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This brochure provides information about the qualifications and business practices of Ischus Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 506-3870. The information in this brochure has not been approved or verified by the Securities and Exchange Commission or any state securities authority. Registration with the Securities and Exchange Commission as an Investment Adviser does not imply a certain level of skill or training.

Additional information about Ischus Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Ischus Capital Management, LLC
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Item 4: Advisory Business.

- (A) Ischus Capital Management, LLC (“Ischus”), a Delaware limited liability company, is a wholly owned subsidiary of Resource Financial Fund Management, Inc. which is a wholly owned subsidiary of Resource America, Inc. (NASDAQ: REXI). Ischus was formed on April 26, 2004.
- (B) Ischus provides investment advisory services to collateralized debt obligations (“CDOs”) that invest primarily in mezzanine asset backed securities (“ABS”), residential mortgage backed securities (“RMBS”), commercial mortgage backed securities (“CMBS”), and structured finance securities (“CDO Securities”) (collectively, “Collateral Securities”). Ischus specializes in developing and managing CDOs with a focus on Collateral Securities
- (C) Investment advisory services provided by Ischus are conducted pursuant to the terms of a collateral management agreement and indenture for each CDO. These documents are negotiated prior to the commencement of the advisory relationship and set forth the specific services that will be provided by Ischus on behalf of the CDO client. Each of the CDOs for which Ischus provides investment advisory services may impose limitations on the types of securities in which Ischus may invest. In particular, each CDO for which Ischus provides investment advisory services is governed by an indenture which places significant restrictions on the types of securities that may be purchased on behalf of the CDO.
- (D) Ischus does not participate in wrap fee programs.
- (E) As of September 30, 2012 Ischus had approximately \$1,263,304,055 of assets under management. All assets are managed on a discretionary basis pursuant to the terms of the applicable indenture and collateral management agreement for each CDO client.

Item 5: Fees and Compensation.

- (A) Ischus is compensated for its CDO management services as percentage of assets under management. Ischus receives base management fees ranging between .10% and .20% of assets under management. Ischus may also receive a subordinated management fee of between .10% and .30% and may also charge an incentive fee of 20% of distributions per annum above a pre-determined hurdle rate, payable when the equity class of securities of the CDO has achieved a specified return on investment as set forth in the applicable indenture. All fees are negotiated with the CDOs prior to the commencement of the advisory relationship.
- (B) All fees attributable to CDOs managed by Ischus are paid either monthly or quarterly to Ischus by an independent trustee for the CDO in accordance with the terms of the applicable indenture. Management fees attributable to CDOs are calculated by the trustee and confirmed by Ischus.

(C) CDOs managed by Ischus may be responsible for fees payable to independent third parties including, but not limited to, organizational fees, legal fees, accounting and auditing fees, research fees, trustee fees, custodial fees, bank service fees, director's fees, brokerage and commission fees, accounting fees, rating agency fees, and registration and filing fees. For additional details on Ischus's brokerage practices please refer to Item 12 below.

(D) Ischus does not require its CDO clients to pay management fees in advance.

(E) Neither Ischus nor any of its supervised persons accepts compensation from CDO clients for the sale of securities or other investment products, including asset-based sales charges or other fees from the sale of mutual funds.

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

Ischus receives both asset based fees and performance based fees (fees based on a share of capital gains on or capital appreciation of assets). Further, Ischus's supervised persons may manage other accounts that are charged performance fees. Side by side management of client accounts may create a conflict of interest wherein Ischus is incentivized to allocate certain investment opportunities to client accounts with a higher a fee structure.

In order to mitigate conflicts of interest related to side by side management of client accounts with different fee structures, Ischus has established a trade allocation policy for all client accounts. Further, other accounts managed by Ischus's supervised persons invest in distinct asset classes, thereby eliminating any incentive for Ischus or its supervised persons to favor other managed accounts.

Item 7: Types of Clients.

Ischus provides investment advice to collateralized debt obligations. Ischus does not provide investment advisory services to retail investors.

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

(A) In analyzing investments, Ischus employs fundamental credit research of each of the Collateral Securities that are placed in the CDOs that it manages. In selecting Collateral Securities for its CDO clients, Ischus focuses its attention on credit from the earliest stages of the investment selection process. This process includes due diligence visits, discussions with market participants and independent analysis that forms the basis of Ischus's opinion on the state of the markets and asset classes. Ischus also performs individual credit stratifications in order to indentify and measure the risks associated with potential Collateral Securities. These stratifications are designed to measure underlying pool diversity and credit quality and identify any unusual concentrations in pool subsectors. Ischus analysts review a variety of sources for information on portfolio loans and securities including, but not limited to, financial newspapers and magazines; third party research materials; corporate rating services; company press releases; and corporate regulatory filings. Ischus may execute both long and short term purchases as well as trades of Collateral Securities in order to generate returns for its CDO clients. All such

transactions are done pursuant to the terms of the applicable indenture. Offering memoranda for each CDO for which Ischus provides investment advisory services contain specific disclosures on the risk of loss which CDO clients should be prepared to bear. CDO client investments are illiquid and are only suitable for investors prepared to hold such investment for an indefinite period of time. Further, there is no guarantee that any CDO managed by Ischus will be successful, that its investment objectives will be achieved, that investors will receive their initial investments or that they will receive any return (or avoid any loss, including total loss) on their investment.

(B) Ischus generally seeks, on behalf of its CDO clients, to generate total investment return through a combination of both current income and capital appreciation and employs a long bias. For risk factors associated with Ischus's strategy, please see Item 8A above and Item 8C below.

(C) CDO clients for whom Ischus provides investment advisory services invest primarily in Asset Backed Securities, Residential Mortgage Backed Securities, Commercial Mortgage Backed Securities, CDO Securities and Synthetic Securities. Ischus may, to a lesser extent, invest in credit derivatives on behalf of such CDO clients. Material risks associated with these types of investments are more fully explained in the offering documents of each investment program and may include the following:

Nature of Collateral Securities. Collateral Securities are subject to credit, liquidity, interest rate, market, operations, fraud and structural risks.

Reliable sources of statistical information do not exist with respect to the default rates for many of the types of Collateral Securities eligible to be purchased by Ischus on behalf of CDO clients. In addition, historical economic performance of a particular type of Collateral Security is not necessarily indicative of its future performance. Prospective investors in the CDO should consider and determine for themselves the likely level of defaults and the level of recoveries on the Collateral Securities and the resulting consequences on their investment.

The market value of the Collateral Securities generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the Collateral Securities or, with respect to Synthetic Securities, of the obligors on or issuers of the reference obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Future periods of uncertainty in the United States economy and the economies of other countries in which issuers of Collateral Securities are domiciled and the possibility of increased volatility and default rates in certain financial markets may also adversely affect the price and liquidity of the Collateral Securities.

Dispositions of Collateral Securities. Under the terms of the applicable indenture, Ischus may only direct the disposition of Collateral Securities under certain limited circumstances. Notwithstanding such restrictions and satisfaction of the conditions set forth in the applicable indenture, sales of Collateral Securities could result in losses to the CDO client. On the other

hand, circumstances may exist under which Ischus may believe that it is in the best interests of the CDO client to dispose of Collateral Securities, but will not be permitted to do so due to the restrictions and conditions of the applicable indenture.

Asset-Backed Securities. Most of the Collateral Securities purchased on behalf of CDO clients will consist of Asset-Backed Securities or Synthetic Securities the reference obligations of which are Asset-Backed Securities. Asset-Backed Securities are securities (including Residential ABS Securities) that entitle the holders thereof to receive payments that depend primarily on the cash flow from, or market value of, a specified pool of financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities.

Credit risk is an important issue in Asset-Backed Securities because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. The structure of an Asset-Backed Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all Asset-Backed Securities are similar, individual transactions can differ markedly in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in such Asset-Backed Securities, whether collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the asset-backed instrument) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such Asset-Backed Securities.

Investors in Asset-Backed Securities bear various risks, including credit risk, liquidity risk, interest rate risk, market risk, operations risk, structural risk and legal risk. Credit risk arises from (1) losses due to defaults by the obligors on the underlying collateral and (2) the issuer's or servicer's failure to perform. These two elements can blur together as, for example, in the case of a servicer who does not provide adequate credit-review scrutiny to the serviced portfolio, leading to higher incidence of defaults. Asset-Backed Securities are generally rated by nationally recognized rating agencies. Market risk arises from the cash-flow characteristics of the security. One variability in cash flows comes from credit performance, including the presence of wind-down or acceleration features designed to protect the investor in the event that credit losses in the portfolio rise well above expected levels. Interest-rate risk arises for the issuer from the relationship between the pricing terms on the underlying assets and the terms of the rate paid to security-holders and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. For the holder of the security, interest-rate risk depends on the expected life or re-pricing of the Asset-Backed Securities, with relatively

minor risk arising from embedded options. Liquidity risk can arise from increased perceived credit risk. Operations risk arises through the potential for misrepresentation of asset quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer. Legal risk can arise as a result of the procedures followed in connection with the origination of the underlying assets or the servicing thereof.

In addition, concentrations of Asset-Backed Securities of a particular type, as well as concentrations of Asset-Backed Securities issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region may subject the CDO client to additional risk. A substantial portion of the Collateral Securities may consist of Asset-Backed Securities that are subordinate in right of payment to, and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, many of the transactions have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal on more senior classes, the average life of such securities may lengthen. Subordinate Asset-Backed Securities generally do not have the right to call a default or vote on remedies following a default unless more senior securities have been paid in full. As a result, a shortfall in payments to subordinate investors in Asset-Backed Securities will generally not result in a default being declared on the transaction and the transaction will not be restructured or unwound.

Some or all of the loans underlying the Asset-Backed Securities (including residential ABS Securities) may be prepaid at any time. Defaults on and liquidations of the loans underlying the residential ABS Securities or the other Asset-Backed Securities may also lead to early repayment thereof. Prepayments on loans are affected by a number of factors. If prevailing rates for similar loans fall below the interest rates on such loans, prepayment rates would generally be expected to increase. Conversely, if prevailing rates for similar loans rise above the interest rates on such loans, prepayment rates would generally be expected to decrease.

Residential ABS Securities. Collateral Securities purchased on behalf of CDO clients will include Asset-Backed Securities which are Residential ABS Securities, including home equity loan securities, residential A mortgage securities and residential B/C mortgage securities. Residential ABS Securities are, generally, ownership or participation interests in pools of mortgage loans secured by one-to-four family residential properties. Residential ABS Securities are subject to various risks. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the servicer's failure to perform. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgage loans will be

affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited. At any one time, a portfolio of Residential ABS Securities may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called "jumbo" mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of Residential ABS Securities may experience increased losses.

The majority of the Residential ABS Securities will be backed by non-conforming mortgage loans, mortgage loans that do not qualify for purchase by government-sponsored agencies such as Fannie Mae and Freddie Mac due to credit characteristics that do not satisfy Fannie Mae and Freddie Mac guidelines, including loans to mortgagors whose creditworthiness and repayment ability do not satisfy Fannie Mae and Freddie Mac underwriting guidelines and loans to mortgagors who may have a record of credit write-offs, outstanding judgments, prior bankruptcies and other derogatory credit items. Accordingly, non-conforming mortgage loans are likely to experience rates of delinquency, foreclosure and loss that are higher, and that may be substantially higher, than mortgage loans originated in accordance with Fannie Mae or Freddie Mac underwriting guidelines. The majority of mortgage loans made in the United States qualify for purchase by government-sponsored agencies. The principal differences between conforming mortgage loans and non-conforming mortgage loans include the applicable loan-to-value ratios, the credit and income histories of the related mortgagors, the documentation required for approval of the related mortgage loans, the types of properties securing the mortgage loans, the loan sizes and the mortgagors' occupancy status with respect to the mortgaged properties. As a result of these and other factors, the interest rates charged on non-conforming mortgage loans are often higher than those charged for conforming mortgage loans. The combination of different underwriting criteria and higher rates of interest may also lead to higher delinquency, foreclosure and losses on non-conforming mortgage loans as compared to conforming mortgage loans.

Each underlying residential mortgage loan in an issue of Residential ABS Securities may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than fully-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or

sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of Residential ABS Securities may experience losses.

Residential ABS Securities are susceptible to prepayment risks as they generally do not contain prepayment penalties and a reduction in interest rates will increase the prepayments on the Residential ABS Securities resulting in a reduction in yield to maturity for holders of such securities. Prepayments on the underlying residential mortgage loans in an issue of Residential ABS Securities will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of Residential ABS Securities.

The rate of interest payable on most of the Residential ABS Securities held by the CDO client will be set or effectively capped at the weighted average net coupon of the underlying mortgage loans themselves, often referred to as an "available funds cap." As a result of this cap, the return to the CDO client on such Residential ABS Securities is dependent on the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. In general, early prepayments will have a greater negative impact on the yield to the CDO client on such Residential ABS Securities.

Furthermore, most of the Residential ABS Securities are in the form of certificates of beneficial ownership of the underlying mortgage loan pool. These securities are entitled to payments provided for in the underlying agreement only when and if funds are generated by the underlying mortgage loan pool. The likelihood of the return of interest and principal may be assessed as a credit matter. However, security-holders do not have the legal status of secured creditors, and cannot accelerate a claim for payment on their securities, or force a sale of the mortgage loan pool in the event that insufficient funds exist to pay such amounts on any date designated for such payment. The sole remedy available to such security-holders would be removal of the servicer of the mortgage loans.

A portion of the Residential ABS Securities owned by the CDO client is expected to be subordinated to one or more other senior classes of securities of the same series for purposes of,

among other things, offsetting losses and other shortfalls with respect to the related underlying mortgage loans. In addition, in the case of certain Residential ABS Securities, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the corresponding senior classes of securities have been reduced to zero. As a result, the subordinate classes are more sensitive to risk of loss and write-downs than senior classes of such securities.

Legal risks can arise as a result of the procedures followed in connection with the origination of the mortgage loans or the servicing thereof which may be subject to various federal and state laws, public policies and principles of equity regulating interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and debt collection practices and may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it or subject the servicer to damages and sanctions. In addition, structural and legal risks of Residential ABS Securities include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer (often the same entity or affiliates), the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result also in cash flow delays and losses on the related issue of Residential ABS Securities.

Violations of consumer protection laws may result in losses on Residential ABS Securities. Applicable state laws generally regulate interest rates and other charges, require licensing of originators and require specific disclosures. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the loans backing Residential ABS Securities. Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these laws, policies and principles may limit the ability of the issuer of a Residential ABS Security to collect all or part of the principal of or interest on the underlying loans, may entitle a borrower to a refund of amounts previously paid and, in addition, could subject the owner of a mortgage loan to damages and administrative enforcement.

The mortgage loans backing a Residential ABS Security are also subject to federal laws, including:

- (1) the federal Truth in Lending Act and Regulation Z promulgated under the Truth in Lending Act, which require particular disclosures to the borrowers regarding the terms of the loans;

(2) the Equal Credit Opportunity Act and Regulation B promulgated under the Equal Credit Opportunity Act, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;

(3) the Americans with Disabilities Act, which, among other things, prohibits discrimination on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of any place of public accommodation;

(4) the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience;

(5) the Home Ownership and Equity Protection Act of 1994, which regulates the origination of high cost loans;

(6) the Depository Institutions Deregulation and Monetary Control Act of 1980, which preempts certain state usury laws; and

(7) the Alternative Mortgage Transaction Parity Act of 1982, which preempts certain state lending laws which regulate alternative mortgage transactions.

Failure to comply with state and federal consumer protection laws and related statutes could subject the lenders under the mortgage loans backing a Residential ABS Security to specific statutory liabilities, and may limit the ability of an issuer of a Residential ABS Security to collect all or part of the principal of or interest on the related underlying mortgage loans or subject such issuer to damages and administrative enforcement. In this event, the CDO client, as a holder of such Residential ABS Security, may suffer a loss.

In some cases, liability of a lender under a mortgage loan may affect subsequent assignees of such obligations, including the issuer of a Residential ABS Security. In particular, a lender's failure to comply with the Truth in Lending Act could subject such lender and its assignees to monetary penalties and could result in rescission. Numerous class action lawsuits have been filed in multiple states alleging violations of these statutes and seeking damages, rescission and other remedies. These suits have named the originators and current and former holders, including the issuers of related Residential ABS Securities. If an issuer of Residential ABS Securities included in the Collateral were to be named as a defendant in a class action lawsuit, the costs of defending or settling such lawsuit or a judgment could reduce the amount available for distribution on the related Residential ABS Security. In such event, the CDO client, as holder of such Residential ABS Security, could suffer a loss.

In addition to the laws described above, a number of legislative proposals have been introduced at both the federal, state and municipal level that are designed to discourage predatory

lending practices. Some states have enacted, or may enact, laws or regulations that prohibit inclusion of some provisions in mortgage loans that have mortgage rates or origination costs in excess of prescribed levels, and require that borrowers be given certain disclosures prior to the consummation of such mortgage loans. In some cases, state law may impose requirements and restrictions greater than those in the Home Ownership and Equity Protection Act. An originator's failure to comply with these laws could subject the issuer of a Residential ABS Security to monetary penalties and could result in the borrowers rescinding the loans underlying such Residential ABS Security.

Some of the mortgage loans backing a Residential ABS Security may have been underwritten with, and finance the cost of, credit insurance. From time to time, originators of mortgage loans that finance the cost of credit insurance have been named in legal actions brought by federal and state regulatory authorities alleging that certain practices employed relating to the sale of credit insurance constitute violations of law. If such an action were brought against such issuer with respect to mortgage loans backing such Residential ABS Security and were successful, it is possible that the borrower could be entitled to refunds of amounts previously paid or that such issuer could be subject to damages and administrative enforcement.

In addition, numerous federal and state statutory provisions, including the federal bankruptcy laws, the Relief Act and state debtor relief laws, may also adversely affect the ability of an issuer of a Residential ABS Security to collect the principal of or interest on the loans, and holders of the affected Residential ABS Securities may suffer a loss if the applicable laws result in these loans becoming uncollectible.

Most or all of the loans underlying the Residential ABS Securities or other Asset-Backed Securities may be prepaid at any time. Defaults on and liquidations of the loans underlying the Residential ABS Securities or the other Asset-Backed Securities may also lead to early repayment thereof. Prepayments on loans are affected by a number of factors. If prevailing rates for similar loans fall below the interest rates on such loans, prepayment rates would generally be expected to increase. Conversely, if prevailing rates for similar loans rise above the interest rates on such loans, prepayment rates would generally be expected to decrease.

Many of the Residential ABS Securities that the CDO client will purchase are subject to available funds caps or other caps on the interest rate payable to holders of such securities. The effect of such caps is to reduce the rate at which interest is paid to the holders of such securities (including the CDO client).

CDO Securities. A portion of the Collateral Securities will consist of CDO Securities or Synthetic Securities the reference obligations of which are CDO Securities. CDO Securities generally are limited recourse obligations of the issuer thereof (a "CDO Issuer") payable solely from the underlying assets of the issuer ("CDO Collateral") or proceeds thereof. Consequently, holders of CDO Securities must rely solely on distributions on the underlying CDO Collateral or

proceeds thereof for payment in respect thereof. If distributions on the underlying CDO Collateral are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency shall be extinguished. As a result, the amount and timing of interest and principal payments will depend on the performance and characteristics of the related CDO Collateral.

CDO Securities generally have underlying risks similar to many of the risks set forth in these "Risk Factors," such as interest rate mismatches, trading and reinvestment risk and tax considerations. Each CDO Security, however, will involve risks specific to the particular CDO Security and its CDO Collateral. The value of the CDO Securities generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the CDO Collateral, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

The CDO Collateral may consist of loans to borrowers generally rated below investment grade, Asset-Backed Securities and other debt instruments. High yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower rating of high yield securities and below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer, general economic conditions or both may impair the ability of the issuer to make payments of principal or interest. Such investments may be speculative. An increase in the default rates of high yield corporate loans could increase the likelihood that payments may not be made to holders of CDO Securities which are secured by high yield corporate loans.

A portion of the obligations in the CDO Collateral of the CDO Securities may consist of commercial or industrial loans or obligations, corporate debt securities or trust preferred securities (or any combination of the foregoing). As a result, these CDO Securities will be exposed to the credit risks relating to the obligors of these loans or securities.

CDO Issuers may acquire interests in loans and other debt obligations by way of assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution.

In purchasing participations, an issuer of CDO Securities will usually only have a contractual relationship with the selling institution, and not the borrower. The issuer generally will have no right to directly enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off

the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States of America and the states thereof, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the issuer may be subject to the credit risk of the selling institution as well as of the borrower.

CDO Securities are subject to interest rate risk. The CDO Collateral of a CDO Issuer client may bear interest at a fixed (floating) rate while the CDO Securities issued by such issuer may bear interest at a floating (fixed) rate. As a result, there could be a floating/fixed rate or basis mismatch between such CDO Securities and CDO Collateral which bears interest at a fixed rate and there may be a timing mismatch between the CDO Securities and assets that bear interest at a floating rate as the interest rate on such assets bearing interest at a floating rate may adjust more frequently or less frequently, on different dates and based on different indices than the interest rates on the CDO Securities. As a result of such mismatches, an increase or decrease in the level of the floating rate indices could adversely impact the ability to make payments on the CDO Securities.

CDO Securities purchased by a CDO client may be subordinated to other classes of securities issued by each respective issuer thereof. To the extent that any losses are incurred by the issuer thereof in respect of its CDO Collateral, such losses will be borne by holders of the mezzanine tranches before any losses are borne by the holders of senior tranches. In addition, if an event of default occurs under the applicable indenture, as long as any senior tranche of CDO Securities is outstanding, the holders of the senior tranche thereof generally will be entitled to determine the remedies to be exercised under the indenture, which could be adverse to the interests of the CDO client as a holder of the more subordinated tranches (including the CDO client).

The risks associated with investing in CDO Securities may in addition depend on the skill and experience of the collateral manager managing the CDO Collateral, in particular, if the underlying instruments provide for active trading in securities comprising the CDO Collateral. This risk is greater if the CDO Collateral itself consists of collateralized debt obligations that rely on the skill and experience of a collateral manager.

CDO Securities represent leveraged investments in the collateral underlying such CDO Securities. Therefore, it is expected that changes in the value of the CDO Securities will be greater than the change in the value of the collateral underlying such CDO Securities, which themselves are subject to credit, liquidity, interest rate and other risks. Utilization of leverage is a speculative investment technique and involves certain risks to investors. This leverage increases the risk of loss to the CDO client.

CMBS Securities. A portion of the Collateral Securities may consist of CMBS Securities including Synthetic Securities the reference obligations of which are CMBS Securities.

The collateral underlying CMBS Securities generally consists of mortgage loans secured by income producing property, such as multi-family housing or commercial property. In general, incremental risks of delinquency, foreclosure and loss with respect to an underlying commercial mortgage loan pool may be greater than those associated with residential mortgage loan pools. In part, this is caused by lack of diversity. In addition, commercial mortgage loans are generally non-recourse loans and in the event of default there will generally only be recourse against the specific properties and other assets that have been pledged to secure such mortgage loans. Also, even if a commercial mortgage loan provides for recourse to a mortgagor or its affiliates, the CDO client is unlikely to ultimately recover any amounts not covered by the mortgaged property. Residential ABS Securities are typically backed by mortgage loan pools consisting of hundreds of mortgage loans and related mortgaged properties. Each residential mortgage loan represents a small percentage of the entire underlying collateral pool, the borrowers and mortgaged properties of which are geographically dispersed. Risk of delinquency, foreclosure and loss with respect to a residential mortgage loan pool can be analyzed statistically.

By contrast, CMBS Securities may be backed by an underlying mortgage pool of only a few mortgage loans. As a result, each commercial mortgage loan in the underlying mortgage pool represents a large percentage of the principal amount of CMBS Securities backed by such underlying mortgage pool. A failure in performance of any one commercial mortgage loan in the underlying mortgage pool will have a much greater impact on the performance of the related CMBS Securities. Credit risk relating to commercial mortgage-backed transactions is, as a result, property-specific. In this respect, commercial mortgage-backed transactions resemble traditional nonrecourse secured loans. The collateral must be analyzed and transaction structured to address issues specific to an individual commercial property and its business.

Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan.

Successful management and operation of the related business (including property management decisions such as pricing, maintenance and capital improvements) will have a significant impact on performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, taxes and other operational expenses, general economic conditions, governmental rules, regulations and fiscal policies, environmental issues and insurance coverage are among the factors that may impact both performance and market value.

Property specific issues with respect to the underlying mortgaged property, such as significant government regulation of a particular industry, reliance on franchise, management or operating agreements, transferability on purchase or foreclosure of related valuable assets such as liquor and other licenses and ease of conversion of a commercial property to an alternative use will impact both risk of loss and loss severity with respect to the underlying mortgage loan pool and the CMBS Securities.

Synthetic Securities. Collateral Securities purchased on behalf of CDO clients may consist of Synthetic Securities, the reference obligations of which are Residential ABS Securities or CMBS Securities. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such Collateral Securities. With respect to Synthetic Securities, the CDO client will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not with the reference obligor on the reference obligation. The CDO client generally will have no security interest or right to directly enforce compliance by the reference obligor with the terms of the reference obligation and no voting or other rights of ownership with respect to the reference obligation. The CDO client will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the insolvency of the counterparty of such Synthetic Security, the CDO client will be treated as a general or secured creditor of such counterparty, and will not have any claim with respect to the reference obligation. Consequently, the CDO client will be subject to the credit risk of the counterparty as well as that of the reference obligor. Concentrations of Synthetic Securities entered into with any one counterparty will subject the CDO client to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.

Illiquidity of Collateral Securities. Some of the Collateral Securities purchased on behalf of the CDO client will have no, or only a limited, trading market. The CDO client's investment in illiquid Collateral Securities may restrict its ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities, although the CDO client is generally prohibited by the terms of the applicable indenture from selling Collateral Securities except under certain limited circumstances. Illiquid Collateral Securities may trade at a discount from comparable, more liquid investments. In addition, a CDO client may invest in privately placed Collateral Securities that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed Collateral Securities are transferable, the prices realized from their sale could be less than those originally paid by a CDO client or less than what may be considered the fair value of such securities.

Credit Ratings. Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of

fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of the Collateral Securities will be used by Ischus only as a preliminary indicator of investment quality.

International Investing. The Collateral Securities may consist of obligations of a foreign obligor. Moreover, subject to compliance with certain of the eligibility criteria as set forth in the applicable indenture, collateral securing Collateral Securities may consist of obligations of issuers or borrowers organized under the laws of various jurisdictions other than the United States. Investing outside the United States may involve greater risks than investing in the United States. These risks may include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws therein; and (iv) less data on historic default and recovery rates for the Collateral Securities. Moreover, many foreign companies are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

In addition, there generally is less governmental supervision and regulation of exchanges, brokers and issuers in foreign countries than there is in the United States. For example, there may be no comparable provisions under certain foreign laws with respect to insider trading and similar investor protection securities laws that apply with respect to securities transactions consummated in the United States.

Foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of a CDO client are un-invested and no return is earned thereon. The inability of a CDO client to make intended Collateral Security purchases due to settlement problems or the risk of intermediary counterparty failures could cause the CDO client to miss investment opportunities. The inability to dispose of a Collateral Security due to settlement problems could result either in losses to the CDO client due to subsequent declines in the value of such Collateral Security or, if the CDO client has entered into a contract to sell the security, could result in possible liability to the purchaser. Transaction costs of buying and selling foreign securities, including brokerage, tax and custody costs, also are generally higher than those involved in domestic transactions. Furthermore, foreign financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many foreign companies are less liquid and their prices more volatile than securities of comparable domestic companies.

In many foreign countries there is the possibility of expropriation, nationalization or confiscatory taxation, limitations on the convertibility of currency or the removal of securities,

property or other assets of the issuer, political, economic or social instability or adverse diplomatic developments, each of which could have an adverse effect on the CDO client's investments in such foreign countries. The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource self-sufficiency and balance of payments position.

Item 9: Disciplinary Information.

In 2004, while employed with Cohen Bros. & Company, an unaffiliated broker-dealer, Jeffrey Blomstrom, the President of Ischus was found by the NASD (the precursor to FINRA) to be in violation of NASD Rule 2110. Cohen Bros. & Company was found to be in violation of SEC Rule 15c2-4 by accepting portions of the sales prices for securities being distributed and failing to promptly deposit the funds in a separate bank account as agent or trustee for the purchasers. As Cohen Bros. & Company's Senior Vice President for Investment Banking, Mr. Blomstrom was responsible for ensuring its compliance with SEC Rule 15c2-4.

Item 10: Other Financial Industry Activities and Affiliations.

(A) Darshan Patel, the Chief Compliance Officer of Ischus is a registered representative of Resource Securities, Inc., a FINRA registered broker-dealer affiliate of Ischus.

(B) Neither Ischus nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

(C) Ischus is a wholly owned subsidiary of Resource America, Inc., a specialized asset management company that focuses, through its wholly owned subsidiaries and joint ventures, on the commercial finance, real estate and financial fund management sectors. Each of these subsidiaries focuses on unique asset classes and investment strategies.

1. Resource Securities, Inc. ("RSI"), a wholly owned subsidiary of Resource America, Inc., is a FINRA licensed broker-dealer engaged in (i) the underwriting of direct participation programs and real estate investment trusts on an "all or none," "part or none," and/or "best efforts" basis; (ii) the wholesaling with other broker/dealers of direct participation programs and REITs; and (iii) the sale in private placements of certain tranches of CDO and CLO debt securities including CRE CDO securities, ABS CDO securities as well as CMBS and CMBS CDO securities, trust preferred securities of REITs, insurance companies and other financial service companies, and subordinated debt to institutional investors.

From time to time, Ischus may utilize the services of RSI to purchase or sell securities for its CDO clients. In order to avoid any conflict of interest in utilizing the services of an affiliated broker-dealer, in no event will RSI charge any brokerage fee or mark-up/mark-down to an Ischus CDO client.

2. Affiliates of Ischus may manage pooled investment vehicles including, but not limited to, collateralized debt obligations, collateralized loan obligations, private equity funds and hedge funds. However, each affiliate of Ischus generally focuses on distinct asset classes and therefore does not trade in the same securities or Collateral Securities that are purchased and sold on behalf of Ischus CDO clients. Notwithstanding the foregoing, Resource Real Estate, Inc. (“RRE”), an affiliate of Ischus, manages CDOs focused on various real estate debt investments including CMBS. However, Ischus and RRE are managed by separate groups of investment professionals and have distinct compensation arrangement. Therefore, these relationships do not cause any material conflict of interest.
3. Resource Financial Fund Management, Inc. (“RFFM”), the parent of Ischus, is a registered investment advisor that is primarily engaged in the business of providing portfolio management services to issuers of CDOs that primarily hold investments in trust preferred securities issued by banks, thrifts, financial institutions, real estate investment trusts, real estate operating companies and homebuilders. CDOs managed by RFFM do not invest in the same asset classes as CDOs managed by Ischus. This relationship does not cause any material conflict of interest.

CVC Credit Partners, LLC, a joint venture between Resource America, Inc. and CVC Capital Partners SICAV-FIS, S.A., is a registered investment advisor that is primarily engaged in the business of providing portfolio management services to issuers of CDOs that primarily hold investments in senior secured leveraged loans, second lien loans, and corporate and high yield bonds. CDOs managed by CVC do not invest in the same asset classes as CDOs managed by RFFM. This relationship does not cause any material conflict of interest.

RRE, an affiliate of Ischus, is a registered investment advisor that is primarily engaged in the business of providing portfolio management services to issuers of CDOs that primarily hold investments in commercial mortgage loans and other debt instruments backed by commercial real estate. With the exception of the ability to invest in CMBS indicated in response to Item 10C(2) above, CDOs managed by RRE generally do not invest in the same asset classes as CDOs managed by Ischus. This relationship does not cause any material conflict of interest.

4. Ischus does not have any relationship or arrangement with any related persons that are futures commission merchants, commodity pool operators or commodity trading advisors.
5. Ischus does not have any relationship or arrangement with any related entity that is a banking or thrift institution.

6. Related persons of Ischus are employed in the ordinary course of business by Resource America, Inc. and its subsidiaries as accountants. The relationship between Ischus and such related persons does not cause any material conflict of interest.
7. Related persons of Ischus are employed in the ordinary course of business by Resource America, Inc. and its subsidiaries as lawyers. The relationship between Ischus and such related persons does not cause any material conflict of interest.
8. Ischus does not have any relationship or arrangement with any related entity that is an insurance company or agency.
9. Ischus does not have any relationship or arrangement with any related person that is a pension consultant.
10. Ischus does not have any relationship or arrangement with any related person that is a real estate broker or dealer.
11. Related persons of Ischus may serve as sponsors or syndicators of limited partnerships. CDO clients of Ischus are not solicited to invest in these limited partnerships and such limited partnerships do not transact with Ischus. The relationship between Ischus and such related persons does not cause any material conflict of interest.

(D) Ischus does not recommend or select other investment advisors for its CDO clients.

Item 11: Code of Ethics.

(A) In recognition of Ischus's fiduciary duty to its clients and its desire to maintain its high ethical standards, Ischus has adopted a Code of Ethics containing provisions designed to prevent improper personal trading, identify conflicts of interest and provide a means to resolve any actual or potential conflicts in favor of the Ischus CDO client. Adherence to the Code of Ethics is considered a basic condition of employment by Ischus.

It is the responsibility of each employee of Ischus to ensure that a particular securities transaction being considered for his or her own personal account is not subject to a restriction contained in the Code of Ethics or otherwise prohibited by any applicable laws.

Ischus employees are prohibited from executing any personal securities transactions of any kind in any securities on Ischus's restricted list. This list will contain the names of companies for which Ischus has material non-public information. However, Ischus does not anticipate receiving material non-public information on issuers of publicly traded securities in the ordinary course of business. Ischus employees are required to provide the Compliance Officer with copies of all brokerage statements and trade confirmations for all accounts in which securities are

held. All such statements will be reviewed on a regular basis and compared against the restricted list by the Compliance Officer.

Ischus employees may not acquire beneficial ownership in any securities in any private placement of securities or investment opportunity of limited availability unless the Compliance Officer has given express prior written approval.

Ischus employees may not serve as a director (or similar position) of the board or as a member of a credit committee of any company unless the employee has received written approval from the Compliance Officer. Authorization will be based on a determination that the board service would not be inconsistent with the interest of any client account.

Ischus employees are prohibited from using their position with Ischus to obtain an item of value from any person or company that does business with Ischus. Employees are prohibited from accepting any gift greater than \$300 in value from any person or company that does business with Ischus or any investment vehicle managed by Ischus. Unsolicited business entertainment is permitted if: a) it is not so frequent or of such high value as to raise a question of impropriety and b) the person providing the entertainment is present at the event.

Ischus's management, with the advice of legal counsel, at its discretion, will consider reports made to it and upon determining that a violation of the Code of Ethics has occurred, may impose such sanctions or remedial action as it deems appropriate or to the extent required by law.

A copy of Ischus's Code of Ethics is available to any investor or potential investor on request.

(B) Neither Ischus nor any related person recommends to clients, or buys or sells for client accounts, securities in which Ischus or a related person has a material financial interest. Ischus and its affiliates do not currently recommend to clients, or buy and sell for client accounts, securities in which Ischus or its affiliates have a material financial interest.

(C) Ischus or its related persons may provide discretionary investment advisory services to various other affiliates. In addition, Ischus or its related persons may provide investment advice to themselves. In managing proprietary accounts, Ischus or its related persons may purchase or sell securities for such accounts, that they also recommend to their clients. It is Ischus's policy that no client for whom it has investment decision responsibility shall receive preferential treatment over any other client or proprietary account. Ischus and its related persons have adopted internal allocation procedures governing such transactions that require, among other things, that: (i) all trades for the related proprietary accounts be reviewed by portfolio management and compliance personnel, and (ii) Ischus maintain records as to the activity and position in the related proprietary accounts and any transaction allocations involving related proprietary accounts and client accounts. Potential conflicts of interest may exist in instances in which Ischus or its related persons determine that a specific transaction in a security is appropriate for a specific account, including proprietary accounts and accounts for which Ischus charges a performance based fee, based upon numerous factors including, among other things, investment objectives, investment strategies or restrictions, while other accounts including proprietary accounts and accounts for which Ischus charges a performance based fee may hold or

take the opposite position in the security in accordance with those accounts' investment objectives, strategies and restrictions. Ischus has adopted a Trade Allocation Policy that governs allocation of investment opportunities among client accounts to ensure that all client accounts are treated fairly. This policy generally results in client accounts receiving pro rata allocations of any investment opportunity sought by a portfolio manager on behalf of a client account. Potential conflicts of interest may also exist in instances in which personnel of Ischus and its related persons seek to purchase or sell securities that Ischus recommends to client accounts ahead of any purchases or sales made by Ischus on behalf of client accounts ("front running"). The conflict of interest posed by front running is mitigated by the fact that the majority of investments made by Ischus on behalf of its CDO clients are in securities that are not available for purchase by individuals. Further, Ischus's Insider Trading Policy and Code of Ethics require pre-clearance by the Chief Compliance Officer of all securities transactions. This policy makes securities transactions by the personnel of Ischus and its related persons transparent and prevents front running by such personnel.

(D) Please see the response to Item 11(C) above.

Item 12: Brokerage Practices.

(A) Ischus retains discretionary authority in its investment advisory contracts with CDO clients to select broker-dealers in connection with all portfolio transactions; however, with respect to CDO clients, discretionary authority to purchase or Collateral Securities for the CDO may be limited by the terms of the applicable indentures and other governing agreements which may impose quality, liquidity, concentration, diversification and other requirements. Pursuant to standard industry practice, it is Ischus's general policy to purchase Collateral Securities directly from the entities that underwrite such Collateral Securities or other dealers in such securities. It is also Ischus' policy in placing orders to seek to obtain reasonably available best net results, including best price and execution, for portfolio transactions taking into account all relevant factors including quality of execution, ability of the broker to commit capital to provide liquidity, financial responsibility and market-making capabilities and Ischus's overall responsibilities to each CDO client. Ischus has discretion in selecting broker-dealers to effect portfolio transactions on behalf of its CDO clients. In selecting broker-dealers, Ischus considers a number of factors including quality of execution, ability of the broker-dealer to commit capital to provide liquidity, financial responsibility and market-making capabilities.

1. Ischus does not receive products or services other than order execution from broker-dealers or third parties in connection with client securities transactions.
2. Ischus and its related persons do not receive client referrals from broker-dealers or third parties that provide order execution on behalf of client accounts.
3. Ischus does not routinely recommend, request, require or permit CDO clients to direct Ischus to execute transactions through specified broker-dealers.

(B) From time to time, it may be appropriate for Ischus to aggregate CDO client orders for the purchase or sale of securities. Ischus will generally follow the guidelines set forth below

in aggregating CDO client orders for securities, including any orders placed for private investment vehicles: (1) no CDO client will be favored over any other CDO client; (2) each CDO client that participates in an aggregated order will participate at the average share price for all of Ischus's transactions in that security on a given business day and transaction costs will be shared pro rata based on each CDO client's participation in the transaction; (3) if the aggregated order is filled in its entirety, it will be allocated among CDO clients in accordance with the Ischus's general policy; and (4) if the aggregated order is partially filled, it will be allocated among CDO clients pro rata. Notwithstanding the foregoing, an aggregated order may be allocated on a basis different from that specified above, if the reason for the different allocation is explained in writing and approved by the Compliance Officer no later than the close of trading on the day on which the order was executed. Reasons for allocation on a basis different from that specified in the allocation statement may include, but are not necessarily limited to: a CDO client's investment guidelines and restrictions; available cash; liquidity requirements; legal and regulatory reasons; or to avoid odd lots.

Item 13: Review of Accounts.

(A) CDO client accounts are reviewed, at a minimum, on a monthly basis. The review entails many aspects, though it primarily focuses on a review of CDO Collateral Securities and financial performance. These reviews are conducted by the President of Ischus and are performed in conjunction with Ischus's operations team.

(B) N/A

(C) CDO clients receive monthly trustee reports that detail the current condition of the CDO's collateral positions, cash flows, overcollateralization ratios, and rating agency detail, amongst other information from the applicable trustee for the CDO. Ischus does not provide regular reports to its CDO clients.

Item 14: Client Referrals and Other Compensation.

(A) Ischus does not receive any economic benefit from any party that is not a client in connection with the provision of investment advice or other advisory services to Ischus clients.

(B) Neither Ischus nor any related person directly or indirectly compensates any person who is not a supervised person for client referrals.

Item 15: Custody. Ischus does not maintain custody of client funds or securities.

Item 16: Investment Discretion.

The applicable indentures for each of the CDOs managed by Ischus place restrictions on Ischus's ability to buy and sell securities on behalf of the CDO. Pursuant to the terms of these indentures, Ischus has limited discretionary authority over such CDOs. CDO indentures generally restrict Ischus from selling collateral debt securities unless such securities have experienced specified

credit deterioration, ratings downgrades, or events of default. Ischus may also be permitted by the terms of each CDO indenture to trade a portion of the CDO account on a discretionary basis.

Item 17: Voting Client Securities.

Voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. In the event that any vote is solicited with respect to any CDO client security Ischus shall vote or refrain from voting any such security in the best interest of the CDO client and in accordance with its internal policies and procedures. Ischus managed CDOs are primarily comprised of Collateral Securities. Generally, the holders of these securities are not entitled to vote on corporate matters. If Ischus receives a corporate action notification or other solicitation to vote with respect to a CDO investment, Ischus will, absent material conflicts of interest, determine how to vote on behalf of the CDO client and send a that recommendation to the Chief Compliance Officer for approval. Generally, Ischus will vote in favor of routine corporate housekeeping proposals, including election of officers and directors (where no corporate governance issues are implicated), selection of auditors, and increases or reclassification of common stock. Ischus will generally vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting. For other proposals, Ischus shall determine whether a proposal is in the best interests of its clients and may take into account the following factors among others: (i) whether the proposal was recommended by management and Ischus's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance. Ischus does not permit CDO clients to exercise any right to vote in connection with Collateral Securities held in by such client. All votes shall be made in a manner consistent with the terms of the applicable CDO indenture.

Conflicts of interest may exist between Ischus and its CDO clients with respect to voting their securities in instances in which the issuer of the Collateral Securities for which votes are solicited is a client or affiliate of Ischus or has some other relationship with Ischus. In the event that there is a material conflict of interest with regard to a corporate action notification or proxy, Ischus may retain the services of an independent third party.

Clients may obtain information from Ischus on how proxies are voted by contacting the Chief Compliance Officer of Ischus. Ischus clients may obtain a copy of Ischus's proxy voting policies and procedures upon request.

Item 18: Financial Information.

(A) Ischus does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance.

(B) There are no financial conditions that are reasonably likely to impair Ischus's ability to meet its contractual commitments to its clients.

(C) Ischus has not been the subject of a bankruptcy petition at any time during the past ten years.