

RFFM

Resource Financial Fund Management, LLC

ITEM 1: COVER PAGE

**FORM ADV
UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION
PART 2A: FIRM BROCHURE**

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DATE OF BROCHURE: MARCH 27, 2019

This Brochure provides information about the qualifications and business practices of Resource Financial Fund Management, LLC (“**RFFM LLC**”), as well as Ischus Capital Management, LLC (“**Ischus**”) and Resource Financial Institutions Group, LLC (“**RFIG**”) that are considered “relying advisers” in accordance with Form ADV’s General Instructions (such subsidiaries, together with RFFM, collectively, “**RFFM**”). If you have any questions about the contents of this Brochure, please contact Lawrence S. Block, RFFM’s Chief Compliance Officer, directly at (212) 705-5090 or by e-mail at lblock@resourceamerica.com.

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.

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

Registration as an investment adviser does not imply a certain level of skill or training.

ITEM 2: MATERIAL CHANGES

This Brochure updates RFFM's previous Brochure dated April 26, 2018 as follows:

1. Updates the name of "Resource Capital Manager, Inc.," an affiliate of RFFM, to "Exantas Capital Manager Inc." ("XCM");
2. Updates the name of "Resource Capital Corp.," a publicly-traded REIT managed by XCM, to "Exantas Capital Corp."; and
3. Updates RFFM's AUM as of December 31, 2018.

The information set forth in this Brochure is qualified in its entirety by reference to the Governing Documents for the Funds or CDOs, as defined herein. In the event of a conflict between the information set forth in this Brochure and the information set forth in the Governing Documents for the Funds or CDOs, the Governing Documents shall take precedence.

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ITEM 4: ADVISORY BUSINESS

A. BACKGROUND

Resource Financial Fund Management, LLC (“**RFFM LLC**”), formerly known as Resource Financial Fund Management, Inc., is a wholly-owned subsidiary of Resource America, Inc. (“**RAI**”), a specialized asset management company that manages, and seeks to develop, investment vehicles for which RAI and its subsidiaries, affiliates, and joint ventures provide investment and asset management services, including, but not limited to, (i) a publicly traded REIT that invests in real estate and real estate related debt and/or equity investments, (ii) public non-traded REITs that invest in real estate and real estate-related debt and/or equity investments, (iii) investment companies registered under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), (iv) private investment vehicles that invest in real estate and real estate-related debt and/or equity investments and (v) securitization vehicles.

RAI is a wholly-owned subsidiary of C-III Capital Partners LLC (“**C-III Parent**”), a Delaware limited liability company. C-III Parent was formed in 2010 and owns a number of operating entities that are engaged in the business of owning, controlling, operating, managing, servicing, and providing other services related to real estate and real estate-related assets. C-III Parent is controlled, indirectly, by Island Capital Group LLC (“**ICG**”), a Delaware limited liability company of which Andrew L. Farkas is the managing member. ICG is a private real estate merchant banking firm formed in 2003.

B. TYPES OF ADVISORY SERVICES OFFERED

RFFM LLC is primarily engaged in the business of providing portfolio management services to the issuers of collateralized debt obligations (“**CDO**”) through its ownership of its wholly-owned subsidiary, Ischus Capital Management, LLC (“**Ischus**”), a Delaware limited liability company. RFFM also provides advisory services to collective investment vehicles (each such vehicle, a “**Fund**”) through its ownership of its wholly-owned subsidiary, Resource Financial Institutions Group, LLC (“**RFIG**”), formerly known as Resource Financial Institutions Group, Inc.

The CDOs and Funds managed by Ischus and RFIG, respectively, are referred to collectively herein as “**Clients**”. *See also Item 7 infra.*

RELYING ADVISERS

Ischus provides investment advisory services to CDOs that invest primarily in mezzanine asset backed securities (“**ABS**”), residential mortgage backed securities (“**RMBS**”), commercial mortgage backed securities (“**CMBS**”), and structured finance securities (“**CDO Securities**”). CDOs managed by Ischus are closed to new investors and do not make new portfolio investments.

RFIG is primarily engaged in the business of providing portfolio management services to Funds that hold equity and debt investments issued by privately and publicly held banks, thrifts and other financial services entities, including distressed banks and thrifts. Funds managed by RFIG are closed to new investors and do not make new portfolio investments.

C. INVESTMENT GUIDELINES AND PARAMETERS

Investment advisory services provided by RFFM are conducted pursuant to the terms of (i) a collateral management agreement (“**CMA**”) and trust indenture (“**Indenture**”) in the case of CDOs, and (ii) a limited partnership agreement (“**LPA**”) in the case of Funds (the CMAs,

Indentures and LPAs are collectively referred to herein as “**Governing Documents**”). These Governing Documents set forth the specific services that will be provided by RFFM on behalf of each Client. Each Client for which RFFM provides investment advisory services may impose limitations on the types of securities in which RFFM may invest. In particular, each CDO for which RFFM provides investment advisory services is governed by an Indenture which places significant restrictions on the types of securities that may be purchased on behalf of the CDO.

D. WRAP FEE PROGRAMS

RFFM does not participate in wrap fee programs.

E. CLIENT ASSETS UNDER MANAGEMENT

As of December 31, 2018, RFFM had \$74,035,462 of assets under management. Of this amount, \$14,960,992 is managed on a discretionary basis.

ITEM 5: FEES AND COMPENSATION

A. COMPENSATION

Ischus receives collateral management fees (in the form of base management fees and subordinated management fees) of between 0.10% to 0.35% of the collateral balance of a CDO (as specified in such CDO’s Governing Documents) as follows:

- Ischus receives base management fees of between 0.10% to 0.20% of a CDO’s assets under management; and
- Ischus may also receive a subordinated collateral management fee of between 0.10% and 0.20% of the Asset Amount for such Distribution Date, payable quarterly or monthly, as set forth in the applicable CMA.

(Capitalized terms set forth above not defined herein have such meanings as set forth in the applicable Governing Documents.)

Ischus may also receive an incentive management fee of 20% of a CDO’s distributions per annum above a pre-determined hurdle rate, payable when the equity class of securities of the CDO has achieved a specified return on investment, as set forth in the applicable Indenture.

RFIG receives management fees of between 0.75% and 2% of a Fund’s assets under management. RFIG may also receive a performance fee from a Fund of 20% of a Fund’s returns payable only when such Funds have achieved a specified return on investment, in accordance with Rule 205-3 promulgated under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Notwithstanding the foregoing, for a Fund that has been extended beyond its contemplated term, RFIG does not charge a management fee.

B. PAYMENT OF FEES

All fees attributable to CDOs managed by Ischus are paid to Ischus by the CDO’s independent trustee either monthly or quarterly in accordance with the terms of the applicable Indenture. Management fees attributable to CDOs are calculated by an independent trustee and confirmed by Ischus.

Management fees and performance fees attributable to Funds managed by RFIG are paid quarterly and annually, respectively, to RFIG by the Fund or an independent third party custodian following the submission of an invoice for such fees to the Client or its custodian.

C. ADDITIONAL COSTS AND EXPENSES

Other costs and expenses payable by a Client generally include (i) costs and expenses incurred in connection with the organization and formation of the Client and its related entities (including such fund's general partner or managing member, any related investment vehicle (such as a special purpose vehicle), and other related entities organized by the fund's general partner or its affiliates) and the offering of the interests therein, including, without limitation, legal and accounting fees and expenses; printing costs; filing fees; and (ii) costs and expenses of maintaining the operations of the Client and maintaining, acquiring, financing, hedging and disposing of its investments (to the extent not paid for or reimbursed by such investment); taxes; fees and other governmental charges levied against the Fund; insurance costs (including, without limitation, with respect to indemnifiable liabilities, allocable portions of premiums for errors and omissions and directors and officers liability insurance for employees, officers and managers of the Fund, its general partner and investment manager); administrative fees and expenses (including maintaining the books and records of a Fund); research fees (including data and information service subscriptions, related system and services from data providers and data management software); fees for outside services (including valuation and pricing services); expenses of custodians, outside advisors, counsel, accountants, auditors, administrators and other consultants and professionals; expenses associated with forming and operating any related investment vehicle; technological expenses; data services, financial modeling software and financial modeling services; bridge financing expenses (which may be payable to RFFM or an affiliate); travel expenses (including, without limitation, expenses for chartered or first class travel, and meals and entertainment expenses);; brokerage commissions; custodial expenses; litigation expenses (including the amount of any judgments or settlements paid in connection therewith); liquidation expenses; expenses incurred in connection with any tax audit, investigation, settlement or review; the costs of any services provided by the Fund's general partner or its affiliates (to the extent provided for in a Fund's Governing Documents); expenses associated with the preparation and distribution of reports, financial statements, tax returns and K-1s to the Fund's investors; indemnification and other unreimbursed expenses; and any extraordinary expenses to the extent not reimbursed or paid by insurance. Information regarding a Client's fees and expenses, and other important information regarding an investment in such Client, are set forth in the documents provided to such Client's eligible prospective investors.

Other costs and expenses payable by a CDO generally include (i) fees and expenses of the advancing agent, trustee, paying agent, calculation agent, administrator and registrar, (ii) fees, expenses and amounts due or accrued and payable to the independent accountants, agents and counsel, (iii) taxes, registered office and governmental filing, registration and annual return fees and (iv) expenses of rating agencies. Information regarding a CDO's fees and expenses, and other important information regarding an investment in such CDO, are set forth in the Governing Documents and the offering and other documents provided to such CDO's eligible prospective investors.

Costs and expenses applicable to a particular Client (e.g., legal, insurance, audit, tax, reporting or consulting) are generally paid by such Client, provided the Client's Governing Documents permit the payment of such fees and expenses. Certain fees, costs and expenses (e.g., research services, valuation, insurance, technology expenses and the cost of financial modeling and services) may be incurred for the benefit of more than one Client, or a Client and RFFM, and are allocated (and may in the future be allocated) to more than one Client, or to a Client (or more than one Client)

and to RFFM or its affiliates, in each case in a manner that RFFM believes to be fair and equitable, subject to any requirements or restrictions provided in the Clients' Governing Documents regarding the allocation and payment of such fees, costs and expenses.

D. REFUNDS FOR FEES CHARGED IN ADVANCE

Ischus does not require CDOs to pay fees in advance.

Funds managed by RFIG are required to pay management fees quarterly in advance of the calendar quarter. If an investor in a Fund redeems that interest during the quarter (as opposed to the end of one), the investor is not entitled to his, her or its pro-rata share of unearned management fees.

E. SUPERVISED PERSONS

Neither RFFM nor any of its Supervised Persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or other fees from the sale of mutual funds.

ITEM 6: PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT

RFFM (through Ischus and RFIG) charges both asset-based fees and performance-based fees (fees based on a share of capital gains on or capital appreciation of assets) to certain Clients as indicated in the above fee schedule. Further, RFFM LLC's, Ischus' and/or RFIG's Supervised Persons may manage other accounts to which performance fees are charged. *See also Item 5.A. above.*

Performance-based compensation arrangements may create an incentive for (i) RFFM to recommend or approve investments that are riskier or more speculative than those that would be recommended or approved under a different fee arrangement, (ii) RFFM to favor Client accounts paying performance-based compensation at a higher rate (or a higher effective rate) over other accounts in the allocation of investment opportunities, either of which would create a conflict of interest for RFFM and its affiliates or (iii) RFFM to hold or take the opposite position in a security for a Client that charges a performance-based fee in accordance with those accounts' investment objectives, strategies and restrictions from a Client that does not charge a performance-based fee. However, those potential incentives and conflicts of interests are mitigated by the fact that all RFFM Clients are outside of the reinvestment periods set forth in their Governing Documents and do not make new investments.

ITEM 7: TYPES OF CLIENTS

RFFM provides portfolio management services through its ownership of Ischus and RFIG.

Ischus provides investment advisory services to the following CDOs: CODA CDO 2007-1, Ltd. GSC ABS CDO 2006-4U, Ltd., Ischus CDO I, Ltd., Ischus Synthetic ABS CDO 2006-2, Ltd. and Summer Street 2005-1, Ltd.

RFIG serves as the General Partner and provides investment advisory services to the following Funds, each of which is a pooled investment vehicle for investors that are "accredited investors" and "qualified purchasers" as defined in Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**"), and the Investment Company Act, respectively: Compass Island Investment Opportunities Fund A, LP; Compass Island Investment Opportunities Fund C, LP; Compass Island Partners A, L.P.; Compass Island Partners, L.P.; Cradle Cove Investment Opportunities Fund, L.P.; Cradle Cove Partners II, L.P.; and Cradle Cove Partners, L.P. Each Fund is a limited partnership organized under the laws of the State of Delaware. Interests in the Funds were offered to qualified investors solely on a private placement basis

in accordance with Regulation D under the Securities Act. The Funds are exempt from registration as an investment company in accordance with Section 3(c)(1) or 3(c)(7) of the Investment Company Act, respectively.

For each Fund, an investor in such Fund executes agreements with the applicable Fund (either directly or by executing a subscription agreement for such Fund) in connection with its investment. An investor is not permitted to withdraw or redeem from a Fund prior to its dissolution, except as provided in the Fund's Governing Documents.

As of the date of this Brochure, neither RFFM, Ischus nor RFIG are actively soliciting new Clients or investors.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investing in securities involves risk of loss that Clients should be prepared to bear.

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

In analyzing investments, RFFM employs a fundamental analysis of each investment in which it invests on behalf of its Clients. RFFM analysts review a variety of sources for information on portfolio companies including, but not limited to, financial newspapers and magazines; inspections of and meetings with portfolio companies; third party research materials; corporate rating services; company press releases; and corporate regulatory filings. Offering memoranda for each CDO and Fund managed by RFFM contain specific disclosures on the risk of loss which clients should be prepared to bear. RFFM investment programs are illiquid and are only suitable for investors prepared to hold such investment for an indefinite period of time. Further, there is no guarantee that any investment program managed by RFFM will be successful, that its investment objectives will be achieved, that investors will receive their initial investments under the investment program or that they will receive any return (or avoid any loss, including total loss) on their investment. Notwithstanding the foregoing, the reinvestment period for each of the Funds managed by RFFM has expired and therefore RFFM does not make any new investments on behalf of the Fund.

B. MATERIAL RISKS

Investments by a Client, or an investment in a Client, is speculative and involves a high degree of risk.

RFFM generally seeks, on behalf of its Clients, to generate total investment return through a combination of both current income and capital appreciation and employs a long bias.

Below is a summary of certain risks associated with investments by a Client and an investment in a Client. Clients and investors in Clients should refer to the risk factors in each Client's Governing Documents for a more complete description of the risks associated with investments made by a Client. The risks described below and in each Client's Governing Documents could adversely affect a Client's business, the value of a Client's investments and the return to a Client. No guarantee or representation is made that a Client will achieve its investment objectives, goals or targeted returns, or that a Client will receive a return of its capital. There is no certainty of return with respect to any such investment and a Client should be able to withstand a total loss of its investment. The following discussion does not purport to be an exhaustive explanation of all of the risks and significant considerations involved, and each prospective Client should consult with its own advisors.

GENERAL RISKS

Interest Rate Risk

RFFM, on behalf of its Clients, generally invests in a combination of floating rate and fixed income securities. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The value of equity securities is also affected by changes in interest rates. RFFM may or may not attempt to minimize the exposure of the portfolio to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. Even if RFFM does attempt to do so, there can be no guarantee that it will be successful in mitigating the impact of interest rate changes.

Leverage

RFFM may, on behalf of its Clients, utilize leverage through margin borrowing and through certain financial transactions. Leverage increases returns to Clients if the Client earns a greater return on leveraged investments than the Client's cost of such leverage. However, the use of leverage exposes the Client to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Client not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions, (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Client's cost of leverage related to such investments, and (iv) fluctuations in interest rates on the Client's borrowings, which may have a negative effect on the Client's profitability. In case of a sudden, precipitous drop in value of a Client's assets, the Client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Client.

Investing in Non-U.S. Assets

RFFM may, on behalf of its Clients, invest in Non-U.S. Assets. Investing in securities issued outside of the United States involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend, interest or other payments) or confiscatory taxation may also affect investment in non-U.S. securities. Higher expenses may result from investment in non-U.S. securities than would from investment in U.S. securities because of the costs that must be incurred in connection with conversions between various currencies and foreign brokerage commissions that may be higher than the United States. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Investments in non-U.S. countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Currency Risks

Investments in securities or other instruments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level

of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Lack of Liquidity, Valuation

A Client's assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments. Securities to be held by Clients may routinely trade with bid-ask spreads that may be significant. At times, third-party pricing information may not be available for certain positions held by the Client. RFFM is entitled to rely, without independent investigation, upon pricing information and valuations furnished to RFFM by third parties, including any independent third party pricing services selected by RFFM.

Credit Ratings

Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating assigned to any corporate debt obligation is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such corporate debt obligation. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of any corporate debt obligation should be used only as a preliminary indicator of investment quality and should not be considered a completely reliable indicator of investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time, with material adverse effects upon the corporate debt obligation. It is possible that many credit ratings of assets included in or similar to the corporate debt obligation will be subject to significant or severe adjustments downward.

Cybersecurity Risk

RFFM, RAI, C-III Parent, the Clients' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the investors in the Clients, despite the efforts of RFFM, RAI, C-III Parent and such service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to investors in the Client. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of RFFM, RAI, C-III Parent, the Clients' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of RFFM's, RAI's or C-III Parent's systems to disclose sensitive information in order to gain access to RFFM's, RAI's or C-III Parent's data or that of clients or the Clients' investors. A successful penetration or circumvention of the security of RFFM's, RAI's or C-III Parent's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or

network system or costs associated with system repairs. Such incidents could cause RFFM, RAI, C-III Parent Clients, the investors of the Clients or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

RISK OF MANAGING MULTIPLE CLIENT ACCOUNTS IN THE SAME OR SIMILAR STRATEGY

RFFM manages (and may in the future manage) multiple Client accounts in the same or similar strategy at the same time on a *pari passu* basis, notwithstanding that one Client may have different interests (including, among other things, different investment restrictions or limitations) than another Client. A Client's Governing Documents and/or Investment Advisory Agreement will set forth RFFM's duties and obligations to each such Client, and may provide that RFFM will consider only the interests of one Client (and will not independently consider the interests of other Client(s)) in any analyses or decisions even though the interests of one Client may differ from the interests of the other Client(s). For example, RFFM's decision to buy, hold or sell an investment for one Client may be influenced by the opportunity for such Client to (i) leverage its investments, (ii) receive a share of certain special servicing fees or (iii) employ hedging strategies, some or all of which may not apply to other Client(s). As a result, the returns of such other Client(s) may be substantially different than if RFFM was making investment decisions solely based on the interests of such Client(s). C-III Parent has adopted and implemented policies and procedures that, among other things, seek to ensure that investment opportunities are allocated in a manner that is consistent with the relevant Governing Documents and on an otherwise fair and equitable basis (the "**Allocation Policies and Procedures**").

POSSESSION OF NONPUBLIC INFORMATION

RFFM, its affiliates, employees and Supervised Persons may from time to time obtain, or be deemed to possess, nonpublic information regarding certain issuers or other investment opportunities. For example, RFFM, may, or may be deemed to, have nonpublic information regarding the underlying assets in the CMBS trusts and CRE-CDO issuers for which an affiliate serves as special servicer, which information may be material. C-III Parent does not currently maintain information barriers across most of its businesses, and such nonpublic information may be deemed to be possessed by C-III Parent more generally. C-III Parent has adopted and implemented policies and procedures for itself, its affiliates' Clients and its employees and Supervised Persons with respect to purchasing and selling securities while in possession of nonpublic information. Nonetheless, a Client may face, as a result of securities laws prohibition on trading on the basis of material nonpublic information, certain restrictions on its ability to pursue a transaction. In addition, a Client may enter into a transaction involving securities, participations, assignments or other investments in which it may be deemed to be in possession of material nonpublic information. In connection with these transactions, RFFM and a Client generally will seek to enter into letter agreements with counterparties and/or intermediaries generally stating that the parties to a particular transaction have reviewed, or declined to review the nonpublic information in possession of C-III Parent or an affiliate, and are entering into such transaction notwithstanding a possible information disparity and its potential effect on the value of the assets involved in such transaction (such letter agreements are typically referred to as "big boy" letters). "Big boy" letters are intended to limit liability for fraud under U.S. federal securities laws, state securities laws and the common law, but the jurisprudence related to "big boy" letters continues to evolve and there can be no assurance that a Client's use of a "big boy" letter in the course of its investment activities will avoid civil or other liability.

GENERAL MARKET RISKS

A Client's strategy may be based, in part, upon the premise that real estate and real estate-related businesses and assets will be available for purchase by such Client at prices that RFFM considers favorable. Further, a Client's strategy may rely, in part, upon local market recoveries continuing during the term of such Client. No assurance can be given that real estate and real estate-related businesses and assets can be acquired at favorable prices or that the market for such assets will recover or continue to improve, as the case may be, since this will depend, in part, upon events and factors outside the control of RFFM.

General Economic, Political and Regulatory Conditions

General economic, political or regulatory conditions may affect a Client's activities. Interest rates, general levels of economic activity, the price of securities, availability and terms of credit, changes in laws, regulatory interventions and changes in regulations, changes in fiscal policies, trade barriers, commodity prices, currency exchange rates and controls, national and international political circumstances and participation by other investors in the financial markets may affect the value and number of investments made by a Client or considered by a Client for prospective investments. A Client's investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of a Client's investments. No assurances can be given as to the effect of these economic, political or regulatory conditions on a Client's investment objectives.

The recent change in the U.S. presidential administration has increased uncertainty regarding future political, legislative or administrative changes that may impact RFFM, the Clients and their investments, and the range and potential implications of possible outcomes are difficult to predict. Such uncertainty may have an adverse effect on, or cause volatility in, the U.S. or global economies and currency and financial markets in the short or long term, which in turn could have a material adverse effect on the performance of a Client's investments. In addition, such changes could impact the regulations applicable to RFFM, the Clients, or their investments. While certain of such changes could have a beneficial impact, other changes may more beneficially impact competitors, or could adversely impact RFFM, the Clients or their investments.

U.S. Financial Systems

Events over the course of the past years in the subprime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the mezzanine debt, structured credit and high-yield bond markets, as well as in the wider global financial markets. The scale of the credit freeze starting in mid-2008 shook investor, consumer and corporate confidence to the point that macroeconomic fundamentals turned significantly downward. This downturn resulted in high-profile bankruptcies, government seizures and forced mergers/acquisitions transactions, among other broad effects of fundamental deterioration. In addition, the turmoil in the financial system had an adverse impact on the availability of credit to businesses generally and has led to an overall weakening of global economies. Any such future events in the marketplace may materially restrict the ability of a Client to sell or liquidate investments at favorable times or for favorable prices. In particular, a Client's investment strategy with respect to its investments may rely in part on the stabilization or improvement of the conditions in the global economy generally and credit markets specifically. In the event of another market deterioration, the value of a Client's investments may be significantly reduced.

Also, RFFM's ability to generate attractive investment returns for its Clients and investors in its Clients may be materially and adversely affected to the extent such Client intends, but is unable, to obtain favorable financing terms for its investments. Because certain Clients invest (and may in the future invest) in subordinated debt instruments, they are at greater risk of losing the entire value of such investments than if it invested in senior debt instruments.

CONFLICTS OF INTEREST

Broad and Wide-Ranging Activities

Affiliates of RFFM engage in a broad spectrum of activities, including, but not limited to, financial advisory services, underwriting, financing, capital markets, special and primary commercial loan servicing, sponsoring and managing private investment funds, separate accounts, managing and administering CRE-CDOs, real estate services and other activities. In the ordinary course of its business, RFFM engages in activities where its interests or the interests of its affiliates may conflict with the interests of its Clients.

Affiliate (Principal or Cross) Transactions

RFFM generally does not engage in transaction in which certain Clients acquire investments from, and/or sell investments to, RFFM, its affiliates or other advisory Clients. Notwithstanding the foregoing, if RFFM does engage in such activities in the future, all such transaction shall be done in accordance with the Advisers Act and such Clients' Governing Documents. See Item 11 below for more information regarding such transactions.

Other Activities of RFFM

Except as limited by a Client's Governing Documents, RFFM and its directors, members, partners, shareholders, officers, employees, agents and affiliates (collectively, the "**Affiliated Parties**") are and may conduct any other business, whether or not such business is in competition with a Client. Without limiting the generality of the foregoing, the Affiliated Parties are or may in the future act as investment adviser or investment manager for others, are or may in the future manage funds, separate accounts or capital for others and are or may in the future serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms (such other entities, "**Affiliated Investment Entities**"). Such Affiliated Investment Entities have or may in the future have investment objectives or implement investment strategies similar to or different from those of a Client and/or make the same type of investments as a Client. There is no limit to the number of Affiliated Investment Entities that may exist now or in the future.

In addition, the Affiliated Parties, through other investments, including other Affiliated Investment Entities, own, bid for or sell interests in the securities or own, bid for or sell interests senior to or subordinate to securities in which a Client invests (or may do so in the future), as well as interests in investments in which such Client does not invest, and in some cases the Affiliated Parties are or may in the future engage in transactions directly with a Client, provided that such Client will not acquire assets from or sell assets to RFFM, its affiliates or Clients, except in accordance with such Client's Governing Documents and the Advisers Act. Any bid by an Affiliated Party on investments held by a Client may have an adverse impact on the price of such investments. The Affiliated Parties also have (or may in the future have) investments in their own names and in certain of the entities managed by the Affiliated Parties. The Affiliated Parties give advice or take action with respect to such other Affiliated Investment Entities (or may do so in the future) that differs from the advice given with respect to a Client. Furthermore, RFFM may determine, in its

sole and absolute discretion, not to pursue certain transactions or potential investments on behalf of a Client because of its other businesses or relationships between one or more Affiliated Parties and Affiliated Investment Entities.

RFFM may make exceptions to these general policies when other circumstances make application of the policies inequitable or uneconomic.

Conflicts of Interest Involving a Client's and RFFM's Investment Committees, Acquisitions Team and/or the Allocation Committee

A Client's and/or RGIF's and/or Ischus' Investment Committee may be comprised of the same persons (or largely the same persons) who may also serve on the Investment Committee and/or acquisitions team for Affiliated Investment Entities, each of which may have investment objectives similar to those of the Client.

Members of a Client's and/or RGIF's and/or Ischus's Investment Committee may have (i) direct investments in the Client, or be entitled to receive a portion of the "carried interest" held by the Client's general partner or have other direct or indirect financial incentives with respect to the performance of the Client, (ii) direct investments in Affiliated Investment Entities (or be entitled to a "carried interest" in such vehicles held by the general partners, managing members, or other managing entities thereof) or other direct or indirect financial incentive with respect to the performance of such Affiliated Investment Entities, (iii) direct or indirect investments in C-III Parent (including incentive equity units), or (iv) other direct or indirect financial incentives with respect to the performance of C-III Parent, or investment vehicles that have invested in C-III Parent. Moreover, members of a Client's and/or RGIF's and/or Ischus's Investment Committee may receive compensation (including discretionary bonuses and other incentive compensation) from C-III Parent that may be based, among other things, on the profitability of C-III Parent and its affiliates and the Client. Accordingly, members of such Investment Committee have conflicts of interest with respect to the acquisition, disposition, investment, management and/or allocation decisions for the Client, although the Client, C-III and C-III Parent maintain investment, allocation, conflicts of interest and other policies and procedures intended to mitigate such conflicts.

Additional Compensation to RFFM and its Affiliates

RFFM and its affiliates are engaged in a number of real estate and other services businesses. As discussed in Item 5 above, Clients engage (and may in the future engage) RFFM affiliates for various services. RFFM and its affiliates may receive substantial fees from its Clients, which fees will not be negotiated at arm's length. These fees could influence RFFM's advice to its Clients, as well as the judgment of affiliates of RFFM, some of whom also serve as executive officers and directors and the key real estate professionals of RFFM.

Transactions with Strategic Investors

RFFM and its affiliates, including Clients, have engaged (and may in the future engage) in transactions, including co-investment opportunities and joint venture arrangements with respect to real estate equity and debt investments, with a Client, an investor in C-III Parent or other affiliate, a joint venture partner in another real estate equity investment or others with which RFFM and/or its affiliates has (and may in the future have) a current or prior relationship (collectively, "**Strategic Investors**"). Moreover, certain Strategic Investors may provide services (e.g., as operating advisor, property manager or otherwise) to real estate equity investments owned by certain Clients.

Conflicts of Interest Involving Unaffiliated Investors in a Client that Are Investors in C-III Parent and/or Affiliated Investment Entities

Certain unaffiliated investors in a Client may also be direct or indirect investors in C-III Parent and/or Affiliated Investment Entities. Those relationships may create a conflict of interest with other unaffiliated investors in a Client who do not have existing relationships with C-III Parent or its affiliated entities. Neither RFFM nor any of its affiliates will provide any undisclosed benefit(s) to any investor in a Client who has any other relationship with C-III or its affiliates at the expense of other investors in such Client due to such other relationship. Notwithstanding the foregoing, RFFM and the Client may, in accordance with the Client's Governing Documents, provide additional rights to investors through Side Letters that do not result in any detriment to investors in such Client.

Gifts and Events

In order to provide quality service, RFFM establishes, maintains and enhances relationships with professionals in the real estate industry, such as attorneys, consultants, title companies and other service providers and professionals (collectively, "**Relationship Parties**"). RFFM, its employees and affiliates may from time to time invite, or be invited by, Relationship Parties to participate in activities, such as meals, conferences, sporting events, concerts, golf and other outdoor outings and other entertainment and recreational activities, and may give or receive gifts related to attendance or participation in such activities (collectively, "**Events**"). RFFM's subsequent selection and retention of such Relationship Parties as service providers could be viewed as a form of reimbursement for attending such Events, and RFFM may have an incentive to select service providers based on the expectation of receiving gifts or invitations to future Events. Notwithstanding that potential conflict of interest, RFFM has adopted policies and procedures designed to help prevent any Event from influencing its decision to hire or retain a service provider or to engage in any transaction on behalf of a Client. RFFM's policies and procedures require gifts and entertainment valued in excess of certain thresholds to be pre-approved in writing by its Chief Compliance Officer. For more information regarding policies, procedures, prohibitions, reporting obligations and pre-clearance requirements, including prohibitions on giving meals, gifts and/or entertainment from or to independent auditing firms, please see Item 11 below.

C. RISK ASSOCIATED WITH PARTICULAR INVESTMENTS

CDOs for which RFFM provides investment advisory services invest primarily in ABS; CMBS; CDO Securities; and synthetic securities. Funds managed by RFFM primarily hold equity and debt investments in financial institutions. Material risks associated with these investment programs are more fully explained in the Governing Documents of each investment program and may include the following:

Below Investment-Grade Assets

Assets managed on behalf of Clients may consist of non-investment grade securities, which generally have greater credit, insolvency and liquidity risk than investment-grade assets. The lower rating of such securities reflects a greater possibility that adverse changes in the financial condition of the obligor or general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings or disruptions in the financial markets) or both may impair the ability of the obligor to make payments of principal and interest. Below investment-grade securities have historically experienced greater default rates than has been the case for investment grade securities.

Structured Finance Securities

Clients may invest in special purpose vehicles organized and operated for the purpose of restructuring the investment characteristics of other debt securities. These investment vehicles will typically issue equity or subordinated debt securities that are collateralized by the vehicles' investments in particular asset classes, which may include residential mortgages, commercial mortgages, corporate loans or bonds, and other assets. The cash flow on the underlying instruments may be apportioned to create securities with different investment characteristics, such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to such securities is dependent on the extent of the cash flow on the underlying instruments.

Exposure to structured finance securities entails various risks: credit risks, liquidity risks, prepayment risks, interest rate risks, market risks, operations risks, structural risks, geographical concentration risks, basis risks and legal risks. Structured finance securities may also be subject to the risk that a servicer fails to perform. Structured finance securities are subject to risks associated with their structure and execution, including the process by which principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in such structured finance securities, whether the collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the structured finance instrument) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such structured finance securities.

The investment characteristics of structured finance securities differ from traditional debt securities. For example, mortgage-backed securities ("MBS") typically have interest and principal prepayments that are made monthly during the term of the mortgage loan, and principal prepayments may be made at any time. Faster or slower prepayments of the underlying mortgages can vary the yield of MBS and early repayment may lead to a reduced return rate on the reinvestment of principal. Prepayment rates of the underlying mortgages may affect the price and volatility of MBS, and may vary the anticipated maturity of the security. Prepayments also decrease the period of time during which income is received at a higher rate.

The value of structured finance securities generally fluctuates with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related instrument, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Structured finance securities may be subject to redemption, which may adversely affect payments and returns to holders of such securities. Such investments may be speculative.

The lower ratings of high-yield securities and below investment grade loans held by collateralized loan obligations ("CLOs") reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Other asset-backed securities may have underlying assets that include automobile loans, credit card receivables and student loans. The risk of investing in such securities is ultimately dependent upon payment of consumer loans by the debtors.

Legislative or regulatory action taken by governmental or regulatory bodies in the United States and elsewhere may negatively impact the liquidity and value of structured finance securities.

Residential Mortgage Assets

Holders of residential mortgage assets bear various risks, including credit, market, interest rate, structural and legal risks. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and with the resulting securities issued being guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the mortgaged property is located, the terms of the mortgage loan, the borrower's "equity" in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be limited. Investments in residential mortgage assets may experience losses or reduced yield if, for example, (i) the borrower of an underlying residential mortgage loan defaults or is unable to make payments, (ii) the underlying residential mortgage loans are prepaid, (iii) there is a general decline in the housing market, or (iv) violations of particular provisions of certain federal laws by an issuer of RMBS limit the ability of the issuer to collect all or part of the principal of or interest on the related underlying loans.

Commercial Mortgage Assets

Most commercial mortgage loans underlying CMBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related CMBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of CMBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to a commercial mortgage and any related CMBS.

Revenues from the assets underlying such CMBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow.

Mortgage loans on commercial properties often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default.

Asset-Backed Securities

Asset-Backed Securities (including Residential ABS Securities) are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from, or market value of, a specified pool of financial assets, either fixed or revolving, that by their terms convert into

cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities.

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

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

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

more senior securities have been paid in full. As a result, a shortfall in payments to subordinate investors in Asset-Backed Securities will generally not result in a default being declared on the transaction and the transaction will not be restructured or unwound.

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

Residential ABS Securities

Residential ABS Securities are, generally, ownership or participation interests in pools of mortgage loans secured by one-to-four family residential properties. Residential ABS Securities are subject to various risks. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral and the servicer's failure to perform. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited. At any one time, a portfolio of Residential ABS Securities may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called "jumbo" mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of Residential ABS Securities may experience increased losses.

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

those charged for conforming mortgage loans. The combination of different underwriting criteria and higher rates of interest may also lead to higher delinquency, foreclosure and losses on non-conforming mortgage loans as compared to conforming mortgage loans.

Each underlying residential mortgage loan in an issue of Residential ABS Securities may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than fully-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of Residential ABS Securities may experience losses.

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

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

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

Residential ABS Securities owned by Clients may be subordinated to one or more other senior classes of securities of the same series for purposes of, among other things, offsetting losses and other shortfalls with respect to the related underlying mortgage loans. In addition, in the case of certain Residential ABS Securities, no distributions of principal will generally be made with respect to any class until the aggregate principal balances of the corresponding senior classes of

securities have been reduced to zero. As a result, the subordinate classes are more sensitive to risk of loss and write-downs than senior classes of such securities.

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

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

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

- (1) the Federal Truth in Lending Act and Regulation Z promulgated under the Truth in Lending Act, which require particular disclosures to the borrowers regarding the terms of the loans;
- (2) the Equal Credit Opportunity Act and Regulation B promulgated under the Equal Credit Opportunity Act, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;
- (3) the Americans with Disabilities Act, which, among other things, prohibits discrimination on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of any place of public accommodation;
- (4) the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience;
- (5) the Home Ownership and Equity Protection Act of 1994, which regulates the origination of high cost loans;
- (6) the Depository Institutions Deregulation and Monetary Control Act of 1980, which preempts certain state usury laws; and

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

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

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

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

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

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

Most or all of the loans underlying the Residential ABS Securities or other Asset-Backed Securities may be prepaid at any time. Defaults on and liquidations of the loans underlying the Residential ABS Securities or the other Asset-Backed Securities may also lead to early repayment thereof. Prepayments on loans are affected by a number of factors. If prevailing rates for similar

loans fall below the interest rates on such loans, prepayment rates would generally be expected to increase. Conversely, if prevailing rates for similar loans rise above the interest rates on such loans, prepayment rates would generally be expected to decrease.

Residential ABS Securities in which Clients may invest are subject to available funds caps or other caps on the interest rate payable to holders of such securities. The effect of such caps is to reduce the rate at which interest is paid to the holders of such securities (including Clients).

High Yield Securities

Clients, may invest in bonds or other fixed income securities, including without limitation, commercial paper and “higher yielding” (and, therefore, higher risk) debt securities, when RFFM believes that such securities offer opportunities for profit. Such securities may be below investment grade and face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. The market values of certain of these lower-rated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. It is likely that a major economic recession or an environment characterized by a shortage of liquidity could disrupt severely the market for such securities and may have an adverse impact on their value or liquidity. Moreover, it is likely that any such economic downturn or liquidity squeeze could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities. The market for lower-rated securities can be less liquid than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold.

CDO Securities

CDO Securities generally are limited recourse obligations of the issuer thereof (“**CDO Issuer**”) payable solely from the underlying assets of the issuer (“**CDO Collateral**”) or proceeds thereof. Consequently, holders of CDO Securities must rely solely on distributions on the underlying CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the underlying CDO Collateral are insufficient to make payments on the CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency shall be extinguished. As a result, the amount and timing of interest and principal payments will depend on the performance and characteristics of the related CDO Collateral.

Each CDO Security will involve risks specific to the particular CDO Security and its CDO Collateral. The value of the CDO Securities generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the CDO Collateral, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

CDO Collateral may consist of loans to borrowers generally rated below investment grade, Asset-Backed Securities and other debt instruments. High yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower rating of high yield securities and below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer, general economic

conditions or both may impair the ability of the issuer to make payments of principal or interest. Such investments may be speculative. An increase in the default rates of high yield corporate loans could increase the likelihood that payments may not be made to holders of CDO Securities which are secured by high yield corporate loans.

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

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

In purchasing participations, a CDO Issuer will usually only have a contractual relationship with the selling institution, and not the borrower. The CDO Issuer generally will have no right to directly enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The CDO Issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States of America and the states thereof, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the CDO Issuer may be subject to the credit risk of the selling institution as well as of the borrower.

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

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

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

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

Synthetic Securities

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

In no event should this Brochure be considered to be an offer of interests in the Funds or relied on in determining to invest in the Funds. It is also not an offer of, or agreement to provide, advisory services directly to any recipient of the Brochure. Rather, this Brochure is designed solely to provide information about RFFM for the purpose of compliance with certain obligations under the Advisers Act and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in the Governing Documents for the Funds. To the extent that there is any conflict between disclosures in this Brochure and the disclosures in a Fund's Governing Documents, the Governing Documents for a Fund should govern with respect to the terms of such Fund.

ITEM 9: DISCIPLINARY INFORMATION

Neither RFFM nor any of its management persons have been involved in any material legal or disciplinary events that would be material to your evaluation of RFFM's advisory business or the integrity of RFFM's management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.

RFFM LLC is a wholly owned subsidiary of RAI, which in turn is a wholly-owned subsidiary of C-III Parent. RAI is a specialized asset management company that focuses, through its wholly owned subsidiaries and joint ventures, on the commercial finance, real estate and financial fund management sectors. Each of these subsidiaries focuses on unique asset classes and investment strategies.

Affiliates of RFFM, including RAI, C-III Parent, and their subsidiaries may manage pooled investment vehicles including, but not limited to, investment companies, collateralized debt obligations, private equity funds and hedge funds. However, each affiliate of RFFM generally focuses on distinct asset classes and/or maintains distinct investment advisory teams. These relationships generally do not cause any material

conflict of interest. Notwithstanding the foregoing, to the extent that other investment vehicles managed by RFFM and its affiliates have overlapping investment strategies, RFFM and its affiliates have adopted policies and procedures designed to mitigate such risk.

A. REGISTERED BROKER-DEALER OR REGISTERED REPRESENTATIVE

Resource Securities LLC (“**RS**”), a wholly owned subsidiary of RAI, is registered as a broker-dealer with the SEC, all 50 states and the District of Columbia and is a member of the Financial Industry Regulatory Authority (“**FINRA**”). RS is engaged in (i) the underwriting of direct participation programs and real estate investment trusts on an “all or none,” “part or none,” and/or “best efforts” basis; (ii) the wholesaling with other broker/dealers of direct participation programs and REITs; (iii) the retail sale of direct participation programs and REITs to public customers; and, (iv) the wholesaling with other broker/dealers of closed-end funds registered under the Investment Company Act, that operate as interval funds.

Certain of RFFM LLC’s management persons or employees of RFFM LLC’s affiliates are or may become registered representatives and/or principals of RS and, when such person(s) engages in securities-related transactional activities, will be subject to RS’s policies and procedures in addition to RFFM’s policies and procedures.

Anubis Securities LLC (“**Anubis**”), an affiliate of C-III Parent indirectly owned by ICG, is registered as a broker-dealer with the SEC, all 50 states and the District of Columbia and is a member of FINRA. Anubis currently serves as a placement agent with respect to the offering of interests in various pooled investment vehicles sponsored by C-III Parent, has served as placement agent with respect to the offering of interests in various pooled investment vehicles sponsored by C-III Parent, and may in the future serve as placement agent for the offering of interests in other pooled investment vehicles that may be organized in the future. Anubis also solicited and referred a separate account Client to C-III SA Management LLC, and may in the future solicit and refer other separate account Clients to C-III or its affiliates. Certain of C-III Parent’s management persons or employees of C-III Parent’s affiliates are or may become registered representatives and/or principals of Anubis and, when such person(s) engages in securities-related transactional activities, will be subject to Anubis’ policies and procedures in addition to C-III Parent’s policies and procedures.

Lawrence S. Block (Senior Vice President, Chief Compliance Officer and Secretary of RFFM) and Justin Milberg (Managing Director of RFFM LLC) are registered representatives of RS. Mr. Block is also President and a registered representative of Anubis.

B. REGISTERED FUTURES COMMISSION MERCHANT; COMMODITY POOL OPERATOR, COMMODITY TRADING ADVISOR OR ASSOCIATE PERSON

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

Resource Alternative Advisor, LLC (“**RAA**”), an affiliate of RFFM, is an exempt commodity pool operator in its capacity as investment adviser to the Resource Credit Income Fund (the “**Credit Income Fund**”).

Resource Real Estate, LLC (“**RRE**”), an affiliate of RFFM, is an exempt commodity pool operator in its capacity as investment adviser to the Resource Real Estate Diversified Income Fund (the “**Diversified Income Fund**”).

Exantas Capital Corp. (f/k/a Resource Capital Corp.) (“**XAN**”), a publicly-traded REIT for which XCM, an indirect wholly-owned subsidiary of RAI, serves as the external manager, is an exempt commodity pool operator.

Certain subsidiaries and affiliates of C-III Parent are exempt commodity pool operators, as follows:

1. C-III HY Directives III LLC and C-III HY Directives IV LLC, wholly-owned subsidiaries of C-III Parent, are exempt commodity pool operators for certain pooled investment vehicles for which each serves as general partner.
2. One of the management persons of C-III Investment Management LLC (“**C-III IM**”), a wholly-owned subsidiary of C-III Parent, is the director of a pooled investment vehicle client of C-III IM and is an exempt commodity pool operator for such client.

C. OTHER RELATIONSHIPS OR ARRANGEMENTS

SEC-REGISTERED AND RELYING ADVISERS AFFILIATES

RRE is an SEC-registered investment adviser that provides investment advisory services to the Diversified Income Fund, a closed-end real estate interval fund registered as an investment company under the Investment Company Act. The Diversified Income Fund invests primarily in the equity and debt securities of public and private real estate investment trusts, real estate operating companies, private real estate investment funds, and other investment vehicles that invest principally in real estate related industry securities.

RAA is an SEC-registered investment adviser that provides investment advisory services to the Credit Income Fund, a closed-end interval fund registered as an investment company under the Investment Company Act. The Credit Income Fund invests in various tranches of loans, corporate credit, and structured products.

Exantas Capital Manager Inc. (“**XCM**”), an affiliate of RFFM, is an SEC-registered investment adviser that provides investment advisory services to a publicly traded REIT that invests in commercial real estate-related assets and, to a lesser extent, higher-yielding commercial finance assets.

C-III IM, an affiliate of RFFM, is an SEC-registered investment adviser that began providing investment advisory services in 2011. C-III IM serves as the investment manager, or investment advisor to the managing member or general partner (as applicable) of various pooled investment vehicle clients. Certain affiliates of C-III IM provide investment advisory services and are considered “relying advisers” in accordance with Form ADV’s General Instructions (relying on C-III IM as the “filing adviser”) as follows:

1. C-III JERIT Manager LLC, a wholly-owned subsidiary of C-III IM, serves as the external manager for a real estate investment trust;
2. JER Investors Trust Inc. serves as the collateral administrator for a collateralized debt obligation issued by it; and
3. C-III SA Management LLC, a wholly-owned subsidiary of C-III IM, serves as a sub-advisor to the non-affiliated investment manager of a separate account.

Certain other affiliates of C-III IM serve as general partners or managing members of pooled investment vehicle clients and rely on C-III IM's registration as an investment adviser in accordance with the Letter dated December 8, 2005 from the SEC to the American Bar Association Subcommittee on Private Investment Entities

For more information regarding the SEC-Registered and Relying Adviser affiliates, please refer to the Form ADV for each of RRE, RAA, XCM and C-III IM.

OTHER FINANCIAL INDUSTRY AFFILIATES

Resource Real Estate Funding, LLC ("**RREF**"), a wholly-owned subsidiary of RAI, is principally engaged in the origination of commercial real estate mortgage loans. RREF is licensed as a finance lender in California.

C-III Realty Services LLC ("**C3RS**") (d/b/a NAI Global Capital Markets), an affiliate of C-III and a wholly-owned subsidiary of C-III Parent, is licensed as a real estate brokerage firm in New York and Tennessee. C-III Realty Services (Texas) LLC is licensed as a real estate brokerage firm in Texas. C3RS provides commercial real estate brokerage services.

ICG Realty LLC, an affiliate of C-III Parent owned by ICG, is licensed as a real estate brokerage firm in New York and provides commercial real estate brokerage services.

New America Network Inc. ("**NAI**"), an affiliate of C-III and a wholly-owned subsidiary of C-III Parent, is a global network of independent commercial real estate brokerage firms, each of which is appropriately licensed. NAI is licensed as a real estate brokerage firm in Pennsylvania. NAI Global of New York City, Inc. ("**NAI NY**") is licensed as a real estate brokerage firm in New York.

USRG, an affiliate of C-III and a wholly-owned subsidiary of C-III Parent, is a real estate property management servicing company. USRG (either directly, through its brokers or through third-party relationships) has real estate brokerage licenses to perform property management services from Alabama, Colorado, Georgia, Kansas, Minnesota, Ohio, Pennsylvania, Arizona, Florida, Illinois, Louisiana, Missouri, North Carolina, Oregon, South Carolina, Tennessee, Texas and Virginia. USRG (California) Inc. ("**USRG (CA)**"), a wholly-owned subsidiary of USRG, has a real estate brokerage license from California to perform property management services. U.S. Residential (Connecticut) LLC ("**USRG (CT)**"), an affiliate of USRG, has a real estate brokerage license from Connecticut to perform property management services.

C-III Asset Management LLC, a wholly-owned subsidiary of C-III Parent, is a primary and/or special servicer of various loans that serve as collateral for (a) CMBS issued by third parties and (b) securities issued by certain CRE-CDOs. C-III Asset Management, as special servicer, is rated "CSS2+" by Fitch Ratings, the highest ranking of "Strong" by Standard & Poor's and the highest special servicer rating of "MOR CS1" by Morningstar. C-III Asset Management is a highly rated primary servicer as well, with a rating of "CPS2" by Fitch Ratings, a rating of "Above Average" by Standard & Poor's and a rating of "MOR CS2" from Morningstar.

C-III Commercial Mortgage LLC, a wholly-owned subsidiary of C-III Parent, and its wholly-owned subsidiary, C-III Mortgage Funding LLC, are principally engaged in the origination of commercial real estate mortgage loans. C-III Commercial Mortgage and C-III Mortgage Funding are licensed as finance lenders in California. C-III Commercial Mortgage is licensed as a Money Broker in North Dakota, as a Non-Residential Mortgage Lender in South Dakota and as a Mortgage Banker in Nevada.

Realcapitalmarkets.com, LLC, a wholly-owned subsidiary of C-III Parent, provides online marketing and transaction management services for sales of commercial real estate properties and notes.

The Planning & Zoning Resource Company LLC, a wholly-owned subsidiary of C-III Parent, is a zoning due diligence company that provides site zoning analysis and compliance review.

D. RECOMMENDATION OF OTHER ADVISORS

RFFM does not recommend or select other investment advisors for its Clients.

ITEM 11: CODE OF ETHICS, CONDUCT OF SUPERVISED PERSONS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

A. CODE OF ETHICS & CONDUCT OF SUPERVISED PERSONS

RFFM strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. As such, RFFM has adopted a Code of Ethics (included in the Investment Adviser Compliance Manual for Resource Real Estate, LLC, Resource Alternative Advisor, LLC and RFFM (and its relying advisers) (the “**Adviser Compliance Manual**”)) for any partner, member, officer, director (or other person occupying a similar status or performing similar functions) or employee of RFFM or affiliate thereof, or other person who provides investment advice and related services on behalf of RFFM (each, a “**Supervised Person**”), which describes RFFM’s high standard of business conduct and fiduciary duty to each Client.

The Code of Ethics is designed to ensure that the activities and interests of each Supervised Person and the personal securities transactions of each Supervised Person that has access to information regarding a Client’s investments or that are involved in making recommendations to a Client (or who have access to such recommendations) will not interfere with making and implementing decisions in the best interest of each Client, while at the same time allowing each Supervised Person to invest for his or her own account (consistent with applicable law, rules and regulations and the Code of Ethics). As such, the Code of Ethics contains policies and procedures that, among other things:

- requires each Supervised Person to place the interests of each Client first and prohibits a Supervised Person from taking personal advantage of an opportunity that belongs to a Client;
- requires each Supervised Person to participate in initial compliance training with a member of RFFM’s compliance department and annual compliance training thereafter, logs on which will be maintained by the Chief Compliance Officer;
- requires each Supervised Person to conduct all personal investment transactions in compliance with the Code of Ethics and requires each Supervised Person to comply with the federal securities laws and all other applicable laws, rules and regulations;
- requires each Supervised Person to disclose upon hire and each quarter thereafter all securities holdings (other than those classes of securities designated as exempt) and securities transactions (i) by the Supervised Person and Access Person or by such Access Person’s spouse, minor children or others living in the Supervised Person and Access Person’s household and (ii) for which the Supervised Person and Access Person has direct

or indirect influence or control over investment decisions (including as a trustee or by providing discretionary advisory services);

- requires each Supervised Person to provide copies of monthly and/or quarterly account statements and trade confirmations for all securities transactions (other than transactions in those classes of securities designated as exempt) (i) by the Supervised Person or by such Supervised Person's spouse, minor children or others living in the Supervised Person's household and (ii) for which the Supervised Person has direct or indirect influence or control over investment decisions (including as a trustee or by providing discretionary advisory services);
- requires each Supervised Person to pre-clear any securities offered in an initial public offering or private placement (including investments in hedge funds, fund-of-funds, private equity funds, venture capital funds and other unregistered pooled investment vehicles);
- requires the Chief Compliance Officer to monitor the activities of each Supervised Person to ensure compliance with the Code of Ethics and to prevent and detect violations of applicable law, violations of the Code of Ethics and conflicts of interest between RFFM and each Client; and
- requires each Supervised Person to acknowledge the terms of the Code of Ethics upon hire and annually (or as amended) thereafter and to certify annually as to his or her compliance with the Code of Ethics.

The Adviser Compliance Manual contains additional policies, procedures, prohibitions, reporting obligations and pre-clearance requirements that are designed to prevent Supervised Persons and Access Persons from engaging in activities that may interfere with making and implementing decisions in the best interest of each Client, including:

- prohibiting each Supervised Person from trading on the basis of, or misappropriating, material nonpublic or proprietary information (*i.e.*, insider trading);
- prohibiting each Supervised Person from purchasing or selling securities of any issuer on any restricted issuers list applicable to RFFM;
- prohibiting each Supervised Person from engaging in certain prohibited transactions, including market manipulation, front-running and trading on rumors;
- requiring each Supervised Person to report and obtain the prior approval of the Chief Compliance Officer before engaging in any outside business activity;
- requiring each Supervised Person to report any gift or entertainment (given or received);
- prohibiting each Supervised Person from giving or receiving any meals, gifts and/or entertainment from or to the independent auditing firm, or any member or employee of an independent auditing firm, that provides services to Funds;
- prohibiting RFFM and each Supervised Person from making corrupt payments to any officer or employee of a foreign government, a public international organization or any department or agency thereof or any person acting in an official capacity for such

government or organization to obtain or retain business, to secure any improper advantage or to act in violation of any lawful duty; and

- requiring each Supervised Person to obtain the prior approval of the Chief Compliance Officer before making any political contribution and to report each political contribution, and if a political contribution involves hosting a fundraising event, providing certain details about to fundraising event, and prohibiting certain political contributions in violation of applicable law, rule or regulation.

An investor or prospective investor may request a copy of the Code of Ethics by contacting Lawrence S. Block, RFFM's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@resourceamerica.com.

B. PARTICIPATION OR INTEREST IN CLIENT SECURITIES TRANSACTIONS

RFFM has a fiduciary duty to clients to act solely for the benefit of its Clients. All employees of RFFM, including directors and officers, must put the interests of RFFM's Clients before their own personal interests and must act honestly and fairly in all respects.

As of the date of this Brochure, neither RFFM, Ischus nor RFIG are actively soliciting new Clients or investors. Therefore, RFFM is not actively investing.

RFFM does not buy or sell for Client accounts, securities in which RFFM or a related person have a material financial interest. RFFM and its related person do not invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients

RFFM and its affiliates do not intend to engage in principal or cross transactions with or for its Clients; however, if they do so in the future, RFFM and its affiliates will do so in compliance with the Advisers Act, SEC rules, the policies and procedures set forth in RFFM's Compliance Manual and the applicable Governing Documents.

C. INVESTING IN ASSETS RECOMMENDED OR HELD BY A CLIENT

RFFM and its affiliates may have invested (and may in the future invest) in the same (or related) assets that are held by, or recommended to, a Client.

D. PURCHASE AND SALES OF SECURITIES BY RELATED PERSONS

Generally, RFFM does not recommend a security to a Client, or buy or sell a security for a Client account, at or about the same time that it buys or sells the same security for its own account, although it does on occasion occur. In the event that a security is potentially an appropriate investment opportunity for a Client, RFFM will present the opportunity to the Client's investment committee for consideration, and only in the event that the Client's investment committee declines to pursue the investment opportunity will RFFM consider the investment opportunity for its own account. Notwithstanding the foregoing, in the event the Client's investment committee determines to acquire only a portion of the investment opportunity presented, RFFM may from time to time acquire the balance of the investment opportunity for its own account.

Officers, principals and employees of RFFM and its affiliates may also buy securities in transactions offered to but rejected by a Client. In addition, officers, principals and employees of RFFM and its affiliates may seek to accommodate a Client and buy securities from such Client

(for example, if such Client is required to divest from such investment on off-market terms for legal, regulatory or other similar reasons). In those circumstances, a conflict of interest may arise because such investing personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by RFFM on behalf of the Client. In such circumstances, the investing personnel will not share or reimburse the relevant Client and/or RFFM for any expenses incurred in connection with the investment opportunity. The transactions described above are subject to the policies and procedures set forth in the Code of Ethics and Compliance Manual, and Clients and investors will not benefit from any such investments.

Officers, principals and employees of RFFM and its affiliates may also buy securities in transactions in which a Client invests. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of RFFM have made large capital investments in or alongside the Funds they may have conflicting interests with respect to these investments.

ITEM 12: BROKERAGE PRACTICES

A. SELECTING OR RECOMMENDING BROKER-DEALERS FOR CLIENT TRANSACTIONS

Unless otherwise specified in a Client's Governing Documents, RFFM has the authority to determine for each Client, without obtaining specific Client consent (except as otherwise provided below), (a) the securities to be bought or sold, (b) the amount of the securities to be bought or sold, (c) the broker or dealer to be used and (d) if applicable, the commission rates paid. Limitations on RFFM's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling a Client's account, (ii) its duty to seek to obtain "best execution," (iii) the investment strategies and objectives of each Client and (iv) a Client's Governing Documents. RFFM is required to obtain consent of a Client for any principal transaction involving RFFM, an affiliate, and one or more Clients and may be required to obtain consent of a Client for any affiliate or cross transaction involving RFFM, an affiliate, and one or more Clients.

In determining which broker or dealer to use, RFFM seeks to obtain "best execution" with respect to its securities transactions for its Clients. RFFM evaluates the character of the market for the security, including, but not limited to, the security's price, volatility and liquidity, as well as the size and type of transaction. Specifically, in making any such determination, RFFM considers a number of factors, including, but not limited to:

- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- The operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution;
- The financial strength, integrity and stability of the broker;
- Special execution capabilities;
- Clearance;
- Settlement;
- Reputation;
- On-line pricing;
- Block trading and block positioning capabilities;
- Willingness to execute related or unrelated difficult transactions in the future;
- Order of call;
- On-line access to computerized data regarding Clients' accounts;

- Custodial (and other) services provided by such brokers and/or dealers that may potentially enhance an Adviser's general portfolio management capabilities;
- Performance measurement data;
- Financing terms;
- The quality, comprehensiveness and frequency of available research and related services considered to be of value;
- Provision of the opportunity to participate in capital introduction events sponsored by the broker-dealer; and
- Commission-sharing agreements that are in effect at the time of the transaction.

RFFM also considers the following quantitative factors:

- Price;
- Cost of transaction;
- Speed of execution;
- Likelihood of execution and/or settlement;
- Size and complexity of the order;
- Characteristics and nature of the orders; and
- Applicable credit rating of the investment.

RFFM is not required to weigh any of these factors equally.

In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, RFFM is not required to solicit competitive bids and is not required to seek the lowest available commission cost. RFFM does not negotiate "execution only" commission rates; therefore, a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate (see below).

1. RESEARCH AND OTHER SOFT DOLLAR BENEFITS

RFFM may, from time to time, receive unsolicited market and industry research from broker-dealers. In no instance does RFFM seek to obtain research or other soft dollar benefits in exchange for directing client brokerage to the broker or bank producing such materials.

While RFFM does not enter into traditional "soft dollar" arrangements, RFFM does not have "execution only" commission rates; thus RFFM may receive, and a Client may be deemed to be paying for, unsolicited research and related products and services provided by the broker-dealer executing a trade that are included in the commission rate. All decisions related to selection of RFFM's trading counterparties and broker-dealers servicing client accounts are made based on best execution.

Research and related products or services furnished by a broker-dealer will be limited to services that constitute research within the meaning of Section 28(e) of the Securities and Exchange Act of 1934, as amended. Accordingly, research and related products or services may include, but are not limited to: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; quantitative analytical software; market data-related software and services; statistical and pricing services utilized in the investment process; and databases and other technical services utilized in the investment management process. Research and related

products or services may include both proprietary research created or developed by the broker-dealer and research created or developed by a third party. Research services obtained by the use of commissions arising from a Client's portfolio transactions may not only benefit such Client's investing, but may benefit one or more other Clients and/or may be used by RFFM in its other investment activities.

When RFFM uses Client brokerage commissions to obtain research or other products or services, it may receive a benefit because it does not have to produce or pay for the research, products or services. The receipt of research and other "soft dollar" benefits from broker-dealers may provide an incentive for RFFM to select or recommend a broker-dealer based on RFFM's interest in receiving the research or other products or services, rather than on its Client's interest in receiving the most favorable execution. Using a broker-dealer that provides RFFM with research or other "soft-dollar" benefits may cause a Client to pay commissions higher than the commissions charged by broker-dealers who do not provide such research or "soft-dollar" benefits.

During the past fiscal year, RFFM acquired the following types of research and related products and services from broker-dealers with whom it conducted business: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; market data-related services; statistical and pricing services utilized in the investment process; and databases and other technical services utilized in the investment management process. C-III may have directed certain Client transactions to a particular broker-dealer in return for research and other "soft dollar" benefits.

2. BROKERAGE FOR CLIENT REFERRALS

RFFM and its related persons do not receive client referrals from broker-dealers or third parties that provide order execution on behalf of client accounts.

3. DIRECTED BROKERAGE

RFFM does not routinely recommend, request or require Clients to direct RFFM to execute transactions through specified broker-dealers.

4. TRADE ERROR POLICY

While it is the policy of RFFM to use the utmost care in making and implementing investment decisions on behalf of its Clients, trade errors may inevitably occur. RFFM views a trade error as involving an unintentional mistake in placing a trade or in making an investment decision that is not detected until after the trade is settled and for which RFFM is responsible. Trade errors include, but are not limited to: (a) purchasing an investment not legally permitted for a Client, or not within a Client's investment guidelines; (b) purchasing or selling the wrong investment for a Client; (c) purchasing or selling an investment for the wrong Client; (d) purchasing the wrong amount of an investment for a Client; or (e) allocating an investment to the wrong Client. A trade error does not include an intentional act, an error that is corrected prior to settlement or an error that is clearly the fault of an unaffiliated third party, such as an executing broker.

To the extent that a trade error occurs, it is the policy of RFFM to correct such error as soon as practicable and in such a manner whereby the Client incurs no loss. Because each

trade error presents a unique set of facts, each will be resolved on a case-by-case basis. However, when correcting a trade error, RFFM shall not: (a) pass the cost of losses on to the Client; (b) use soft dollar credits with broker-dealers to cover losses; (c) use other Clients to correct errors; or (d) enter into an agreement with an executing broker to absorb any correction costs. Prior to the settlement of a trade, RFFM may reverse out a trade error. After settlement of a trade, RFFM must ensure that the guidelines detailed above are enforced.

B. AGGREGATION OF CLIENT PURCHASES AND SALES

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

ITEM 13: REVIEW OF ACCOUNTS

A. CLIENT ACCOUNT REVIEWS

Investments held by CDOs are reviewed monthly by investment professionals of Ischus. This review focuses primarily on the monthly CDO trustee reports and the payment reports. In addition, the investment professionals of Ischus review and approve material events such as a release of collateral.

Funds are reviewed consistently. This review entails daily monitoring of the information such as publicly-traded companies' filings, news releases and unusual price movements. For private and public companies, quarterly, RFIG investment professional review the financial statements and speak to management at least quarterly. If there is a significant event, such communications may be more frequent.

B. CONTENT AND FREQUENCY OF REGULAR REPORTS

CDO clients receive access to monthly trustee reports which contain information on portfolio performance and composition. RFIG also provides K-1s and audited financial statements to investors in Funds.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION.

A. COMPENSATION RECEIVED BY RFFM FOR CLIENT REFERRALS

RFFM does not receive any economic benefit from any party that is not a Client in connection with the provision of investment advice or other advisory services to RFFM Clients.

B. COMPENSATION PAID BY RFFM OR RELATED PERSONS FOR CLIENT REFERRALS

Neither RFFM nor its related persons directly or indirectly compensates any person who is not one of its supervised persons for client referrals.

ITEM 15: CUSTODY

RFIG is deemed to maintain custody of assets owned by the Funds it manages because it serves as the general partner for such Funds. All assets of these Funds are held with qualified custodians in the name of such Fund. Each Fund for which RFIG provides investment advisory services receives statements from the qualified custodian at which accounts are maintained.

Ischus does not, and is not deemed to, maintain custody of CDO funds or securities.

ITEM 16: INVESTMENT DISCRETION

The applicable Indentures for each of the CDOs managed by Ischus place significant restrictions on Ischus's ability to buy and sell collateral debt securities on behalf of the CDOs. Pursuant to the terms of these Indentures, Ischus has limited discretionary authority over client accounts. These Indentures generally restrict Ischus from selling collateral debt securities unless such securities have experienced specified credit deterioration, ratings downgrades, or events of default. Also, Ischus may generally only purchase collateral debt securities to replace those that have been sold. In some instances, Ischus is permitted by the terms of a CDO indenture to trade a small portion of the CDO account on a discretionary basis.

Governing Documents for Funds set forth the general criteria for the types of investments to be purchased on behalf of the entity. Notwithstanding the foregoing, RFIG is generally granted discretionary investment authority on behalf of the Funds. RFFM's discretionary investment authority on behalf of the Funds is evidenced by the execution of the LPA by each of the Fund's investors

ITEM 17: VOTING CLIENT SECURITIES

CDO investments are primarily comprised of various tranches of debt securities and loans. Generally, the holders of these investments are not entitled to vote on corporate matters. If Ischus were to receive a proxy on behalf of a CDO and is requested or required to vote a proxy, Ischus will consider, among other things, the financial interests of the CDO and the recommendation of management on the particular issue.

Funds may from time to time be solicited to vote proxies. In such cases, RFIG will generally vote in favor of routine corporate housekeeping proposals, including election of officers and directors (where no corporate governance issues are implicated), selection of auditors, and increases or reclassification of common stock. RFIG will generally vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting. For other proposals, RFIG shall determine whether a proposal is in the best interests of its clients and may take into account the following factors among others: (i) whether the proposal was

recommended by management and RFIG's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance. RFIG does not permit Clients to vote proxies.

In reviewing the proxy statements, RFFM will seek to identify any potential conflict of interest with the company and determine, on a case-by-case basis, if the conflict is material. If material, RFFM will determine, in light of all the facts then currently available, the manner by which to proceed. This may, or may not include abstention from voting such proxy. RFFM will document its decision making process with respect to resolving material conflicts of interest.

RFFM has adopted a Proxy Voting Policy whereby RFFM exercises discretion to vote proxies for Client securities. A copy of RFFM's Proxy Voting Policy, as well as a record of all proxy decisions, if any, and any documentation maintained with respect to proxy votes, is available to each existing and prospective Client by contacting Lawrence S. Block, RFFM's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@resourceamerica.com.

ITEM 18: FINANCIAL INFORMATION

A. PREPAYMENT

RFFM does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

B. FINANCIAL CONDITION DISCLOSURES

There are no financial conditions that are reasonably likely to impair RFFM's ability to meet its contractual commitments to its clients.

C. BANKRUPTCY

RFFM has not been the subject of a bankruptcy petition at any time during the past ten years.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.

MISCELLANEOUS: ADDITIONAL INFORMATION

A. RELYING ADVISERS

RFFM LLC (the filing adviser), Ischus (a relying adviser) and RFIG (a relying adviser) are together filing a single Form ADV in accordance with Form ADV's General Instructions.

B. BUSINESS CONTINUITY PLAN

RFFM is covered by C-III Parent's Joint Business Continuity Plan. C-III Parent's Joint Business Continuity Plan is drafted with the expectation that in the event of a significant business disruption, C-III Parent and/or its affiliates (including RFFM) shall, as quickly as practicable and to the extent reasonably feasible given the scope and severity of the significant business disruption: safeguard each Supervised Person and property; recover and resume business operations; make financial and operational assessments; protect its books and records, including Client and investor information; and assist investors to transact business.

A copy of C-III Parent's Joint Business Continuity Plan Summary is available to each existing Client and investor by contacting Lawrence Block, RFFM's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@resourceamerica.com.

C. PRIVACY POLICIES AND PROCEDURES

RFFM LLC, Ischus and RFIG have adopted Privacy Policy and Procedures as set forth in the Adviser Compliance Manual. RFFM distributed its initial Privacy Policy Notice to each existing Client and investor and distributes its Privacy Policy Notice annually.

RFFM LLC, Ischus and RFIG are currently covered under the RAI Privacy Policy Notice which explains the manner in which RAI and its affiliates, including RFFM, collect, utilize and maintain non-public personal information about investors who are individuals, as required under federal and other applicable law. RAI is committed to protecting Client's and each investor's privacy and maintaining the confidentiality and security of an investor's personal information and restricts access to personal account information to those Supervised Persons who need to know that information to provide RAI's products and services. RAI also maintains appropriate physical, electronic and procedural safeguards to guard each Client's and each investor's non-public personal information.

A copy of RAI's Privacy Policy Notice is available on RAI's website at www.resourcealts.com and to each existing Client and investor by contacting Lawrence S. Block, RFFM's Chief Compliance Officer, at (212) 705-5090 or by e-mail at lblock@resourceamerica.com.