

Form ADV Part 2A – Firm Brochure

**Ranieri Residential Investment Advisors LLC
March, 2013**

Address: 50 Charles Lindbergh Blvd., Suite 500
Uniondale, New York 11553
Telephone: 516-745-7600
Website: www.ranieripartners.com

This brochure provides information about the qualifications and business practices of Ranieri Residential Investment Advisors LLC (“Residential Advisors”), 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 our Chief Compliance Officer, Venkat Vithala Rao us at 212-558-2000 or venkatr@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 Ranieri Residential Investment Advisors LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

None

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Item 4: Advisory Business

Ranieri Residential Investment Advisors LLC (“*Residential Advisors*” 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, Residential Advisors provides investment advisory services solely to private investment funds. The private investment funds are structured as partnerships organized in the United States (“*US Partnerships*”) or offshore (“*Offshore Partnerships*”) (all partnerships are collectively referred to as the “*Funds*”). Each Offshore Partnership invests in its respective US Partnership in a master-feeder structure through its wholly owned corporation referred to as a “*Blocker Corporation*.”

Each Fund has a general partner (the “*General Partner*”). Residential Advisors was organized to assume the investment advisory responsibilities for the Funds, which were previously discharged by the General Partners. The General Partners continue to provide day to day managerial and administrative services to its respective Funds.

Residential Advisors tailors its advisory services to the needs of the Funds in accordance with the investment objectives, strategies and limitations (if any) described in the respective Fund’s Confidential Private Placement Memorandum (“*PPM*”) and Limited Partnership Agreement (“*LPA*”).

Residential Advisors focuses its advisory business on distressed opportunities in the residential mortgage marketplace. The Manager’s primary objective is to acquire nonperforming residential mortgage whole loans; modify the loans through hands-on resolution with the borrowers; and sell the re-performing loans at a profit to institutions or refinance through government sponsored programs. The Manager’s investment strategy includes investing in Troubled Mortgage Loans, REO Assets and other Fund Investments. An affiliate of the Manager is the mortgage servicer (“*Special Servicer*”) for the Funds’ mortgage loan portfolio. Please see Item 11 below for additional information regarding the Special Servicer.

Entities under common control with Residential Advisors and each General Partner may provide additional services to the Funds and to other private investment funds and certain institutional clients advised by such affiliates. Please see Item 10 below for further details.

As of December 31, 2012, Residential Advisors assets under management was \$919,000,000.

Item 5: Fees and Compensation

The General Partners of the US Partnerships receive from the US Partnerships annual management fees (“*Management Fee*”) equal to a percentage (“*Management Fee Percentage*”) of (i) aggregate capital commitments of each of the respective Fund’s investors (each a “*Limited Partner*”) during the Investment Period (as such term is defined in the PPM) and (ii) following the Investment Period, the sum of each Limited Partner’s Management Fee Percentage of the aggregate value of the US Partnership’s investments allocated to that Limited Partner pro rata on the basis of its capital commitments, subject to limitations set forth in the PPM. Limited Partners with capital commitments of \$100 million or more may be entitled to a reduction in the Management Fee. The General Partners have the discretion not to charge a Management Fee to owners and affiliates of the General Partners who are Limited Partners. Management Fees payable to the General Partners currently range from 1.33 percent per annum to 1.75 percent per annum.

The General Partners of the US Partnerships share a portion of their Management Fees with Residential Advisors, as compensation for its investment advisory services (the “*Investment Adviser Fee*”). The Investment Adviser Fee is determined and calculated by the General Partner in accordance with the terms of the Formation Documents of the Partnership. The Investment Adviser Fee equals a percentage, greater than 0 percent and less than 100 percent (the “*Advisory Fee Percentage*”), of the Management Fee as such Management Fee is computed in accordance with the provisions of the LP Agreement. On a periodic basis, the General Partner and Residential Advisors, upon mutual agreement, determine the Advisory Fee Percentage with respect to the Investment Adviser Fee payable in respect of the period following such determination. Such determination is based upon the fair market value of the scope of services anticipated by the General Partner and Residential Advisors to be rendered by Residential Advisors during the following period. The General Partner deducts fees from the Funds’ assets on a periodic basis. Applicable periods currently range from one month to one quarter. The fees are deducted in advance of such periods. No portion of the Investment Adviser Fee is refundable. To the extent that an Investment Adviser Fee is payable for less than a full payment period, the amount is appropriately prorated.

Additionally, please see Item 6 below regarding performance-based compensation (“*Carried Interest*”) that the Funds may pay.

The Funds are responsible for their organizational and operating expenses. “*Organizational Expenses*” means all expenses related to organizing each Fund and the Blocker Corporation, including, but not limited to, initial offering expenses, legal and accounting fees, marketing expenses, consulting fees, printing and mailing expenses, government filing fees

(including blue sky filing fees and all offshore filing fees and costs) and structuring fees incurred in connection with the organization and formation of the entities and the offering and closings of the purchase of Limited Partner interests. “*Operating Expenses*” means all expenses and obligations of operating each entity, including, but not limited to: Management Fees; third-party fees and expenses (including technical consultancy fees and commissions on residential mortgage loan transactions); reasonable legal fees (more particularly described in the PPM); reasonable marketing expenses; reasonable accounting fees; any taxes imposed on the Funds; all reasonable costs and expenses related to the sourcing, evaluation, development, negotiation, acquisition, implementation, ownership, disposition, hedging or financing of any potential or actual project or investment, including related travel expenses; administrator and administrative fees and expenses, (including, without limitation, the fees and expenses payable to the Special Servicer); reasonable meeting costs; reimbursement of expenses incurred by the Limited Partners Advisory Board (defined in Item 8 below); reasonable insurance (more particularly described in the PPM); the costs and expenses of any litigation (including fees and disbursements of counsel) involving any entity and the amount of any judgments or settlements paid in connection therewith; and any other expenses incurred in the operations of the Funds that do not exceed a specified annual amount.

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

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

Each of the US Partnerships allocates a percentage of its profits, Carried Interest, to a Limited Partner that is an affiliate of Residential Advisors (each a “*Special Limited Partner*”). Such Carried Interest, as described in more detail in the PPM, is allocated to the Special Limited Partner after the Limited Partners in the Funds receive 100% of their contributed capital plus a cumulative preferred return of 8% per annum, compounded annually. Thereafter, the Special Limited Partners receive cumulative distributions equal to 20% of the total amounts distributed pursuant to the cumulative preferred return distributed to the Limited Partners, thereafter, the Special Limited Partners receive 20% of all further distributions.

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

The minimum capital commitment that the Funds will accept from a prospective investor is \$25 million; however the General Partner of a Fund, in its sole discretion, may reduce this requirement for any prospective investor.

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

Methods of Analysis and Investment Strategies

Residential Advisors actively acquires, manages and disposes of investments in residential mortgage and real estate related investment opportunities arising from the unparalleled conditions affecting the residential real estate industry (collectively, “*Fund Investments*”). We focus on residential mortgage loans (“*Mortgage Loans*”), primarily through the purchase of discounted whole loans and secondary pools of Mortgage Loans, and discounted residential real estate (“*REO*”) and related assets (“*REO Assets*”), primarily through bulk REO Asset purchases. Generally, Mortgage Loan investments are sub-performing, non-performing or re-performing (“*Troubled Mortgage Loans*”). The Manager seeks to hold, modify and service Troubled Mortgage Loans, and then sell them as a portfolio of performing Mortgage Loans.

We may use any transaction structure determined by the Manager's Investment Committee to selectively acquire Troubled Mortgage Loans, Acquisition Development and Construction Loans (“*ADC Loans*”), Mortgage Servicing Rights (“*MSRs*”) or other Fund Investments, including: purchasing mortgage-backed securities in instances where the Manager can obtain control of the related mortgage servicing on the securities; or as a means to acquire the underlying portfolio of Troubled Mortgage Loans; or acquiring MSRs for the purpose of acquiring Mortgage Loans. Additionally, we may agree to a performance-based fee or joint venture or other contractual relationship in connection with acquiring an interest in or servicing, advising, managing or rehabilitating Fund Investment assets of such third party or, in connection with acquiring Fund Investments from a bank, thrift or other regulated mortgage lender, acquire an equity based investment in such financial institution or an entity formed by Residential Advisors and such financial institution.

While we may engage in appropriate hedging transactions, we will not conduct any speculative trading of any asset, including mortgage backed or structured mortgage securities, public or private stocks, derivatives, or long-term real estate investments.

Residential Advisors expects to continue to evaluate and pursue a variety of other Fund Investment opportunities arising from the unparalleled real estate industry conditions. The Manager will seek to achieve an attractive return on investment by acquiring: (i) Troubled Mortgage Loans at discounts and increasing their investment value through special servicing and loan modifications, as well as receiving current interest income from performing Mortgage Loans held in the portfolio; (ii) REO Assets, primarily in bulk at an attractive discount to the aggregate value of the individual properties, then holding and possibly renting these investments until they are sold through an orderly market process to residential home buyers or on a portfolio basis; and (iii) other Fund Investments from time to time selected by the Manager's Investment Committee, including selectively acquiring mortgage-backed securities in instances where the Manager can obtain control of the related mortgage servicing on the securities or as a means to acquire the underlying portfolio of Troubled Mortgage Loans, MSRs or ADC Loans.

The Manager believes that banks, thrifts, non-bank mortgage lenders, Government Sponsored Entities ("GSEs") (such as the Federal Housing Administration ("FHA") and the Federal Deposit Insurance Corporation ("FDIC")), mortgage servicers, private mortgage insurers, residential real estate developers and other participants in the residential mortgage and real estate market will continue to be motivated to sell Troubled Mortgage Loans, REO Assets and other Fund Investments or participations in these investments, allowing the Manager to selectively purchase Fund Investments at attractive prices. The Manager expects to purchase Fund Investments at discounted prices to achieve its investment return objectives.

Investing in Fund Investments involves risk of loss that the Funds and their investors should be prepared to bear.

Material Risks Related to Investment Strategies

Competitive Market for Investment Opportunities – Residential Advisors may compete in the acquisition of its investments with many other individuals and entities engaged in acquiring Troubled Mortgage Loans, REO Assets and other Fund Investments. Accordingly, there may be intense competition in obtaining investments that the Manager would like to purchase for the Funds. Competition may also result in increased costs of suitable investments. Such competition may include investments by pooled investment vehicles with investment objectives substantially similar to those of the Funds. The Manager believes that, currently, Troubled Mortgage Loans, REO Assets and other Fund Investments may be acquired at favorable discounts due to, among other factors, motivated sellers seeking liquidity or

responding to anticipated further decreases in asset value. The lack of competition and a developed market for such assets as well as various factors causing market dislocation has increased the difference between the bid and ask prices for such assets. As competition increases and market participants stabilize their portfolios, a more reliable and stable market for such assets will likely develop. As a result, the currently available discounts in purchase prices will decrease, thereby increasing the Funds' cost of acquiring and holding Troubled Mortgage Loans, REO Assets and other Fund Investments. Similarly, favorable market conditions may permit sellers to hold these assets for a longer period of time, thereby decreasing the supply such assets available for sale.

Illiquid Investments - . Many of the Fund Investments will be highly illiquid with no established market, and there can be no assurance that the Funds will be able to realize on such investments in a timely manner. The disposition strategy for Troubled Mortgage Loans, REO Assets and other Fund Investments is subject to the Manager's ability to pool Mortgage Loans, securitize such loans, or otherwise sell the Fund Investments, in whole or in part. Numerous risks affecting the residential home market generally, including risks that there will be continued and prolonged unemployment, rising interest rates and further tightening of available credit for home buyers, will also affect the Manager's disposition strategies. While an investment may be sold at any time, this will occur typically a number of years after the investment is made. The Manager will generally not be able to sell any of its securities investments (including interests in securitization vehicles or equity based investments in banks, thrifts or other regulated financial institutions), if any, in the public securities markets unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases the Manager may be prohibited by contract from selling certain securities for a period of time.

Ability to Manage Investments Effectively - Residential Advisors's ability to implement its investment strategy will depend on its ability to identify, analyze, invest in, and modify Fund Investments. Accomplishing this result on a cost effective basis is largely a function of the Manager's structuring of the investment process and the ability to provide competent, attentive and efficient services to (1) modify Troubled Mortgage Loans on acceptable terms, (2) hold, rent and sell REO Assets in an orderly market process and (3) acquire other Fund Investments that enable the Funds to achieve their investment objectives. Fund Investments in banks, thrifts or other regulated financial institutions will be minority equity interests and Residential Advisors will not have any right to control the management or business of such companies. The Funds will therefore be subject to the risks of holding a passive minority equity interest that may be illiquid. There can be no assurance that any investment in a bank, thrift or other regulated entity may be sold in an orderly manner at an acceptable price. The Manager's failure to manage investments and provide such services effectively could have a material adverse effect on the Funds' performance.

Leverage - Residential Advisors may use leverage on behalf of the Funds in connection with their investments, subject to the limitations set forth in the respective PPMs. The amount of leverage deployed by the Manager will be subject to numerous factors, including, without limitation, market conditions and investment opportunities, as well as types of investments held and total market value of such investments. The Funds have the authority to leverage their investments with recourse or nonrecourse debt financing and to use other nonequity financial structures to increase leverage. The use of leverage may allow the Funds to close transactions quickly and on favorable terms. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss.

Hedging Transactions - The Manager may use financial instruments such as derivatives to seek to hedge against fluctuations in the relative values of the portfolio of Mortgage Loans as a result of changes in interest rates and other investment factors. Such hedging transactions may not always achieve the intended effect and can also limit potential gains. While the Manager may enter into such transactions to seek to reduce interest rate risks, unanticipated changes in interest rates and the financial markets may result in a poorer overall Fund performance. For a variety of reasons, the Manager may not obtain a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the Funds to additional losses.

Material Risks related to Fund Investments

Residential Mortgage and Real Estate Related Investment Risks - The Manager's investment strategy includes investing in Troubled Mortgage Loans, REO Assets and other Fund Investments. This strategy subjects the Funds to risks including, among others: (a) continued declines in the value of residential real estate; (b) risks related to general and local economic conditions; (c) possible lack of availability of mortgage funds for borrowers to refinance or sell their homes; (d) overbuilding; (e) the general deterioration of the borrower's ability to keep a modified or rehabilitated Troubled Mortgage Loan current; (f) increases in competition, property taxes and operating expenses; (g) changes in zoning and other applicable laws; (h) costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; (i) casualty or condemnation losses; (j) uninsured damages from floods, earthquakes or other natural disasters; (k) limitations on and variations in rents; (l) fluctuations in interest rates; (m) foreclosure moratoriums; and (n) the creation of new, or the extension of existing, homebuyer incentive programs. To the extent that assets underlying the Fund Investments are concentrated geographically, by property type or in certain other respects, the Funds may be subject to certain of the foregoing risks to a greater extent. In addition, to the extent that the Manager makes Fund Investments where the underlying residential property or issuer is outside the U.S., the Funds will be subjected to risks related to such non-U.S. investments, including the

costs associated with compliance with non-U.S. laws, administration and management of the non-U.S. based investments, currency fluctuations, and governmental policies that could be contrary to U.S. policies. In addition, the Funds may become subject to a regulatory regime that is broader than applicable U.S. laws and regulations and may not have a favorable and convenient forum to assert its rights with respect to any non-U.S. Fund Investment. In certain circumstances, the Manager may be required to foreclose on certain Fund Investments, in each case resulting in a Fund's ownership of residential real estate properties. This ownership of property subjects the affected Fund to greater concentration of the risks of the residential real estate markets and risks related to the ownership and management of real property. Additionally, the affected Fund will be required to comply with zoning and other laws applicable to the ownership of property and such Fund may be subject to liability arising from the ownership of the REO Asset, such as personal injury lawsuits, casualties and property taxes. Although the Manager intends to purchase and foreclose on real property through an ownership structure that is intended to mitigate the risks associated with owning real property, the Manager cannot provide any assurance that these risks will in fact be mitigated by the ownership structure or insurance.

Troubled Mortgage Loans Risks - The borrowers under Troubled Mortgage Loans may have a variety of rights to contest the enforceability of the Mortgage Loan and prevent or significantly delay and increase the cost of any foreclosure action, including, without limitation, allegations regarding fraud in the inducement by the original lender or broker, failure of the lender to produce the original documentation, improper recordation of the mortgage, various theories of lender liability, and relief through the U.S. Bankruptcy Code and similar state laws providing debtor relief. The Troubled Mortgage Loans and loan portfolios acquired by the Manager will have been originated by third parties. While the Manager will conduct due diligence through attorneys and other professionals, there is a risk that the underlying Mortgage Loan documentation and calculations of outstanding principal, interest, late fees and other amounts are deficient and/or inaccurate and that the Manager will not detect such deficiencies and inaccuracies prior to acquisition. Accordingly, the Mortgage Loan portfolio may be compromised, reducing the value of the Fund Investments. The Mortgage Loan market is subject to increasing incurrence of fraud, including personal identity theft. The actual home owner is not responsible for such fraudulent Mortgage Loans. Such fraudulent Mortgage Loans may not be identified as such due to internal control weaknesses and failure of the loan originator or intermediary to be advised of such claims. Such Mortgage Loans could be acquired by the Manager despite the exercise of prudent due diligence. The Manager believes that the default rate for residential mortgage loans will continue to increase due in large part to initial inability to carry the Mortgage Loan on a current basis, increased Mortgage Loan carrying costs resulting from ARM resets, increases in interest rates, increases in taxes and insurance, the inability of borrowers to refinance Mortgage Loans and general factors that reduce the ability of the borrower to pay its Mortgage Loan obligations, including loss of employment, increased cost

of living and unexpected significant bills such as health care related expenses. Lenders who exercise their foreclosure rights may further decrease the value of the residential real estate, because foreclosure sales are often at lower prices than sales in the ordinary course. Such conditions could cause a spiraling cycle that decreases the value of the residential real estate, making it difficult for borrowers to refinance and adding to recessionary pressures in the affected markets. The Manager could face increased default rates on its Troubled Mortgage Loans, including loans that were modified with the expectation that they would be reperforming loans.

Lack of Diversification - The Fund Investments will be concentrated in the residential real property markets and adverse changes in one or more components of these markets could materially and adversely affect the Funds. Furthermore, the Funds may hold loans or assets concentrated in certain geographic regions and such loans or assets may not perform the same as the overall residential mortgage or real estate market, as applicable. Additionally the Manager will likely invest in a concentration of loans in one credit sector, such as Sub-Prime, Alternative-A or Prime Mortgage Loans, that may result in performance volatility that would be greater than an investment in a more diversified portfolio of Mortgage Loans.

Legislation and Government Sponsored Plans - In connection with the Emergency Economic Stabilization Act of 2008, many financial institutions received funds through the Troubled Asset Relief Program (“TARP”). As a result of this influx of capital and liquidity changes in certain accounting standards and other factors, banks and other regulated financial institutions may have the ability to hold Troubled Mortgage Loans and other troubled assets for an extended period of time. As a result of these and other changes to the regulatory framework of financial institutions, certain financial institutions may be less motivated to sell Troubled Mortgage Loans and other assets.

In addition, the U.S. government, Federal Reserve and other governmental and regulatory bodies have taken and are considering taking actions to address the current U.S. and global financial crisis. These actions include the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “*Financial Reform Act*”). Under the Financial Reform Act, a consumer protection bureau is being established to monitor mortgage brokers, mortgage lenders and other banking institutions to provide regulations that will require consumers have clear information about financial products. In addition, federal financial regulators now have the authority to examine and enforce regulations for all mortgage-related businesses (lenders, servicers and mortgage brokers). In addition, an Office of Housing Counseling is expected to be established to boost homeownership and expand the consumer protections available under federal regulations on high cost loans and foreclosures. These federal regulations may include requirements that residential mortgages are provided to borrowers that satisfy certain financial or credit criteria. The Manager cannot provide any assurances as to the benefits or adverse effects that the

enactment of the Financial Reform Act or other programs will have on the Funds' operations or investment strategy.

Various state and local governments have initiated or adopted programs and legislation intended to assist residential homeowners and to mitigate foreclosures. These programs include moratoriums on the right of a residential mortgage holder to foreclose on the loan for specified periods and may include other limitations or requirements that could adversely affect the Funds. In addition, some courts have made foreclosure actions more difficult to prosecute.

Uncertain Asset Valuation - In the case of many of the Fund Investments, it is unlikely that readily available price quotations will ever exist. Accordingly, Fund investors will need to rely on the judgment of the Manager for valuing and pricing the Fund 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 Manager's control. 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 were to liquidate a particular investment, the realized value may be more than or less than the appraised valuation of such asset.

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 Residential Advisors or the integrity of Residential Advisor's management.

In 2008, a Ranieri Partners affiliate had retained a third party in connection with some of its marketing efforts for the Selene Funds. The third party was not a representative of a registered broker-dealer and so the types of marketing activities that he was allowed to engage in were limited. The SEC alleged that the third party's activities went beyond what was allowed for someone who was not a registered representative of a broker-dealer and that Ranieri Partners did not oversee him sufficiently to ensure that he did not exceed his scope. The SEC did not allege that anyone was harmed in any way by the finder's activities on behalf of Ranieri Partners or the funds. Likewise, it did not allege any wrongdoing by Ranieri Partners beyond the failure to adequately oversee the finder.

Item 10: Other Financial Industry Activities and Affiliations

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

Mr. Scott Shay, who is a principal and owner of Ranieri Partners and a member of Residential Advisors' Investment Committee, is the Non-Executive Chairman of the Board of Signature Bank, a financial institution that is an operationally independent related entity of Residential Advisors. Signature Bank is the custodian of the Funds' cash balances. Residential Advisors does not believe that Mr. Shay's position with Signature Bank presents a conflict of interest for Residential Advisors or the Funds nor does it give rise to requirements with respect to internal control reporting. Residential Advisors 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 Residential Advisors nor the Funds currently conduct broker-dealer business with Signature Securities.

As noted in Item 4, Ranieri Partners is the parent company of Residential Advisors. 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 Residential Advisors 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 Residential Advisors on behalf of the Funds. 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 Funds. 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 Funds. 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 Funds 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 Funds. The Manager has policies and procedures to ensure that purchases or sales on behalf of the Funds are treated as confidential information and are not communicated to its affiliates.

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

Code of Ethics

Residential Advisors has adopted a Code of Ethics (the “*Code*”) in accordance with Section 206 of the Investment Advisers Act of 1940 (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 Funds and its investors ethically. Potential or existing investors in the Funds may request a copy of the Code by contacting Residential Advisors’ CCO, Venkat Rao at (212) 558-2079 or by electronic mail at: venkatr@ranieripartners.com.

Personal Trading and Participation or Interest in Client Transactions

Residential Advisors 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 Funds. Nonetheless, 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 a 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 Residential Advisors or affiliated with Residential Advisors; (ii) any securities issued by any other client of Residential Advisors; or (iii) any mortgage-backed securities without preclearance.

Generally, such restrictions also apply to certain members of each employee’s 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 Funds in securities 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 issued pro rata to all holders of the class of securities held by the employee and received by the employee from the issuer.

Item 12: Brokerage Practices

As noted in Item 4 above, the Funds invest primarily in troubled mortgage loans and REO assets. Accordingly investments in publicly traded securities, which require the selection or recommendation of a broker-dealer, will generally be infrequent occurrences. Nonetheless, to meet its fiduciary duties to the Funds, Residential Advisors 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 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 Funds involving a broker-dealer, the Manager will seek “best execution” of the transaction. “Best execution” means obtaining for the relevant 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.

From time to time, the Manager may aggregate the purchase or sale of Fund Investments for more than one Fund. In such cases, each Fund is treated fairly and equitably. The Manager allocates securities it has purchased to eligible Funds on a pro rata basis based on current demand. The allocation system is overseen by the CCO to ensure fair and equitable security allocation to all Funds.

Item 13: Review of Accounts

Oversight and Monitoring

The investment portfolio of each Fund is generally private, illiquid and long-term in nature, and accordingly, our review of the Investments in the Funds is not directed toward a short-term decision to dispose of securities. However, we closely monitor each 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

Limited Partners receive quarterly unaudited performance reports within 60 days after each fiscal quarter’s end (or as soon as reasonably practicable thereafter), annual financial

statements audited by the Fund's independent auditor within 120 days of each fiscal year end, and certain tax information for preparation of a Limited Partner's tax returns.

Item 14: Client Referrals and Other Compensation

RRIA may enter into compensation arrangements with solicitors to introduce new investors ("solicitor agreements"). RRIA, rather than such investors, would bear the costs and expenses associated with any such solicitors. Any such solicitation arrangements will comply with Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, if and to the extent applicable. Clients under these agreements will not be charged fees higher than the standard fees described in Item 5. RRIA currently has no solicitor agreements in place.

Item 15: Custody

This item is not applicable.

Item 16: Investment Discretion

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

Item 17: Voting Client Securities

For the most part, Fund Investments do not consist of voting securities. Nonetheless, pursuant to its obligations under Rule 206(4)-6 of the Investment Advisers Act, Residential Advisors has adopted and implemented policies and procedures reasonably designed to ensure that proxies are voted in the best interest of the Funds. The guiding principle by which we vote all proxies is the maximization of the ultimate long term economic value of the Funds' 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 particular 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 and ensure that it is resolved in accordance with her independent assessment of the best interests of the relevant Fund, which may include engaging an independent third party to determine how the proxies should be voted. The Funds

and their 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 Funds 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.