

**Item 1 Cover Page**



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**March 26, 2014**

This brochure provides information about the qualifications and business practices of Castle Peak Capital Advisors, LLC (“Castle Peak” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 612.376.1585. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

From time to time, Castle Peak may refer to itself as a “registered investment adviser” or describe itself as being “registered.” Registration does not imply a certain level of skill or training.

Additional information about Castle Peak also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

This section is intended to discuss only specific material changes made to the Brochure and to provide a summary of changes made since the initial filing or most recent annual update.

Castle Peak's Chairman of the Board, Ken Duncan, vacated his position on the Board effective as of November 27, 2013.

Except as set forth above, there have been no other material changes from the disclosure contained in our Brochure dated March 22, 2013.

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#### **Item 4    Advisory Business**

Castle Peak is a Delaware limited liability company formed on February 1, 2008. Castle Peak is an asset management company specializing in purchasing and managing U.S. based residential mortgage assets. The Company is headquartered in Minneapolis, Minnesota. Castle Peak's current managing members are John Lynch and John Trapnell. Castle Peak employees own 60% of the Company, while a group of private investors own the remaining 40% of the Company. No single investor holds more than 25% of the membership interests in the Company.

Castle Peak provides non-discretionary investment advisory services to managed trusts (the "Managed Trusts") and discretionary advisory services to securitization trusts (the "Securitization Trusts") as well as to a housing fund trust (the "Housing Fund" and together with the Securitization Trusts and the Managed Trusts, the "Non-CDO Trusts"). In addition, Castle Peak also provides discretionary investment advisory services as the collateral manager of four trusts consisting of collateralized debt obligations ("CDOs") (the "CDO Trusts," and together with the Non-CDO Trusts, the "Clients").

With respect to its investment advisory services to the Non-CDO Trusts, Castle Peak focuses on distressed residential assets including residential whole loan mortgages (performing, sub-performing and non-performing), pools of such loans, real estate owned ("REO"), and to a lesser extent, mortgage-backed securities. The Castle Peak team focuses on acquiring, managing and resolving distressed mortgage assets. Castle Peak's investment strategy is to acquire performing, sub-performing and non-performing residential mortgages and REO properties at a discount and to resolve and/or resell the same at attractive risk-adjusted returns through active asset management.

The CDO Trusts are primarily collateralized by residential mortgage-backed securities ("RMBS") or credit default swaps ("CDS") on RMBS. Castle Peak has limited investment discretion with respect to the CDO Trusts as there is no reinvestment activity. From time to time, Castle Peak initiates trades but such trades must follow guidelines as outlined in the CDO Trusts' governing documents and the related CDS agreements. Castle Peak primarily monitors collateral activity, initiates or approves cash and trade activity, and directs the CDO Trusts' reporting and payment distributions on a monthly basis per the Collateral Manager Agreement, Indenture, and other governing documents.

The Company will assess the needs of future clients to tailor advisory services, including imposing investment restrictions, as may be agreed upon. Castle Peak does not participate in wrap fee programs.

As of December 31, 2013, Castle Peak's total regulatory assets under management were approximately \$511,412,000, of which approximately \$283,717,000 represents assets of the Housing Fund, CDO Trusts and Securitization Trusts managed on a discretionary basis. The remaining \$227,695,000 represented assets of the Managed Trusts that were managed on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Compensation received by Castle Peak for its investment management services is comprised of fees as set forth in the applicable Client's Private Placement Memorandum (if applicable) and other governing documents, as such may be amended from time to time. With respect to investment management services provided to the Non-CDO Trusts, compensation is typically comprised of fees based on a percentage of assets under management and performance-based fees. Fees based on assets under management are generally in the range between .60% and 1.50% on an annualized basis. Performance-based fees are generally in the range between 15% and 20% above a stated hurdle rate. On the other hand, the CDO Trusts are paid an annual management fee of .20% -.25% of assets as set forth in the applicable governing documents.

Generally, management fees are paid out of the monthly servicer collections, as part of the monthly distribution of net proceeds. Any due but unpaid management fees are to be paid from future available funds upon distribution. No management fees are paid in advance of the month in which they are earned. Fees are negotiable with respect to assets in the Non-CDO Trusts to the extent mutually agreed upon between the Company and the Client.

In addition to the fees set forth above, Clients may also bear certain expenses in connection with the Company's advisory services that are not paid directly by such Clients, as allowed under the terms of the applicable agreement(s), or approved for payment by a Client. These expenses typically include, but are not limited to, third party operating and transaction-related expenses such as due diligence costs, professional fees, and services related to the administration and resolution of specific assets in the Non-CDO Trusts or the CDO Trusts. Clients will also incur brokerage costs as discussed in Item 12.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

Castle Peak is eligible to earn performance-based fees or allocations with respect to the Non-CDO Trusts. Such arrangements may be in combination with other fees charged by Castle Peak. The specific manner in which performance based compensation is charged by Castle Peak is outlined in the applicable Clients' governing documents. Performance based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940, as amended.

Performance-based fee arrangements may create a perceived incentive for Castle Peak to recommend investments that may be riskier or more speculative than those which would be recommended if not for such performance-based fee arrangement. Such fee arrangements also may create an incentive for Castle Peak to favor one Client from whom Castle Peak earns a performance-based fee over another Client who does not pay such a fee. Castle Peak has established allocation procedures so that all Clients are treated fairly and equally on an overall basis, regardless of the type of compensation received by it, and to prevent this potential conflict from influencing the allocation of investment opportunities among Clients.

## **Item 7    Types of Clients**

Castle Peak currently provides investment advice to Managed Trusts, Securitization Trusts, CDO Trusts and the Housing Fund. Investment advice is provided directly to Clients and not to the individual investors of these Clients. In the future, Castle Peak may provide investment advice to different types of clients, but generally such clients would be institutional investors.

Castle Peak currently imposes no minimum investment limit on Clients, however, future clients may be subject to minimum investment restrictions in accordance with the offering documents of such Client.

## **Item 8    Methods of Analysis, Investment Strategies and Risk of Loss**

### ***Investment Strategy***

Castle Peak is qualified to capitalize on the dislocation in the U.S. residential housing market. Castle Peak's investment strategy is to acquire residential mortgage loans at a discount to the underlying property value, then tailor and execute resolution strategies specific to each asset while using its experience in the mortgage business to mitigate risks and enhance investment returns.

Castle Peak's management team is focused on distressed mortgage space creating a network of industry relationships to better source, distribute, and service mortgage loans. Castle Peak seeks to implement its investment strategy by:

1. Acquiring distressed mortgage loans by performing pre-bid due diligence to identify risks and verify data integrity,
2. Identifying and executing a resolution strategy for each asset utilizing management and servicer oversight,
3. Valuing the assets under management using proprietary valuation and forecasting models,
4. Identifying and negotiating asset dispositions or sales, and
5. Mitigating and monitoring risks in acquisition, asset management, portfolio management, and disposition processes.

The CDO Trusts do not allow for new acquisitions. Castle Peak has discretion to sell assets that are permitted under the conditions outlined in the governing CDO Trusts' documents. From time to time, Castle Peak will solicit bids and evaluate the economic benefits and risks of executing a sale against holding the asset in the CDO Trusts.

## ***General Methods of Analysis***

Castle Peak's strategy employs several stages of analytical processes, which are generally as follows:

1. *General market and macroeconomic overview and assessment:* Castle Peak's investment process begins with an overview of the factors impacting the markets in which it invests in and manages assets. These factors and changes are incorporated into the analytical processes which Castle Peak utilizes to manage risk and return.
2. *Pre-acquisition:* Castle Peak utilizes its market network to source loans. Most offerings are privately offered to a few select bidders. Castle Peak performs asset-level pre-bid due diligence with the review focusing on the following areas: (i) the borrower's credit profile, (ii) regulatory risk and compliance, (iii) the estimated current value and condition of the underlying real property, (iv) the servicing activities performed by the seller, (v) loan data integrity and completeness of data provided by the seller, (vii) the contract governing the proposed transaction, and (viii) overall potential risk position for the portfolio such as asset concentrations by geography, seller/originator, loan types and/or other macroeconomic or microeconomic factors. The objective of the pre-acquisition process is to measure asset-level risks to executing loan resolution strategies, combined with portfolio diversification risk against expected return on investment. Diligence examples include title searches, broker price opinion and appraisal reviews, loan servicing history review, loan origination document review and compliance review.
3. *Asset Management:* Utilizing Castle Peak's due diligence findings, coupled with the assigned servicer's expertise, the Company intends to identify and craft suitable loss mitigation strategies as of the acquisition date or as soon as possible after acquisition. Castle Peak monitors performance and directs activities of servicers and other third party service providers to execute its strategy at a loan and portfolio level. Examples of loan-level strategies may include, but are not limited to, offering loan modifications including principal forgiveness and other refinancing, short sales, deeds-in-lieu of foreclosure, or pursuing foreclosure or a whole loan sale. Specific strategies may require utilizing specialized firms to perform activity which Castle Peak may employ at its discretion.
4. *Portfolio Management:* Castle Peak reviews opportunities and risks at both the asset and portfolio levels. As part of its loan and REO portfolio review process, Castle Peak monitors the migration of loan progress and borrower credit characteristics on a monthly basis. It also reviews metrics focusing on deviations from expected resolutions, cash flow velocity, cure rates, default rates, foreclosure timelines and REO liquidation efficiency. Such factors could cause a change in the valuation of the loans and portfolio. The portfolio evaluation also includes an assessment of risk exposures and risk mitigation recommendations. Castle Peak must perform certain duties as the CDO Trusts' collateral manager as defined in the applicable governing documents for which it receives a management fee. On a monthly basis, Castle Peak provides valuation of the assets in the CDO Trusts managed by Castle Peak to the designated trustee. In determining the value of

the CDO Trusts' assets, Castle Peak seeks bid indications from broker-dealers as well as estimates value based on internal investment analysis and market assessment. This valuation is used in determining various portfolio tests which may change the distribution of CDO Trusts proceeds. Castle Peak identifies securities that become eligible for sale and performs risk/return analysis to determine sell or hold investment strategy.

5. *Disposition or other exit strategy:* Castle Peak may pursue various strategies as part of the asset management process, consecutively or simultaneously, to resolve portfolio assets. While the Company expects that a significant portion of assets will resolve through the asset resolution strategies described above, Castle Peak intends to implement a whole loan sale process as another means to resolve acquired assets. Castle Peak analyzes sales opportunities with its assessment of risk return profiles at both loan and aggregate levels to determine the best exit strategy to enhance risk-adjusted returns.

There can be no assurance that a Client will achieve its investment objective or that the strategies pursued and methods utilized by Castle Peak will be successful under all or any market conditions. Past performance is no guarantee of future performance.

### ***Material Risks***

Investments managed by Castle Peak involve significant risks. Investment in credit-sensitive structured securities, distressed mortgage loans and REO properties entails both broad recessionary risks and specific market and industry dependent risks. As a result of recent market conditions in the credit market and because of the uncertainty of future market conditions, the risks to the Clients are high and there are no assurances that Castle Peak will be successful in implementing the investment strategy specific to each Client. Prospective clients should carefully consider the following factors, among others, in making their investment decision and should consult their own legal, tax, and financial advisers as to all of the risks of an investment managed by Castle Peak.

### ***Investment and Trading Risks in General***

All investments risk the loss of capital. Castle Peak believes that its investment program and its research and risk-management techniques moderate this risk through a careful selection of mortgage loans, securities and other financial instruments and investment assets. However, no guarantee or representation is made that the Clients' investment program will be successful, and investment results may vary substantially over time.

### ***General Economic and Market Conditions***

The success of Castle Peak's activities will be affected by general economic and market conditions, such as interest rates, mortgage prepayment rates, availability of credit, inflation rates, economic uncertainty, and changes in laws. These factors may affect the level and volatility of prices of financial instruments and the liquidity of the respective Client's investments. Volatility or illiquidity could impair the



profitability of the investments or result in losses.

### Residential Mortgage Loan Risks

#### *Whole Loan Mortgages*

A substantial portion of the investments held by the Non-CDO Trusts are intended to be comprised of whole loan mortgages, especially sub-prime residential mortgage loans, scratch and dent, and sub-performing and non-performing residential loans and REO, which are subject to increased risks. Unlike “credit enhanced” MBS, whole loan mortgages generally are not government guaranteed or privately insured. A whole loan mortgage is directly exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying property, the creditworthiness of the borrower and the priority of the lien are each of great importance. Whether or not Castle Peak or its affiliates have participated in the negotiation of the terms of any such mortgages, there can be no assurance as to the adequacy of the protection of the interests of the Non-CDO Trusts. Furthermore, claims may be asserted that might interfere with enforcement of the rights of the Non-CDO Trusts. In the event of a foreclosure, the Non-CDO Trusts may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may be less than the adjusted purchase price for the related whole loan mortgage, resulting in a loss to the Non-CDO Trusts.

Whole loan mortgages have risks above and beyond those discussed above. For example, whole loan mortgages are subject to “special hazard” risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower’s mortgage debt by a bankruptcy court). In addition, claims may be assessed against the Non-CDO Trusts due to their position as mortgage holder or property owner, including responsibility for tax payments, environmental hazards and other liabilities.

#### *Special Residential Mortgage Loan Risks*

Castle Peak intends to invest in sub-performing and non-performing mortgage loans. This strategy subjects a Client to the risks of residential real estate and residential real estate-related investments. These risks include, among others: (i) continued declines in the value of residential real estate; (ii) risks related to general and local economic conditions; (iii) possible lack of availability of mortgage funds for borrowers to refinance or sell their homes; (iv) overbuilding; (v) the general deterioration of the borrower’s ability to keep a mortgage loan current; and (vi) fluctuations in interest rates.

The value of the real estate that underlies mortgage loans is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation. In addition, adverse changes in real estate values increase the probability of default, as the incentive of the borrower to retain equity in the property declines.

### *Risks of Mortgage-Related Instruments*

The issuers of debt instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. In addition, major economic downturns and financial market swings have adversely affected, and could in the future adversely affect the ability of some of the issuers of such instruments to repay principal and pay interest thereon and may increase the incidence of default for such instruments.

The price of an instrument is affected by the credit quality of its issuer and the borrower, the market for such instrument and whether payments are made on the assets underlying such instrument. Changes in the financial condition of an issuer, changes in general economic conditions, and changes in specific economic conditions that affect a particular type of issuer, can impact the credit quality of an issuer. Lower quality instruments are often considered to be speculative in nature and involve greater risk of default, and tend to be more sensitive to these changes than higher quality instruments.

It is not expected that the mortgage-related securities will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on mortgage-related securities will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

The most fundamental risk to any portfolio of mortgage-related securities is a shift in interest rates. The market value of mortgage securities will generally vary inversely with changes in market interest rates, declining when interest rates rise and rising when interest rates decline. However, mortgage securities, while having comparable risk of decline during periods of rising rates, usually have less potential for capital appreciation than other investments of comparable maturities due to the likelihood of increased prepayments of mortgages as interest rates decline.

Mortgage-related instruments are subject to the risk of prepayment on the loans underlying such instruments. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to defaults and foreclosures) occur on loans underlying mortgage-related instruments will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, mortgage obligors tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates on their mortgage loans. To the extent that prepayment rates are different than anticipated, the average yield of investments in mortgage-related instruments may be adversely affected.

Mortgage-related instruments are exposed to the default probability of the underlying loans and recovery rates on those liquidated loans. The default rates of loans backing these instruments is dependent on a number of factors including national and regional economic growth, real estate values, the level of interest rates, the strength of new origination platforms, and other factors. Recovery values will be dependent largely on regional and national real estate values among other things, although real estate values are a function of other economic variables.

### *Servicing Risk*

Most residential whole loans and securitizations of pooled loans require a servicer to manage collections on each of the underlying loans. The responsibilities of servicers include providing delinquency notices when necessary, foreclosure proceedings, loan workouts and modifications, liquidations of REO properties and reporting on the performance of the pool to Castle Peak.

Both default frequency and default severity of loans is highly dependent on the quality of the servicer. If servicers are not vigilant in encouraging borrowers to make their monthly payments, the borrowers are far less likely to make these payments (hence higher frequency of default). If servicers take longer to liquidate loans, more carry costs and out-of-pocket costs will accrue (i.e., taxes and insurance if not paid by the borrower) and interest will accrue and will ultimately be unpaid (higher loss severity). Higher loss severity will also be caused by less competent dispositions of REO properties.

### *Model and Data Risk*

Given the complexity of the investments and strategies pursued by Castle Peak, the Company must rely heavily on analytical models (both proprietary models developed by Castle Peak, and those supplied by third parties) as well as information and data supplied by third parties (“Models and Data”). Models and Data are used to value investments or potential investments (whether for trading purposes, or for the purpose of determining the value of the portfolio). When Models and Data prove to be incorrect, misleading, or incomplete, any decisions made in reliance thereon expose the Clients to potential risks.

### *Liquidity and Valuation of Investments*

It is unlikely that readily available price quotations will ever exist for many of the investments managed by Castle Peak. Accordingly, there is reliance on judgment made by Castle Peak in valuing and pricing the Clients’ investments. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions that are beyond the control of Castle Peak. 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 a particular investment were to be liquidated, the realized value may be more than or less than the valuation of such asset.

### *Concentration of Investments*

The Non-CDO Trusts’ assets will be concentrated in residential mortgage loan investments. Furthermore, the Non-CDO Trusts may hold loans concentrated in certain geographic regions and such loans may not perform the same as the overall residential mortgage market. Additionally the portfolio may have 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 residential mortgage loans. The CDO Trusts’ assets will be concentrated in RMBS or CDS on RMBS.

### Dependence on Castle Peak

Clients are dependent upon the ability of Castle Peak to manage their investment programs. Castle Peak is dependent upon the skill, judgment and expertise of a relatively small number of key personnel. The loss of the services of these individuals may impair Castle Peak's ability to pursue the applicable Client's investment objective and implement its investment strategy.

The foregoing does not purport to be a complete explanation of the risks involved with respect to any investment strategy. For an additional description of the investment strategies and the risks involved with respect to any investment strategy, see the applicable governing organizational and offering documents of the Non-CDO Trusts and the CDO Trusts.

### **Item 9 Disciplinary Information**

Castle Peak does not have any material legal or disciplinary events to disclose.

### **Item 10 Other Financial Industry Activities and Affiliations**

Castle Peak does not have any financial industry activities or affiliations to report.

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

#### ***Code of Ethics***

Castle Peak has established and maintains a Code of Ethics (the "Code") that sets forth standards of conduct and related compliance requirements that reinforce the fiduciary responsibilities that Castle Peak owes to its Clients and the procedures for implementing those responsibilities. The Code includes provisions that govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, outside business activities and confidentiality. The Code, among other things, requires all employees to place the interests of clients ahead of their own. The Code also requires compliance with federal securities laws and regulations.

Castle Peak's employees and related accounts ("Employees") are permitted to maintain personal securities accounts provided that any personal securities transactions effected by employees are reported to Castle Peak and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code, Employees may buy, sell or hold, for their own personal trading accounts, securities that Castle Peak also may buy, sell or hold for Clients. Any potential conflicts of interest arising from such arrangement are mitigated by the provisions in our Code that requires employees to always place the interests of clients ahead of their own. In addition, Castle Peak's Chief Compliance

Officer is mandated to review the personal securities transaction reports submitted by employees to ensure that employees are not receiving more favorable terms relative to personal transactions than the Clients and to determine whether an employee's trading activities indicate abuse.

The Code contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to Castle Peak or its Clients,
- prohibit trading on the basis of material nonpublic information, and
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading.

Castle Peak's Code is available to any Client or prospective client upon request by contacting the Company at 612.376.1585.

### ***Participation in Client Transactions***

In its role of acquiring assets for a Client, Castle Peak co-invests in the purchase of such assets, thereby aligning its interest with the Client. The co-investment is structured so that the Client has priority and a certain pro-rata allocation of investment distributions, all of which is designed to avoid any conflict of interest.

## **Item 12 Brokerage Practices**

### ***Selection Criteria for Broker/Dealers***

Castle Peak purchases mortgage assets either directly from a seller or through a third party, which may be a broker-dealer that is selected by the seller. At times, Castle Peak may use a broker-dealer to sell mortgage assets or to structure a security collateralized by a pool of assets invested on behalf of a Client and may pay a fee or commission for that service. Castle Peak generally will have the authority to determine, without obtaining specific Client consent, the broker to be used and the commission rate paid.

Castle Peak does not adhere to any rigid formulas in making its selection of brokers, but will weigh a combination of the criteria described below. In selecting the broker-dealer, Castle Peak will generally seek best execution to optimize returns and minimize risks. Factors considered in the selection process include but are not limited to, research capabilities, success of prior research recommendations, ability to execute trades, nature and frequency of sales coverage, depth of services provided, including back office and processing capabilities, financial stability and responsibility, reputation, commission rates,

responsiveness and the value of research and brokerage products and services provided by such brokers. The determinative factor is not the lowest possible commission cost alone.

### ***Research and Other Soft Dollar Benefits***

Castle Peak generally will not compensate brokers or dealers for other than the execution of brokerage transactions (including other associated incidental costs). Given the research services received by Castle Peak (as described below), Castle Peak may be deemed to be paying for other services provided by a broker or dealer that are included in the commission rate. Although the commission rates charged by such brokers are represented as not reflecting any such other services, the commission rates charged by such brokers may be higher or lower than other brokers. Castle Peak may have a potential conflict of interest between its duty to obtain best execution for a Client and its interest in receiving such economic benefits in the future.

Castle Peak receives a variety of research from brokers and dealers. The research may include information on local and U.S. economies, local housing markets, regulatory developments, market analysis, and risk analysis. Research received is not dependent on execution of a Client transaction and is used for all Client accounts. Castle Peak does not consider such research when directing brokerage transactions for Client accounts to broker-dealers and does not receive third party research or any brokerage services paid for with Client commissions.

Any of the foregoing research services received by Castle Peak may be used in servicing some or all Clients' accounts, in a manner determined by Castle Peak, in good faith. As such, not all such services may be used solely in connection with the specific account that paid commissions to the broker or dealer that provided such services. Castle Peak is permitted to place transactions with brokers or dealers who provide it with research at commission rates that are higher than those it currently is charged if, in its good faith determination, the amount of the transaction cost is reasonable in relation to the value of the research provided. Castle Peak does not have any soft dollar arrangements with any broker-dealer that does not fall within Section 28(e) of the Securities Exchange Act of 1934.

### ***Client Referrals***

Castle Peak does not have a policy or practice to select or recommend a broker-dealer based on receiving Client referrals.

### ***Directed Brokerage***

Castle Peak does not generally permit its Clients to direct it to execute transactions through a specified broker-dealer.

### ***Aggregation of Trades***

Castle Peak may aggregate the sale of assets if such is expected to provide a better net execution to all Clients involved. In that instance, one asset sale agreement may be used, but the terms contained therein are clear so that each Client is only contractually responsible for the assets the applicable Client is selling. Proceeds are specifically allocated to the applicable Client's assets per the terms of the asset sale agreement.

### **Item 13 Review of Accounts**

Each Client portfolio is reviewed monthly by the Castle Peak credit committee. Portfolio reviews include discussion about portfolio and/or asset-level performance and risk analysis. Topics discussed may include, among others, geographic concentration, loan status transition metrics, loan and asset resolution metrics, portfolio performance versus anticipated performance, market and regulatory changes, and servicer performance, as well as specific topics as they arise.

Written reports are provided to investors and Clients either monthly or quarterly, as set forth in the respective Client's governing documents. These reports include information about the applicable Client's investment position and investment activity.

### **Item 14 Client Referrals and Other Compensation**

Castle Peak currently has no arrangements pursuant to which Castle Peak would receive compensation for providing investment advice or other advisory services to our Clients.

### **Item 15 Custody**

Castle Peak does not have actual physical custody of any Client assets.

### **Item 16 Investment Discretion**

Castle Peak provides discretionary investment advisory services with respect to managing the Securitization Trusts, the Housing Fund and the CDO Trusts. None of the CDO Trusts allow for reinvestment, but Castle Peak may direct the sales of securities or the physical settlement of CDS that are allowable under specific conditions detailed in the issuance documents and CDS agreements.

**Item 17 Voting Client Securities**

Castle Peak does not have any authority to vote Client securities. Investors and Clients will receive their proxies or other solicitations directly from the custodian. Investors and Clients may contact Castle Peak directly at 612.376.1585 with any questions about a particular solicitation.

**Item 18 Financial Information**

Castle Peak has no financial condition that impairs its ability to meet contractual commitments to Clients, and has never been the subject of a bankruptcy proceeding.