

Cover Page

CARRINGTON CAPITAL MANAGEMENT, LLC

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Carrington Capital Management, LLC (“Carrington”). If you have any questions about the contents of this brochure, please contact us at (203) 661-6186. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Registration with the SEC does not imply a certain level of skill or training.

Additional information about Carrington is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

As required annually, Carrington is updating both Parts 2A and 2B with Part 2A reflecting the following material change:

Item 4 – Updated Carrington’s assets under management as of December 31, 2014.

Item 5 – Updated to reflect current policies.

Item 6 – Updated to reflect current practices.

Item 10 – Updated to reflect certain changes regarding company affiliations. Reference to Carrington Investment Services, LLC (“CIS”) was deleted because CIS, a SEC registered broker-dealer and affiliate of Carrington, voluntarily withdrew its registration with the SEC on October 27, 2014. The withdrawal became effective on December 26, 2014. Descriptions of Carrington Foreclosure Services, LLC, Carrington Escrow Inc. and Carrington Title Services, LLC were added.

Item 17 – Updated to reflect current policy.

Item 18 – Updated to reflect current litigation matters.

Item 3. Table of Contents

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Item 4. Advisory Business

Carrington Capital Management, LLC (“Carrington”), a Delaware limited liability company, is an alternative asset management firm focused on investing in the U.S. real estate, mortgage and fixed income markets. Carrington’s primary investor base consists of institutional investors. Carrington commenced operations in September 2003. Carrington’s principal owner is The Carrington Companies, LLC, whose majority owner and managing member is Bruce M. Rose.

Carrington provides investment advisory services to privately offered pooled investment vehicles (“Funds”), separately managed accounts (“Separately Managed Accounts”) and financial institutions (“Financial Institutions”), together referred to herein as “Clients.” Carrington focuses on asset categories that utilize Carrington’s experience in the U.S. residential mortgage and real estate markets, operating affiliate resources, relationships with industry counterparties and partners, and analytical and risk management capabilities. Carrington sources mortgage assets from select relationships with banks, broker dealers, and other financial institutions (including affiliated origination sources) and analyzes and values the mortgage and real estate assets using various quantitative econometric variables and qualitative data obtained through Carrington’s operating affiliates and external data sources. Typically, Carrington performs several functions related to risk management and due diligence prior to the settlement of trades, in particular, Carrington negotiates and effects trades for mortgage and real estate assets, in whole loan or securities form, and performs asset level due diligence or utilizes loan level credit models with regard to such assets. In certain cases, Carrington creates a vehicle or securitization trust that will issue a security representing an interest in such mortgage or real estate assets. In other cases, Carrington may analyze and acquire residential mortgage backed securities directly from the marketplace. Carrington expects to utilize its affiliate mortgage loan servicing, property management, mortgage loan origination, consumer counseling, debt collection, real estate brokerage and foreclosure trustee affiliates in an effort to enhance Client portfolio value. With regards to Funds, investment advice is provided directly to the Funds according to each Fund’s particular investment objectives and not individually to the Fund’s investors. Carrington provides advisory services on a non-discretionary basis to Separately Managed Accounts and Financial Institutions according to investment objectives specified in the pertinent investment management and loan servicing agreements, if applicable. Clients may impose investment restrictions as to geographic diversification, expected duration, pricing, and other investment criteria, as applicable.

Carrington also provides certain analytical and consulting services to Financial Institutions and other third parties regarding residential mortgage backed securities and the U.S. residential mortgage and real estate markets. In certain instances, these services may include analysis and valuation of residential mortgage and real estate asset portfolios and establishing industry best practices.

Carrington has access to certain tools it has deemed necessary to conduct its analysis of residential mortgage backed securities and the U.S. real estate market including but not limited to: Intex, Bloomberg, and historical broker/dealer research. In addition, the consulting group has access to the knowledge and expertise of Carrington's operating affiliates, including its mortgage loan servicer and originator, property manager, and real estate broker.

Carrington currently does not participate in any wrap fee programs.

As of December 31, 2014, Carrington managed approximately \$150,372,335 of Fund assets and approximately \$156,776,238 of Separately Managed Account assets on a non-discretionary basis.

Item 5. Fees and Compensation

Compensation received by Carrington for its investment advisory services is comprised of fees based on a percentage of assets under management and performance-based fees. Carrington also receives certain non-asset based fees for analytical and consulting services provided to Financial Institutions and other third parties regarding the U.S. residential mortgage and real estate markets.

Funds

Carrington generally earns a management fee in an annual amount ranging from 0.50% to 1.5% of invested capital, deducted monthly in arrears from the Fund account. Generally, Carrington is also entitled to either an annual or “back-end” performance-based fee, typically ranging between 15% - 20% of income generated in the Fund account in excess of the related annualized return hurdle (typically ranging between 0.0% and 8.0%). The “back-end” performance-based fee structure requires Carrington to return 100% of the Client’s original capital investment plus a related return hurdle prior to any allocation of a performance-based fee to Carrington. Generally, the “back-end” performance-based fee structure is used in closed end Funds whose assets are difficult to value and the fee is generally based upon a percentage of total net cash collections in excess of the predetermined performance threshold. Fees are not negotiable with respect to investments in an existing Fund.

Separately Managed Accounts

Carrington generally earns a management fee or a mortgage administration fee, as the case may be, in an annual amount ranging from 0.50% to 1.5% of invested capital, deducted monthly in arrears from the Separately Managed Account. Carrington also generally is entitled to a performance-based fee. For certain Separately Managed Accounts these performance fees may be earned and payable upon the client receiving its initial investment plus a return hurdle (typically ranging between 0% and 8.0%), and then it is entitled to receive typically 15% - 20% of net cash collections generated in the Separately Managed Account in excess of the related annualized return hurdle. Other Separately Managed Accounts earn performance-based incentive fees that are paid monthly subject to achieving certain annualized return thresholds (generally between 0% and 8%). These monthly performance-based incentive fees generally range between 15% and 20% of that month’s total income for such Separately Managed Account. In certain Separately Managed Accounts there is no management fee; however, a mortgage servicing fee paid to Carrington’s mortgage servicing affiliate is allocated between the servicer and Carrington based on services provided. Fees are negotiable with respect to investments in a Separately Managed Account.

Analytical and Consulting Services

Carrington generally earns a flat fee or an hourly fee for analytical and/or consulting services. In some instances, Carrington may be retained by a third party and paid an

upfront retainer fee that is offset against future payment obligations. The flat fee for analytical and consulting services is generally based upon the scope of the analytical assignment and the size and complexity of the engagement.

Other Types of Fees or Expenses

Clients also may bear other fees and expenses charged to Client accounts. These fees and expenses typically include, but are not limited to, (a) operating expenses, including investment and transaction-related expenses (*e.g.*, brokerage fees, custodial fees, bank service fees, due diligence expenses and expenses related to a proposed investment that was not consummated), legal, accounting, insurance and administrative expenses; professional fees relating to investments; and entity-level taxes (including any accrued incremental tax liabilities relating to the ownership of mortgage loans, mortgaged properties and real estate); and (b) each Client's allocable share of the asset management services provided by Carrington or its affiliates with respect to the Client's investments, including in connection with the sourcing and selecting of assets for the Client to acquire and the valuation, diligence and servicing of assets acquired by the Client portfolio.

Generally, with respect to engagements for analytical services, Carrington will charge back any costs or expenses related to travel, third party valuation services, or other expenses not covered by the negotiated engagement documents, if applicable.

In addition, Carrington will obtain services from various affiliated service providers at rates it believes to be at competitive market levels. Additional disclosure of these services, the related fees and potential conflicts can be found in Item 10.

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

Carrington is generally entitled to a performance-based fee from Clients which may be calculated either monthly or annually, subject to, in certain cases, total return of invested capital and generation of income in the Client account in excess of the pertinent return hurdle.

Item 7. Types of Clients

Carrington generally provides investment advice to Funds, Separately Managed Accounts and Financial Institutions. Investment advice is provided directly to the Funds and not individually to the Fund investors. The Fund investors generally consist of institutional investors, fund of hedge funds, and high net worth individuals that are “accredited investors” and “qualified purchasers”, within the meaning of the Securities Act and the Investment Company Act, as applicable.

Funds and Separately Managed Accounts generally have a specified minimum investment amount as set forth in their offering materials, disclosure documents and/or governing documents. These minimum amounts are subject to discretion, on the part of Carrington, or the relevant general partner, to permit investments of a smaller amount generally or with respect to any investor.

Additionally, Carrington provides certain limited analytical and consulting services to Financial Institutions and other third parties regarding the U.S. residential mortgage and the real estate markets. In some instances, these services may include analysis of the client’s residential mortgage and real estate asset portfolios as well as establishing industry best practices.

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

Methods of Analysis and Investment Strategies

Carrington's investment objective is to seek to achieve long-term capital appreciation, current income and cash collections by identifying undervalued assets primarily resulting from the recent dislocation in the U.S. residential housing market. The investment strategy focuses on asset categories that utilize Carrington's experience in the U.S. residential mortgage real estate market, relationships with industry counterparties and partners, operating affiliate resources, and substantial analytical and risk management capabilities. Carrington expects to utilize its internal mortgage loan servicing, property management, mortgage loan origination, consumer counseling, debt collection, real estate brokerage, and foreclosure trustee affiliates in an effort to enhance value.

Carrington seeks to deliver value to clients by utilizing its extensive operating platform in investment strategies focused on a combination of "control-based" and "hard real estate asset" strategies. Assets will include performing, sub-performing, re-performing and non-performing mortgage loans or properties acquired in pools or securities representing interests in such mortgage loans, mortgage servicing rights and related assets.

Carrington's strategies utilize its experience in assessing and evaluating property value, as well as its established infrastructure in advising on the management and disposition of delinquent and defaulted mortgage loans.

Prior to asset acquisition, with respect to certain investment strategies related to performing, sub-performing, re-performing and non-performing loans, Carrington and its affiliates may perform the following functions which include, but are not limited to:

- Source mortgage loans and real estate properties from select relationships with banks, broker dealers, and other financial institutions;
- Evaluate mortgage loans and real estate properties in order to derive a top level view of the appropriateness of the assets within the context of the overall portfolio construction;
- Perform mortgage loan valuations using a combination of quantitative econometric variables, home price forecasts, probability weighted resolution and disposition paths as well as qualitative elements derived from Carrington's operating affiliates;
- Analyze mortgage related securities using proprietary loan level credit models;
- Develop a bid price and communicate that price to the sellers of the assets;

- Negotiate and execute the trade with the sellers of the assets;
- Perform loan level due diligence, which includes but is not limited to, compliance reviews, title searches, property site visits and property value reconciliations;
- Negotiate with sellers with respect to mortgage loans that are declined for purchase due to document deficiencies, compliance breaches, or irreconcilable valuations and/or re-pricing of mortgage loans with such issues; and
- If applicable, create a vehicle or securitization trust that will issue the securities representing an interest in the final asset population being acquired.

After acquisition of assets and with respect to certain investment strategies, Carrington and its affiliates, on a Clients' behalf, may perform the following functions which include, but are not limited to:

- Work with the seller and interim mortgage loan servicer to effect the transfer of mortgage loans to Client accounts and the related servicing to Carrington's selected servicer (generally, its affiliate, Carrington Mortgage Services, LLC);
- Pursue a homeowner outreach initiative to inform borrowers of the servicing transfer and any programs that are available to incentivize the borrower to continue, or begin, making timely debt service payments, or pursue an optimal disposition path;
- Use the information from the mortgage loan servicer related to the initial borrower outreach initiative to identify and execute optimal resolution and disposition strategies; and
- Track and perform in-depth surveillance on each asset on a loan level basis.

Material Risks Relating to Method of Investment Analysis

The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Client's investments. This summary does not attempt to describe all of the risks associated with an investment with Carrington. Although no summary can fully describe all of the risks associated with such an investment, the confidential private placement memorandum or confidential offering memorandum for a Fund typically contains a more complete description of the risks associated with an investment in the Fund.

Risks inherent in the strategies include, but are not limited to, the risk of deterioration in the US housing and real estate markets precipitating a decline in home values. General economic conditions and other factors, such as excessive building resulting in an oversupply of housing in a particular geographic area or a decrease in employment reducing the demand for housing in a geographic area, may result in depressed real estate values in that particular geographic area. Additionally, government inquiries, policy initiatives that influence loan modification strategies, foreclosure moratoriums or other aspects of the housing market may also pose risks to the various investment strategies from either extension risk or the increased risk of loss, or both.

Other risks associated with the investment strategies include fluctuations in interest rates, the use of leverage, counterparty credit risk with respect to hedges, illiquid nature of some assets, concentration risk, competition from other investors and mortgage loan servicing transfer risk.

Illiquidity

Investments may include mortgage related securities, mortgage servicing rights, loans or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. Liquidation expenses for any particular asset may be disproportionate and may reduce available proceeds (such expenses may include legal fees, real estate taxes, real estate broker fees and maintenance and preservation expenses). Market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, U.S. housing conditions, financial market conditions, regulatory developments, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on each investment. The sale of illiquid assets often requires more time and there can be no assurance that Carrington will be able to realize these investments in a timely manner.

Concentration

Carrington targets distressed mortgage opportunities. Structural, economic and regulatory changes could adversely affect the prospects for such sector, as could certain general market conditions. The concentrated focus of the portfolios may cause performance to be more volatile and result in it incurring greater losses during unprofitable periods as compared to a more diversified approach.

While Carrington regularly monitors the concentration assets in each Client's portfolio, concentration in any one region may arise from time to time. For example, at any given time, a Client's investment portfolio may become concentrated in a particular region because that particular geographic area provides more attractive investment opportunities than others. A portfolio that becomes excessively concentrated will be increasingly susceptible to a risk of loss on its investments to the extent there is an economic downturn affecting the region in which the portfolio is concentrated. Such a downturn could increase the risk of defaults, reduce the amount of payments received on its

investments and, consequently, could have an adverse impact on the ability of the portfolio to make distributions. Similarly, in the event that the portfolio becomes concentrated in one region, an environmental catastrophe in such region may result in a material adverse effect on such portfolio.

Default Risk

A portfolio's income may be derived largely from repayments of principal received in respect of loans. A wide range of factors may adversely affect an obligor's ability to make repayments, including, but not limited to: adverse changes in the financial condition of such obligor or the regions in which it operates; the obligor's exposure to counterparty risk; systemic risk in the financial system; changes in law or taxation; changes in governmental regulations or other policies; natural disasters; terrorism; social unrest; civil disturbances; or general economic conditions. Default rates tend to accelerate during economic downturns.

Any defaults will have a negative impact on the value of investments held and may reduce the return in certain circumstances. While some amount of annual defaults and loss of principal balance on the mortgage loans is expected to occur in each portfolio, such defaults, losses, decline in value or failure to meet certain cash flow targets may have a material adverse effect on any such portfolio.

Security Risk

A substantial portion of each Client's investments are expected to be in residential mortgages or real estate, or securities collateralized by residential mortgage loans and real estate. Depending on the jurisdiction in which such security interests are created, enforcement of such securities can be a complicated and difficult process. For example, enforcement of security interests in certain jurisdictions can require a court order and a sale of the secured property through public bidding or auction. In addition, some courts may delay, upon the obligor's application, the enforcement of a security if the obligor can show that it has a valid reason for requesting such delay, such as showing that the default was caused by temporary hardships. For example, some jurisdictions grant courts the power to declare security interest arrangements to be void if they deem the security interest to be excessive.

Item 9. Disciplinary Information

Neither Carrington nor any of its “management persons” (as defined in Form ADV) has any legal or disciplinary events to report that they believe would be material to a client’s or prospective client’s evaluation of Carrington’s advisory business or the integrity of its management.

In October 2006, Carrington entered into a stipulation and agreement with the State of Connecticut Banking Commission and agreed to pay \$3,500, in administrative penalties, \$1,000 of which was an administrative penalty for failing to make a timely filing of the investment advisory notice with the State of Connecticut and \$2,500 of which was an administrative penalty for failing to file notices of sale on Form D with the State of Connecticut.

Item 10. Other Financial Industry Activities and Company Affiliations

Affiliated Real Estate Broker

Carrington is affiliated with Carrington Real Estate Services, LLC (“CRES”), a full service real estate broker that uses its network of licensed real estate agents to manage the sale or purchase of residential properties. CRES is expected to act as a real estate broker in connection with certain property dispositions from Client portfolios and is expected to receive fees in respect of these services.

Affiliated Insurance Agency

Carrington is affiliated with Carrington Insurance Agency, LLC, an insurance agency which provides insurance placement services such as hazard and flood insurance to protect loans and foreclosed properties serviced by Carrington Mortgage Services, LLC.

Affiliated Service Providers

In providing investment advisory services to its Clients, Carrington utilizes the expertise of its mortgage loan servicing, property management, mortgage loan origination, debt collection, document services, title and escrow services, and foreclosure trustee affiliates in an effort to enhance and maximize value and execute on a combination of “control-based” and “hard real estate asset” strategies. Such affiliates are expected to receive fees in respect of their services. Specifically, Carrington may engage the services of the following affiliates in connection with its acquisition of mortgage loans, real estate assets and mortgage servicing rights:

Carrington Mortgage Services, LLC (“CMS”) acts as the servicer of loans in Client portfolios. CMS is a fully-integrated mortgage servicing company with capabilities to service performing and non-performing assets. CMS, in conjunction with Carrington, develops resolution and disposition strategies in an effort to maximize value for the pertinent Client portfolios. CMS, at the direction of Carrington, may enlist the assistance of other Carrington affiliates and third-party service providers in order to utilize specialized services in certain aspects of the recovery process. CMS also has a mortgage lending division. Some services provided by CMS’s mortgage lending unit, or other mortgage lending vendors, may be paid by the applicable Client at what Carrington believes to be at competitive market rates.

Carrington Property Services, LLC (“CPS”) serves as property manager and assists in the due diligence process in connection with the acquisition of certain assets. CPS provides property management services for properties owned by financial and government institutions that have been forced to acquire such properties following defaults on mortgage loans. CPS, as property manager, may assist in the due diligence process by providing property value reconciliations through site visits of the properties collateralizing the mortgage loans a Client intends to acquire. Services provided to Clients by CPS will be paid by the applicable Client at what Carrington believes to be competitive market rates.

Carrington Resolution Services, LLC (“CRS”) is a specialized debt resolution provider focusing on the acquisition, management and collection of charged-off debt for servicers, including our affiliated servicer, and financial institutions. CRS serves as a deficiency manager and may provide services related to collecting past due and delinquent payments on loans held in Client portfolios. Services provided by CRS may be paid by the applicable Client at competitive market rates on a success-based fee schedule.

Carrington Home Solutions, LLC (“CHS”) serves as a property preservation manager and may provide a full range of property preservation, maintenance and repair services to lenders, servicers and asset managers. Services provided to Clients by CHS will be paid by the applicable Client at what Carrington believes to be at competitive market rates.

Carrington Foreclosure Services, LLC (“CFS”) is a trustee company that offers non-judicial foreclosure trustee services on residential properties in certain states. CFS also offers the services of Deed in Lieu of Foreclosures, full reconveyances and issuance of demand letters. Services provided by CFS may be paid by the applicable Client. Fees vary by state as required by the Federal National Mortgage Association (FNMA).

Carrington Escrow Inc. is an Escrow Agent for purchase and refinance transactions. It manages escrow closing services for customers including document gathering, HUD-1 preparation, disbursement and recording with the appropriate government authority. Services provided to Clients by Carrington Escrow Inc. will be paid by the applicable Client at what Carrington believes to be competitive market rates.

Carrington Title Services, LLC (“CTS”) provides closing coordination services in certain states and provides property reports for attorneys in connection with foreclosure processing activity. Services provided to Clients by CTS will be paid by the applicable Client at what Carrington believes to be competitive market rates.

Greenwich Residual Ventures, LLC (“GRV”), or its designee, will generally function as tax matters person on each REMIC securitization sponsored by Carrington. In that role, GRV will retain the non-economic residual position, including the assumption of the tax liability generated by the REMIC in the form of excess inclusion income, oversee the structure, management and reporting of the REMIC tax position including, but not limited to, initial structuring and collateral designation between REMIC trusts, characterization and reporting of income and expenses inside the REMIC and supervising and verifying analysis, preparation and delivery of the tax returns for each REMIC.

(a) Conflicts of Interest

As stated above, Carrington uses the services of many affiliated companies to execute certain strategies. The following are the primary inherent or potential conflicts that investors should consider.

Carrington’s use of affiliated service providers and the quality and pricing of such services may create a material conflict of interest with Clients. Although any fees incurred and paid to such affiliates are expected to be competitive with the market on a relative basis, on a going-forward basis, there may be an incentive for Carrington to

employ such affiliates rather than third parties and utilize strategies that generate or increase fees to such affiliates.

In addition, certain investors in Funds may have different yield and payment considerations and certain structures may be used that would provide different payment priorities to different Clients. Actions taken by Carrington in an effort to benefit the Fund overall may be adverse to the interests of a particular investor or a particular class of a structured vehicle but will generally be executed for the overall benefit of the trust or vehicle, not necessarily taking an individual segmented interest as a priority. Investors should consider these priorities in advance of making any investment.

Carrington hopes to minimize these inherent or potential conflicts of interest. Where available, Carrington is inclined to utilize affiliates as a means of insuring the quality of execution and delivery of services to its Clients as opposed to third parties over which quality control measures can be challenged. In addition, Carrington negotiates fee arrangements with affiliates at what it believes to be current competitive market rates. Carrington reviews the market for the services provided by its affiliates to ensure, in its good faith judgment, that it is receiving services at what it believes to be the current market and paying what it believes to be current competitive market rates for these services. Carrington has the option to use third party vendors for any services it deems appropriate. As Carrington may collect an incentive fee based on the Client's performance, Carrington's interests should be aligned with the Client's interest as a whole and will be incentivized to maximize proceeds to the Fund overall.

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

As a fiduciary, Carrington owes an undivided duty of loyalty to its Clients and thus demands the highest standards of ethical conduct and care by all of its employees. It is Carrington's policy that all employees conduct themselves so as to avoid, to the extent possible, not only actual conflicts of interest with Clients but any conduct that could give rise to the appearance of a conflict of interest that might compromise the trust placed in Carrington by its Clients.

Carrington has adopted a Code of Ethics (the "Code") in accordance with Rule 204A-1 under the U.S. Investment Adviser's Act of 1940, as amended that sets forth standards of ethical and business conduct expected of Carrington's personnel and addresses conflicts that may arise from personal trading by Carrington personnel. The Code, among other things, requires compliance with the federal securities laws, reflects Carrington's fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions, requires Carrington personnel to periodically report and/or preclear certain personal securities transactions and addresses prevention of the misuse of material nonpublic information.

Carrington requires that all employees observe the applicable standards of care set forth in the Code and not seek to evade the provisions of the Code or the "spirit" of its requirements in any way, including indirect acts by family members or other associates. All recipients of the Code must read it carefully and must re-certify annually that s/he has re-read, understands and has complied with the code.

The Code will be made available to any Client or Fund investor or prospective Client or Fund investor upon request.

Item 12. Brokerage Practices

Best Execution

As described earlier in this brochure, Carrington intends to acquire assets for Client portfolios primarily through the purchase of mortgage loan, mortgage servicing, and real estate assets and may use such assets to structure a security collateralized by such assets, using REMIC trust or limited partnership or other structures. Non-performing loans may also be held as part of a Client portfolio. Hence, Carrington does not expect to utilize the services of broker-dealers to execute Client transactions; however, during the bidding process of any real estate asset, Carrington seeks to execute on all levels necessary to *maximize the return to the investor* – price is not the only factor governing best execution. With reasonable discretion, Carrington evaluates each transaction in an effort to ensure that it represents the best qualitative execution for maximizing the return to the investor. Carrington takes into consideration all relevant factors at the time of bidding including, but not limited to, the current pricing for similar assets, the economics of the trade, stipulation of assets by Client, overall market conditions, and the impact on maximizing the return to the investor.

If the seller of the real estate asset or the Client stipulates that Carrington must utilize the execution services of a broker-dealer, Carrington will do so. In selecting a broker-dealer, Carrington will act in the best interest of the Client and will take into account relevant factors, including, but not limited to, price, broker commissions and the broker-dealer's facilities, reliability, financial responsibility and the impact on maximizing the return to the investor.

For any funds where Carrington manages in a separately managed account format, the Client is responsible for making final investment decisions regarding portfolios.

Allocation of Investment Opportunities

Carrington seeks to allocate investment opportunities in a manner that is in the best interest of all of its Clients. Carrington endeavors to treat all of its Clients fairly and not discriminate among Client accounts. Carrington's investments do not typically lend themselves to allocation as Carrington trades unique pools of mortgage and real estate assets; however where Clients with the same investment strategy participate in investment opportunities at the same time and on the same terms, those investment opportunities will generally be allocated pro rata on available capital among the Clients (if bidding terms differ among Clients participating in the same investment opportunity, Carrington will seek to bid on behalf of the Client that offers the best bid price). In general, a pro rata allocation is viewed as presumptively fair. In the event that a trade is allocated on a non-pro rata basis, Carrington will adequately disclose the basis on which such allocation was made. Carrington, in allocating such investment opportunities will consider, without limitation, the proposed investment's size, liquidity and time horizon;

each client's diversification guidelines and differing objectives; the likelihood of current income; the anticipated duration of the investment; and available capital. Allocations may also differ for tax, regulatory or other reasons as deemed appropriate by Carrington. Carrington has sole and reasonable discretion to allocate assets due to the complexity of the trades while taking into consideration all relevant factors. In addition, Carrington's allocation process excludes overall compensation, fees generated and/or performance fees.

Aggregation of Trades

As stated earlier, Carrington's investments do not typically lend themselves to aggregation as Carrington trades unique pools of mortgage and real estate assets; however, in certain circumstances, if multiple clients have similar investment profiles, Carrington may seek to aggregate the trade to realize pricing discounts, lower costs and other advantages (such as self-participation certificates or securitized interests in the securitization of the asset), as applicable.

Soft Dollars

It is Carrington's policy not to use research or services provided by counterparties or brokers as part of its trading decisions. Carrington does not accept nor uses soft dollars.

Principal and Cross Trade Transactions

Consistent with Rule 203(b) of the Investment Advisor's Act, Carrington may engage in principal trading or agency cross transactions.

Item 13. Review of Accounts

Portfolios and portfolio positions of Clients are reviewed monthly by the portfolio manager and/or the Chief Investment Officer(s) to ensure that assets are being resolved in a manner believed to maximize returns. Reviews are conducted to monitor portfolio performance, concentration limits, duration targets and other relevant metrics and to ensure that each portfolio conforms to guidelines established by Carrington and each Client. Meetings will be held with each Client at least annually and more frequently if requested by the Client or determined necessary by Carrington.

Reports to Fund Investors

Fund investors will receive monthly unaudited reports and audited reports on no less than an annual basis via electronic mail. Such performance updates will be based on an estimated value of the applicable Fund and the assets of the Fund as computed by Carrington or a third party. The monthly reports will contain evaluations of the portfolio and general economic conditions which, in the opinion of Carrington, impact the portfolio. All reports will be distributed via electronic mail. Annual reports will also be distributed via electronic mail.

Reports to Separately Managed Accounts

Separately Managed Accounts will receive reports monthly that will include an evaluation of portfolio activity and balances as well as general economic conditions which Carrington believes have impacted the portfolio or may impact the portfolio in the future.

Reports to Financial Institutions

Where applicable, Financial Institutions will receive periodic reports that will include an evaluation of portfolio activity and balances as well as general economic conditions which Carrington believes have impacted the portfolio or may impact the portfolio in the future.

Item 14. Client Referrals and Other Compensation

Carrington may enter into compensation arrangements with third party solicitors for new advisory business. Any solicitation arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, pursuant to which persons introducing new Client accounts to Carrington may receive a portion of the advisory fee generated by the account for a period of time that varies on a case by case basis.

Item 15. Custody

Funds

All Fund assets are held in custody by unaffiliated qualified custodians. Carrington is deemed, however, to have custody of the assets contained in the Fund portfolios, since Carrington or one of its affiliates serves as general partner of certain of the Funds. Fund investors either receive monthly account statements from the administrator; or the Funds are subject to an annual audit and these audited financial statements are distributed to each Fund investor within 120 days of fiscal year end.

Separately Managed Accounts

Carrington is deemed to maintain custody of funds and securities contained in the Separately Managed Account Portfolios due to its ability to debit fees and expenses. Carrington ensures that all required Client assets for which it is deemed to have custody receive an annual surprise asset verification by an auditor registered with the Public Company Accounting Oversight Board (“PCAOB”). Account statements are produced and sent to the Client directly by the account custodian on at least a quarterly basis.

Financial Institutions

Carrington does not maintain custody of funds or securities on behalf of Financial Institution accounts.

Item 16. Investment Discretion

Funds

Carrington provides discretionary investment advisory services to the Funds. Carrington may make investment decisions, without consultation with the Fund or Fund investors, regarding the sourcing of assets, the analysis and valuation of such assets, determining the appropriate price for such assets, the negotiating and executing the acquisition of such assets, the disposition strategy or strategies with regard to such assets, the structure of the investment vehicle or securitization trust for such investment or the broker-dealers (if any) with which orders are placed for execution and (as applicable) the commission rates at which securities transactions are effected.

Separately Managed Accounts

Carrington provides non-discretionary investment advisory services to the Separately Managed Accounts. The selection of the residential mortgage and real estate assets acquired and price of such acquisition is ultimately determined by the holder of such Separately Managed Account. Carrington's advisory services are limited to sourcing and analyzing residential mortgage and real estate assets, structuring the investment vehicle or securitization trust based on guidelines and objectives of such Separately Managed Account, and in the execution of the acquisition, resolution and disposition of such residential mortgage and real estate assets.

Financial Institutions

Carrington provides non-discretionary investment advisory services to Financial Institutions. The selection of the residential mortgage and real estate assets acquired and price of such acquisition is ultimately determined by the Financial Institution. Carrington's advisory services are limited to sourcing and analyzing residential mortgage and real estate assets, and in the execution of the acquisition, resolution and disposition of such residential mortgage and real estate assets.

Item 17. Voting Client Securities

Carrington generally does not accept authority to vote Client securities. Carrington's present investment strategies generally do not involve occasions where Carrington's Clients would have the right to vote proxies. If this changes in the future, Carrington will develop and implement further procedures as required by Rule 206(4)-6 of the Advisers Act to ensure that proxies are voted in the best interests of its Clients.

Item 18. Financial Information

Carrington has never filed for bankruptcy and there is no financial condition that we believe is reasonably likely to impair our ability to meet our contractual commitments to clients, provided however, Carrington is involved in certain civil litigation actions that are in varying stages and to the extent one or more of these actions are ultimately decided against Carrington, it could impair our ability to meet our contractual commitments to clients.

Carrington and certain affiliates of Carrington (the “Carrington Defendants”) are defendants in two matters based on alleged misstatements or omissions relating to the sale of certain mortgage pass-through certificates. One, filed by IKB International S.A. In Liquidation and IKB Deutsche Industriebank AG, is pending against the Carrington Defendants along with various other nonaffiliated entities in the Supreme Court of the State of New York after being transferred there from the United States District Court for the Southern District of New York in September 2014. The other, filed by Bayerische Landesbank and Bayerische Landesbank, New York Branch (together, “Bayerische”), is also pending in the Supreme Court of the State of New York (the “Bayerische Matter”). The Bayerische Matter was initially filed against the Carrington Defendants along with various other nonaffiliated entities, who have since settled with Bayerische since the initial filing. The Carrington Defendants intend to vigorously defend their interests in these matters.