

Form ADV Part 2A – Firm Brochure

RREP Recovery Partners Manager LLC
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This brochure provides information about the qualifications and business practices of RREP Recovery Partners Manager LLC, an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 212-558-2079 or suzief@ranieripartners.com.

This information has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about RREP Recovery Partners Manager LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This item is not applicable.

Item 3: Table of Contents

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Item 4: Advisory Business

RREP Recovery Partners Manager LLC (“*Recovery Partners*” the “*Manager*” or “*we*”) is a registered investment adviser organized as a Delaware limited liability company. Its parent company is Ranieri Partners LLC (“*Ranieri Partners*”).

Currently, Recovery Partners provides investment advisory services solely to a private investment fund (the “*Fund*”), and accordingly tailors its advisory services to the needs of the Fund in accordance with the investment objectives, strategies and limitations (if any) described in the Fund’s Confidential Private Placement Memorandum (“*PPM*”) and Limited Partnership Agreement (“*LPA*”).

Our affiliates serve as the administrative managers, general partner and special limited partner of the Fund (collectively, the “*Managers*”). The Managers currently include our affiliates, RREP Recovery Partners GP LLC and RREP Recovery Partners SLP LLC.

The Managers intend to conduct their activities in accordance with the Investment Advisers Act of 1940, as amended, and the rules thereunder (the “*Advisers Act*”). Any employee of the Managers, and any other person acting on their behalf, are and shall be subject to the supervision and control of Recovery Partners. The Managers are relying on Recovery Partner’s registration under the Advisers Act and are not separately registering as advisers. The Managers will be included in all references to “*we*”, “*us*” or “*Recovery Partners*” herein.

Recovery Partners seeks to opportunistically deploy recovery capital in a diversified portfolio of commercial real estate (“*CRE*”) assets through the acquisition of sub- and non-performing debt and strategic and opportunistic equity positions in direct CREs and/or financial institutions (“*FIs*”). Please see Item 8 for additional information regarding investment strategies and associated risks.

Entities under common control with the Managers may provide services to the Fund and to other private investment funds and certain institutional clients advised by such affiliates. Please see Item 10 for further details.

As of December 31, 2011, Recovery Partners managed a total of \$158,163,265 in discretionary assets and \$-0- in non-discretionary assets.

Item 5: Fees and Compensation

Recovery Partners receives from the Fund an annual management fee, paid quarterly in advance, equal to 1.50% per annum of (i) capital commitments during the Commitment Fee Period (as such term is defined in the PPM) and (ii) following the Commitment Fee Period, the

aggregate amount of remaining invested capital. Limited Partners with capital commitments of \$75 million or more may be entitled to a reduction in the annual management fee.

No portion of the management fee is refundable. To the extent that the management fee is payable for less than a full payment period, the amount is properly prorated.

The Fund also may incur indebtedness (including an equity commitment line primarily secured by the Fund's pledge of its rights in all partners' unfunded capital commitments). See further information the PPM regarding the Fund's use of leverage.

Additionally, please see Item 6 below regarding performance-based compensation ("*Carried Interest*").

The Fund is responsible for the following operating expenses: (i) all expenses incurred in connection with identifying, evaluating, structuring, negotiating and closing any potential Investment and the acquisition, holding, operation, financing, monitoring, sale, proposed sale or valuation of any Investments; (ii) all litigation related and indemnification expenses; and (iii) all ordinary administrative expenses of the Fund, including fees of auditors, attorneys, servicers, appraisers and other professionals and the cost of annual meetings and reports to each of the Fund's investors (each a "*Limited Partner*") and any taxes, fees or other governmental charges.

The Fund also pays all organizational and offering expenses, including but not limited to, printing, legal, accounting and marketing expenses up to a specified amount, as disclosed in the PPM.

Although Recovery Partners does not generally utilize the services of broker-dealers to acquire or dispose of investments for the Fund, in the event that it chooses to use a broker-dealer for limited purposes, the Fund will incur brokerage and other transaction costs. For additional information regarding Recovery Partner's brokerage practices, please see Item 12.

Recovery Partners does not receive compensation in connection with the sale of interests in the Fund.

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

The Fund allocates a percentage of its profits, Carried Interest, to a special limited partner that is affiliated with Recovery Partners. Such special limited partner may ultimately receive up to 20% of such profits. See the LPA for more information regarding the allocation of Carried Interest.

Recovery Partners does not currently engage in “side-by side management” of accounts which are charged a performance-based fee, and other accounts which are charged other types of fees.

Item 7: Types of Clients

Currently the sole client of Recovery Partners is the Fund. The Fund is not registered under the Investment Company Act of 1940, as amended and the investments purchased for the Fund are not registered under the Securities Act of 1933, as amended (the “1933 Act”). Access to information about the Fund is limited to investors who meet specified minimum investment criteria relating to their financial holdings, investment experience, etc.

The minimum capital commitment that the Fund will accept from a prospective investor is \$10 million; however the general partner of the Fund, in its sole discretion, may waive this requirement for any prospective investor.

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

Methods of Analysis and Investment Strategies

Recovery Partners was formed to deploy recovery capital and optimize the resolution of distressed CRE assets through collaborative joint ventures with and asset purchases from FIs and CRE owner/operators. We collaborate with stressed “survivor” banks and CRE owner/operators to solve CRE issues, not exploit their weaknesses. Our strategy is designed to address the distress in the CRE market through FIs with portfolios of troubled CRE assets that are not willing or able to sell them. The primary opportunity set will be stressed but “survivor” banks – banks that are not likely to fail, but that will continue to be stressed until they receive capital and value-add asset management assistance to stabilize their balance sheets. The Manager and its affiliates’ extensive relationships within the banking industry and deep knowledge of new regulatory and accounting issues facing FIs provide a competitive advantage in terms of sourcing and executing investment opportunities. Helios AMC LLC, an affiliated CRE special servicer that is rated by S&P and Fitch, works in an integrated, complementary format with the Manager to provide a full range of due diligence and workout services. By providing the liquidity, asset management and restructuring expertise to stabilize the underlying real estate and its capital structure, as well as the balance sheet of the stressed FI, Recovery Partners seeks to maximize asset resolution value for the economic benefit of both the Fund and its Limited Partners.

We intend to apply a disciplined individualized asset-based approach which will prioritize the underlying value and fundamentals of the properties first and the structure of Investments second. Our two primary investment strategies include the following:

Bank Recovery Capital: We will pursue pools of CRE assets held on the balance sheets

of stressed but “survivor” FIs via newly formed joint ventures and asset purchases. In addition to contributing capital, which in some instances will positively affect the FI’s capital ratios, the we will provide the value-add asset management and restructuring services needed to achieve the optimal economic resolution of the underlying CRE asset.

Asset Recovery Capital: We will also seek to deploy capital to specific CRE assets or groups of CRE assets. These investments may be sourced through the “survivor” banks referenced above or more directly through owner/operators. As with investments in FIs, it is expected that these investments will be executed in a collaborative format in order to optimally stabilize and create value in these undercapitalized assets. The approach will typically involve a tri-party agreement among the owner, lender and the Fund. While we will have the capability and expertise to operate real property, our primary objective is to recapitalize distressed owners/operators and function as a hands-on partner, versus pursuit of a “loan to own” strategy. Additional information regarding the Fund’s investment strategy, including portfolio composition, is found in the PPM.

On average, the holding period for investments in the Fund is expected to range from three to five years, though some investments may be harvested within 12 months. The Fund intends to create a diversified portfolio of CRE investments to be comprised of the following types of assets:

Non-Performing and Distressed Loans - We expect that approximately 60-80% of the investments will consist of non-performing or distressed CRE loans diversified across property sectors. Particular sectors are more vulnerable to distress and tend to have greater rates of non-performance, such as condominium construction loans, condominium conversion loans, hotel loans, single-family tract loans and highly leveraged loans used to fund portfolio purchases. The vast majority of these assets are expected to be acquired in connection with the Bank Recovery Capital investments (referred to above). We will seek to structure investments in these loans to provide unlevered gross internal rates of return (“IRRs”) in a range of approximately 20-30% with a holding period of three to five years.

Sub-Performing and Mis-Priced Loans - We expect that approximately 15-30% of the investments will consist of sub-performing and mis-priced CRE loans. These investments often consist of acquiring underperforming loans at substantial discounts. We believe that we will find the greatest opportunities arising from loans in markets, and in specific asset types, that have fallen out of favor with mainstream investors resulting in mis-pricing of the assets relative to underlying value. We intend to gain access to these opportunities through our extensive network of FIs and CRE owner/operators. We believe that these loans should be acquired at discounts to face value, at prices which reflect the scarcity of capital available in today’s financial markets. We will seek to structure investments in these loans to provide unlevered gross IRRs in a range of approximately 15-20% with a holding period of three to five years.

Performing Loans - We expect that approximately 10-20% of the investments will consist of performing loans, including Asset Recovery Capital investments (referred to above), refinancing, acquisition financing, standard performing loans, and transitional capital to renovate, reposition or redevelop assets. The terms of such loans are expected to take the form of first mortgage loans, mezzanine finance, participating debt, bridge loans or other means of subordinate debt. The debt may be secured by a first mortgage lien or, with respect to subordinate debt, a pledge of the equity interests in the borrower, a second lien position or unsecured preferred equity. Standard performing loans may be included because of borrower and/or sponsor associations with contributed non-performing and distressed loans and other operations issues. In our view, this strategy capitalizes on our strength in identifying solid sponsors possessing the experience and wherewithal to execute the desired plan. We believe that we have the ability to devise tailored debt solutions through terms and structure to meet the specialized needs of a complicated transaction or a property in transition. We will seek to structure investments in these loans to provide gross IRRs in a range of approximately 15-20% for subordinate debt/equity participation investments, with a holding period of three to five years.

We expect to invest either directly or indirectly, or alongside third parties, including without limitation stressed FIs and CRE owners/operators in a collaborative and non-predatory manner.

The Managers and entities under their control may not invest in any investment other than through the Fund or an Investor Vehicle (as described immediately below) except that co-investment may be made by one or more separate accounts managed by the Managers or any of its affiliates when and to the extent that such a co-investment opportunity arises.

The Managers or any of their affiliates may establish domestic or foreign parallel, feeder and/or subsidiary partnerships, corporations, group trusts or other investment vehicles, including a subsidiary real estate investment trust – referred to collectively as “Investor Vehicles” to address the tax, regulatory or other concerns of certain prospective investors, including members of the Managers and their affiliates. In doing so, the Managers will determine that such arrangements (i) will not have a material adverse effect on the Fund, the Managers, or the Limited Partners in the aggregate and (ii) are reasonably expected to preserve in all material respects the overall relationship of the Managers and the Limited Partners and the investors in such parallel or feeder investment vehicles.

In order to insulate the Fund’s assets against liabilities arising from particular Investments, to facilitate any financing to be incurred in order to acquire Investments and to provide flexibility in disposing of Investments, the Fund may use domestic and foreign special

purpose vehicles to make investments. The Fund may guarantee certain of the financing incurred by such special purpose vehicles.

Investing in Fund investments involves risk of loss that the Fund and their investors should be prepared for.

Material Risks Related to Investment Strategies

The investments are subject to the risks inherent in the real estate market - We will be primarily investing in debt and equity investments related to commercial real estate and real estate-related assets. Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of the real estate-related investments. The performance and value of its loans and investments once originated or acquired depends upon many factors beyond the Manager's control. The ultimate performance and value of the investments is subject to the varying degrees of risk generally incident to the ownership and operation of the properties in which the Manager invests or which collateralize or support its investments. The ultimate performance and value of the investments depends upon, in large part, the property owner's ability to operate the property so that it produces sufficient cash flows necessary either to pay the interest and principal due on its loans and investments or pay the Fund as an equity investor. Revenues and cash flows may be adversely affected by:

- changes in national or local economic conditions;
- changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics;
- competition from other properties offering the same or similar services;
- changes in interest rates and in the state of the debt and equity capital markets;
- the ongoing need for capital improvements, particularly in older building structures;
- changes in real estate tax rates and other operating expenses;
- adverse changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses;
- adverse changes in zoning laws;
- the impact of present or future environmental legislation and compliance with environmental laws;
- the impact of lawsuits which could cause the Fund to incur significant legal expenses and divert management's time and attention from the day-to-day operations of the Fund; and
- other factors that are beyond its control and the control of the property owners.

In the event that any of the investments experiences any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted.

The investments may be negatively affected by continued downturns in the U.S. and global economies and real estate markets - As a result of the credit crisis and a variety of other factors,

the United States and global economies have experienced an economic recession. The effects of ongoing market challenges, combined with the ongoing correction in real estate market prices and reduced levels of real estate sales, could result in further price reductions in real estate values, potentially adversely affecting the value of the investments. In addition, the economic recession continues to have an adverse impact on tenants' and potential tenants' businesses and their operating incomes, which in turn has directly affected such tenants' abilities to make their rental payments and meet other obligations with respect to their leases, which continues to result in increased vacancies, decreased demand for rental space and declining rental values with respect to such space. Declining real estate prices and higher interest rates have caused higher delinquencies and losses on certain mortgage loans, which has exacerbated the current dislocation in the credit markets. These trends could continue. Continued declines in real estate values, sales volumes and financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans or other factors could have further adverse effects on buyers and sellers of real estate, which could adversely affect the investments. The investments may be exposed to weakness in the U.S. real estate markets and the overall state of the economy. Further declines in real estate prices coupled with the current economic recession and associated rises in unemployment levels could have a material adverse effect on the investments and on the performance of the Fund.

The success of the investment strategy will be dependent on the availability of attractive investments and the Manager's ability to identify, structure, consummate, leverage, manage and realize returns on attractive investments - The Manager's operating results are dependent upon the availability of, as well as the ability to identify, structure, consummate, leverage, manage and realize returns on, credit sensitive investment opportunities. In general, the availability of desirable credit sensitive investment opportunities and, consequently, the Fund's returns, will be affected by the level and volatility of interest rates, conditions in the financial markets, general economic conditions, the market and demand for credit sensitive investment opportunities, and the supply of capital for such investment opportunities. The Manager cannot make any assurances that it will be successful in identifying and consummating investments which satisfy its rate of return objectives or that such investments, once consummated, will perform as anticipated. The Manager may expend significant time and resources in identifying and pursuing targeted investments, some of which may not be consummated.

The real estate investment business is highly competitive. The Manager's success depends on its ability to compete with other providers of capital for real estate investments - Competition may cause the Manager to accept economic or structural features in its investments that it would not have otherwise accepted and it may cause the Manager to search for investments in markets outside of its traditional product expertise. The Manager will compete with traditional investors, as well as existing funds, or funds formed in the future, with similar investment objectives. It will face competition from other companies, funds, real estate investment trusts and other entities engaged in the acquisition of real estate and other real estate-related businesses with similar

investment objectives, which may make it more difficult for it to consummate its target investments. Many competitors have greater financial resources and lower costs of capital than the Manager, which provides them with greater operating flexibility and a competitive advantage.

The Manager's due diligence may not reveal all of the factors affecting an investment and may not reveal weaknesses in such investments - There can be no assurance that the General Partner's and Manager's due diligence processes will uncover all relevant facts that would be material to an investment decision. Before making an investment, the General Partner and Manager will assess the strength of the underlying properties and any other factors that they believe are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, the General Partner and Manager will rely on the resources available to them and, in some cases, investigations by third-parties.

The commercial mortgage and mezzanine loans the Manager may originate or acquire are subject to delinquency, foreclosure and loss which could result in losses to the Fund - Commercial mortgage and mezzanine loans will be secured by commercial property and related assets and will be 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 other assets, such as single-family residential property. The ability of a borrower to repay a loan secured by an income-producing commercial property typically will be dependent primarily upon the successful operation of the 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 expenses or limit rents that may be charged, any need to address environmental contamination at the property, changes in national, regional or local economic conditions and/or specific industry segments; declines in regional or local real estate values and 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. Commercial mortgage loans generally are not amortizing or do not fully amortize, which necessitates the sale of the property or refinancing of the "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby defaulting on its obligation. There may be limits to enforceability or to legal and financial recourse upon a default under the terms of the mortgage loan or applicable state law. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets. Exercise of foreclosure and other remedies may involve lengthy delays and unforeseen expenses in the face of declining property values. In certain

circumstances, the creditor may also incur environmental liability for conditions existing at or on the property.

The Fund will be exposed to the risks associated with investing in operating companies - The Manager may make investments in real estate-related companies which are existing businesses. Accordingly, the Fund will assume various risks associated with the operations of such companies including, but not limited to, employee-related issues and operational liabilities. As the Fund will typically acquire shares of the portfolio companies, the Fund may assume various liabilities, which may include tax, regulatory and environmental matters, and the Fund may be subject to certain of these liabilities following the Fund's disposition of its interests in the respective portfolio companies. Furthermore, the portfolio companies will face many of the same risks that the Fund will face and that are described in these investment considerations. Additionally, the Fund will rely upon the portfolio companies' management teams to operate the companies on a day-to-day basis. There can be no assurance that such management will continue to operate the companies. The real estate-related companies in which the Fund intends to invest may be smaller or early-stage companies, highly vulnerable to changes in markets and dependent on the skills and commitment of small management teams. The Fund may invest in debt or equity securities of companies which may be undergoing restructuring or require additional capital and active management. These securities are subject to various inherent risks, including the following: (a) equity and debt securities of these companies fluctuate in value, often based on factors unrelated to the issuer of the securities, and such fluctuations can be significant; (b) such securities generally may be subject to risks with respect to the issuing of equity; and (c) the market for these securities may be less liquid than that of other higher rated or more widely followed securities.

The Fund's investments may be illiquid - Real estate investments are relatively illiquid and some are highly illiquid. Such illiquidity may limit the ability of the Manager to vary the portfolio of investments in response to changes in economic and other conditions. Illiquidity may result from the absence of an established market for investments as well as the legal or contractual restrictions on their resale. In addition, illiquidity may result from the decline in value of a property securing an investment. There can be no assurances that the fair market value of any of the real property serving as security will not decrease in the future, leaving the investment under collateralized or not collateralized at all, which could impair the liquidity and value, as well as the Fund's return on such investments.

Certain of the Fund's investments may have uncertain valuations - In the case of certain investments, it is unlikely that readily available price quotations will ever exist. Accordingly, Limited Partners must rely on the judgment of the General Partner and the Manager for valuing and pricing such investments both for financial statement purposes and in connection with disposing of such investments. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the value of an asset depends to a great

extent on economic and other conditions that are beyond the control of the Manager. Further, valuations do not necessarily represent the price at which an investment would sell since market prices of investments can only be determined by negotiation between a willing buyer and seller. If the Manager was to liquidate a particular investment, the realized value may be more than or less than the appraised valuation of such asset.

The Fund will be subject to risks associated with foreign investments and foreign currencies -

The Manager may make investments in foreign countries. Any fluctuation in currency exchange rates will affect the value of the Fund's investments in foreign securities or other assets and any restrictions imposed to prevent capital flight may make it difficult or impossible to exchange or repatriate foreign currency. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. In addition, laws and regulations of foreign countries may impose restrictions that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S. Foreign countries also may impose taxes on the Fund and/or the Limited Partners. The Manager will analyze risks in the applicable foreign countries before causing the Fund to make such investments, but no assurance can be given that a change in political or economic climate, or particular legal or regulatory risks might not adversely affect the Fund. Each prospective investor should consult with its own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in the Fund. Investors subscribing for Interests in the Fund who are domiciled in any country in which United States dollars are not the local currency should note that changes in the value of exchange between United States dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. The Fund will incur costs in converting investment proceeds from one currency to another.

The Fund may not be diversified in its investments - Although diversification will be a factor in the Manager's investment decisions, originating and maintaining a diverse portfolio will not be the Manager's primary focus. There is no assurance as to the degree of diversification by asset, property type, or other metrics that will actually be achieved. The Manager may not be able to invest in a diverse portfolio. Furthermore, the Manager may make investments in contemplation of sales or refinancing transactions which do not occur as expected, resulting in the Fund having an unintended long-term investment and reduced diversification. Since the Manager may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors.

The Fund is subject to the risks of holding leveraged investments - Leverage creates an opportunity for increased return on equity, but at the same time creates risk for the Fund. For example, leveraging magnifies changes in the Fund's net worth. The Manager will leverage

assets only when there is an expectation that leverage will provide a benefit, such as enhancing returns, although the Manager cannot assure that the use of leverage will prove to be beneficial. Increases in credit spreads in the market generally may adversely affect the market value of the investments. Because borrowings may be secured by the investments, which may be subject to being marked to market by the Fund's credit providers, the borrowings available may decline if the market value of the investments decline. Moreover, the Manager cannot assure that it will be able to meet mark-to-market capital calls or debt service obligations in general and, to the extent such obligations are not met, there is a risk of loss of some or all of the investments through foreclosure or a financial loss if the Manager is required to liquidate assets, the impact of which could be magnified if such a liquidation is at a commercially inopportune time.

Item 9: Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Recovery Partners or the integrity of Recovery Partner's management. We have no legal or disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

Recovery Partners' Chief Compliance Officer ("CCO") is a registered representative of Ranieri Real Estate Advisors LLC, a broker-dealer that is a related entity of Recovery Partners. Neither Recovery Partners nor the Funds currently conduct broker-dealer business with Real Estate Advisors LLC.

Mr. Scott Shay, who is a principal and owner of Ranieri Partners is the Non-Executive Chairman of the Board of Signature Bank, a financial institution that is an operationally independent related entity of Recovery Partners. Signature Bank is the custodian of the Funds' cash balances. Recovery Partners does not believe that Mr. Shay's position with Signature Bank presents a conflict of interest for Recovery Partners or the Funds nor does it give rise to requirements with respect to internal control reporting. Recovery Partners has policies in place, however, to monitor this affiliation for potential conflicts. Mr. Shay is also a registered principal of Signature Securities, Signature Bank's affiliated broker-dealer. Neither Recovery Partners nor the Funds currently conduct broker-dealer business with Signature Securities.

As noted in *Item 4: Advisory Business*, Ranieri Partners is the parent company of Recovery Partners. Ranieri Partners has formed various initiatives to provide investors with a horizontally integrated platform offering innovative client solutions across real estate, fixed income, consumer finance, corporate finance and private equity. Ranieri Partners and its affiliated companies currently manage institutional capital focused on financial services, real estate and private equity.

Various potential and actual conflicts of interest may arise from the overall investment and business activity of Recovery Partners and its affiliates. Ranieri Partners and its affiliates may have multiple advisory, transaction, financial and other interests in securities that may be bought or sold by Recovery Partners on behalf the Fund. For example, Ranieri Partners or its affiliates may invest, for their own account or for accounts for which they have investment discretion, in loans or securities that would be appropriate investments for the Fund. In addition, Ranieri Partners and its affiliates may invest in securities or loans that are senior to, or have interests different from or conflict with the interests of the Fund. Ranieri Partners or its affiliates also may render investment banking services to the borrower or issuer of any loan or security that may be held by the Fund where the advice provided by Ranieri Partners or its affiliate, whether through a loan restructuring or loan work out, may conflict with the interest of the Fund. The Manager has policies and procedures to ensure that purchases or sales on behalf of the Fund are treated as confidential information and are not communicated to its affiliates.

The Fund has established and maintains an Advisory Committee comprised of representatives of certain of the Fund's Limited Partners, none of which are affiliated with the Managers. The Advisory Committee's primary role is to grant or withhold its approval with respect to certain conflicts of interest situations and with respect to the Fund's purchase of Investments that are outside of the Fund's stated investment guidelines. The Advisory Committee also provides advice and counsel in connection with the Investments and in situations where the General Partner determines there are potential material conflicts of interest affecting the Fund and its Limited Partners.

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

Code of Ethics

Recovery Partners has adopted a Code of Ethics (the "*Code*") in accordance with Section 206 of the Advisers Act and Rule 204A-1 under the Advisers Act setting forth rules of conduct for our employees. In summary, the Code prohibits insider trading, regulates personal securities trading activities in the accounts of employees, and prescribes standards for dealing with the Fund and its investors ethically. Potential or existing investors in the Fund may request a copy of the Code by contacting Recovery Partners' CCO, Suzie Frauenhofer at (212) 558-2079 or by electronic mail at: suzief@ranieripartners.com.

Recovery Partners does not purchase or sell securities for its own account. Our employees may acquire, hold or dispose of the same investments for their own accounts as are held or are to be purchased or sold for the Fund. However, other than with respect to permitted transactions, no employee may purchase or sell any security (or a closely related security, such

as an option) within seven (7) calendar days immediately before or after any calendar day on which that security (or a closely related security) is purchased or sold on behalf of the Fund. Additionally, other than with respect to permitted transactions, no employee may engage in any transaction involving; (i) any securities issued by any registered investment company managed by Recovery Partners or affiliated with Recovery Partners; (ii) any securities issued by any other client of Recovery Partners; or (iii) any mortgage-backed securities without preclearance.

Generally, such restrictions also apply to certain members of the employees' family. These restrictions are monitored and reported to the CCO via PTCC, a compliance system developed by Compliance Science.

"Permitted transactions" include the following: (a) transactions by the Fund in securities by the Fund as to which the employee has beneficial ownership; (b) transactions in certain securities issued or guaranteed by any national government that is a member of the Organization for Economic Cooperation and Development, or any agency or authority thereof; (c) transactions that occur by operation of law or under any other circumstances in which the employee does not exercise any discretion to buy or to sell or make recommendations to a person who exercises such discretion; (d) purchases of certain securities under an automatic dividend investment plan; and (e) purchases under the exercise of rights issue pro rata to all holders of the class of securities held by the employee and received by the employee from the issuer.

As noted in Item 10 above, the Fund's Advisory Committee, whose members are Limited Partners, provides advice and counsel as is requested by the Managers in connection with potential conflicts of interest.

Item 12: Brokerage Practices

As noted in Item 4, the Fund invests primarily in CRE-related assets through the acquisition of sub- and non-performing debt and strategic and opportunistic equity positions in direct CREs and/or FIs. Accordingly investments in publicly traded securities, which require the selection or recommendation of a broker-dealer, will generally be infrequent occurrences. However, to meet its fiduciary duties to the Fund, Recovery Partners has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

Selection of Broker-Dealers

The Manager has, subject to the direction of the General Partner, sole discretion over the purchase and sale of Investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for the Fund involving a broker-dealer, the Manager will seek "best execution" of the transaction. "Best execution"

means obtaining for the Fund the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputation and reliability of the executing broker-dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Manager takes into account all factors that it deems relevant to the broker-dealer's execution capability, including, for example, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker-dealer, and the quality of service rendered by the broker-dealer in other transactions.

The Manager does not receive "soft dollars" in connection with its use of broker-dealers.

Item 13: Review of Accounts

Oversight and Monitoring

The investment portfolio of the Fund is generally private, illiquid and long-term in nature, and accordingly, our review of the investments in the Fund is not directed toward a short-term decision to dispose of securities. However, we closely monitor the Fund's investments and generally maintain an ongoing oversight position with respect to each investment. Each investment is reviewed at least monthly by the Manager's investment committee members and executive officers.

Reporting

On an annual basis, and within 120 days of the Fund's fiscal year end, each Limited Partner is furnished with audited financial statements in conformity with generally accepted accounting principles, including a balance sheet, income statement and statement of Limited Partners' capital, and summary financial information with respect to and an annual review of, each Investment (including a valuation of each Investment). On a quarterly basis, each Limited Partner will be furnished with an unaudited balance sheet, income statement, valuation of each Investment (which will be updated from the annual valuation if there has been a material change in such Investment), capital account statement and a summary report regarding the Fund's Investments, including descriptions of new acquisitions and dispositions made during such fiscal quarter.

Item 14: Client Referrals and Other Compensation

The Manager may compensate third parties (placement agents) for assistance in raising capital for the Fund. Fees paid to the placement agents will reduce the management fee in accordance with the terms of the LPA.

Item 15: Custody

The Manager is considered to have custody of the Fund's financial assets. The Fund is audited annually and, as noted in Item 13, the audited financial statements, which are prepared in accordance with generally accepted accounting principles, are distributed to the Fund's Limited Partners within 120 days of the Fund's fiscal year end. Each Limited Partner should carefully review the Fund's audited financial statements.

Item 16: Investment Discretion

The Manager has the discretionary authority to manage accounts on behalf of the Fund. This discretionary authority is limited by the investment objectives, practices and limitations described in the Fund's PPM. The Manager receives its discretionary authority under an investment management agreement between the Manager and the Fund.

Item 17: Voting Client Securities

For the most part, Fund investments do not consist of voting securities. However, pursuant to its obligations under Rule 206(4)-6 of the Investment Advisers Act, Recovery Partners has adopted and implemented policies and procedures reasonably designed to ensure that proxies are voted in the best interest of the Fund. The guiding principle by which we vote all proxies is the maximization of the ultimate long term economic value of the Fund's holdings.

We do not permit proxy voting decisions to be influenced in any manner that is contrary to this guiding principle. In exercising voting discretion, we seek to avoid any direct or indirect conflict of interest between the Fund and the voting decision. Our Chief Compliance Officer has the responsibility to monitor votes for any conflicts of interest and to use her best judgment to address any such conflict of interest. The Fund and its respective investors are not provided with an opportunity to direct the voting of voting securities.

Copies of relevant proxy records, identifying how proxies were voted in connection with the Fund and copies of proxy voting policies are available to any investor or prospective investor upon written request.

Item 18: Financial Information

This item is not applicable.