintain the confidentiality of information acquired in connection with their employment with RAM and shall not discuss or disclose non-public personal information to other personnel of RAM or except on a need-to-know basis. RAM personnel shall avoid placing documents containing non-public personal information in office areas where they could be read by unauthorized persons, such as in photocopying areas or conference rooms. Documents containing non-public personal information which are sent by mail, courier, messenger or fax, shall be handled with appropriate care. RAM personnel shall limit access to offices, files or other areas where non-public personal information may be discussed or maintained, and shall enter such locations for valid business purposes only.

Business Continuity Plan

RAM has adopted a Business Continuity Plan for responding to emergencies, disasters, and other contingencies. This Business Continuity Plan provides for plans for responding to and recovering from, among other things, the loss of access to its office space, the loss of communications, and the loss of access to electronic data and computer systems. RAM regularly backs up electronic data to an off-site location and

have office space in two locations (New York, NY and Mill Valley, CA). RAM's Business Continuity Plan is periodically tested.