

# **Resolution Recovery Partners Manager, LLC**

110 East 59<sup>th</sup> Street  
New York, NY 10022  
(212) 829-7167

## **Firm Brochure**

May 21, 2018

This brochure provides information about the qualifications and business practices of Resolution Recovery Partners Manager, LLC (“RRP”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (212) 829-4952.

This information has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Resolution Recovery Partners, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

Jon Vaccaro, Chief Executive Officer and Eric Schwartz, President, resigned from the Firm effective May 21, 2018. Paul Vanderslice was appointed Chief Executive Officer, effective May 21, 2018. There have been no further material changes to the Firm since the last update to the Firm Brochure on March 7, 2018.

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#### **Item 4: Advisory Business**

Resolution Recovery Partners Manager, LLC (“RRP”, “Recovery Partners” the “Manager” or “we”) is a registered investment adviser organized as a Delaware limited liability company. Its parent company is Cantor Real Estate, L.P., a wholly owned subsidiary of Cantor Fitzgerald, L.P. (“together, Cantor Fitzgerald”).

Currently, Recovery Partners provides investment advisory services solely to a private investment fund (the “Fund”), and accordingly tailors its advisory services to the needs of the Fund in accordance with the investment objectives, strategies and limitations (if any) described in the Fund’s Confidential Private Placement Memorandum (“PPM”) and Limited Partnership Agreement (“LPA”).

Several affiliates of RRP serve as the Administrative Managers, General Partner and special Limited Partner of the Fund (collectively, the “Managers”). The Managers currently include our affiliates, Resolution Recovery Partners GP, LLC and Resolution Recovery Partners SLP LLC.

The Managers intend to conduct their activities in accordance with the Investment Advisers Act of 1940, as amended, and the rules thereunder (the “Advisers Act”). Any employee of the Managers, and any other person acting on their behalf, are and shall be subject to the supervision and control of Recovery Partners. The Managers are relying on Recovery Partner’s registration under the Advisers Act and are not separately registering as advisers. The Managers will be included in all references to “we”, “us” or “Recovery Partners” herein.

Recovery Partners seeks to opportunistically deploy recovery capital in a diversified portfolio of commercial real estate (“CRE”) assets through the acquisition of sub- and non-performing debt, strategic and opportunistic equity positions in direct CREs and/or financial institutions (“FIs”). Please see Item 8 for additional information regarding investment strategies and associated risks.

Entities under common control with the Managers may provide services to the Fund and to other private investment funds and certain institutional clients advised by such affiliates. Please see Item 10 for further details.

As of December 31, 2017, Recovery Partners managed a total of \$106,027,730 in assets.

#### **Item 5: Fees and Compensation**

Recovery Partners receives from the Fund an annual management fee, paid quarterly in advance, equal to 1.50% per annum of (i) capital commitments during the Commitment Fee Period (as such term is defined in the PPM) and (ii) following the Commitment Fee Period, the

aggregate amount of remaining invested capital. Limited Partners with capital commitments of \$75 million or more may be entitled to a reduction in the annual management fee.

No portion of the management fee is refundable. To the extent that the management fee is payable for less than a full payment period, the amount is properly prorated.

The Fund also may incur indebtedness (including an equity commitment line primarily secured by the Fund's pledge of its rights in all partners' unfunded capital commitments). See further information the PPM regarding the Fund's use of leverage.

Additionally, please see Item 6 below regarding performance-based compensation ("Carried Interest").

The Fund is responsible for the following operating expenses: (i) all expenses incurred in connection with identifying, evaluating, structuring, negotiating and closing any potential Investment and the acquisition, holding, operation, financing, monitoring, sale, proposed sale or valuation of any Investments; (ii) all litigation related and indemnification expenses; and (iii) all ordinary administrative expenses of the Fund, including fees of auditors, attorneys, servicers, appraisers and other professionals and the cost of annual meetings and reports to each of the Fund's investors (each a "Limited Partner") and any taxes, fees or other governmental charges.

The Fund also pays and paid, as applicable, all organizational and offering expenses, including but not limited to, printing, legal, accounting and marketing expenses up to a specified amount, as disclosed in the PPM.

Although Recovery Partners did not generally utilize the services of broker-dealers to acquire or dispose of investments for the Fund, in the event that it chose to use a broker-dealer for limited purposes, the Fund would have incurred brokerage and other transaction costs. For additional information regarding Recovery Partner's brokerage practices, please see Item 12.

Recovery Partners does not receive compensation in connection with the sale of interests in the Fund.

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

The Fund allocates a percentage of its profits, Carried Interest, to a special Limited Partner that is affiliated with Recovery Partners. Such special Limited Partner may ultimately receive up to 20% of such profits. See the LPA for more information regarding the allocation of Carried Interest.

Recovery Partners does not currently engage in “side-by side management” of accounts which are charged a performance-based fee, and other accounts which are charged other types of fees.

### **Item 7: Types of Clients**

Currently the sole client of Recovery Partners is the Fund. The Fund is not registered under the Investment Company Act of 1940, as amended and the investments purchased for the Fund are not registered under the Securities Act of 1933, as amended (the “1933 Act”). Access to information about the Fund is limited to investors who met specified minimum investment criteria relating to their financial holdings, investment experience, etc.

The minimum capital commitment that the Fund had accepted from a prospective investor is \$10 million; however the general partner of the Fund, in its sole discretion, had the ability to waive this requirement for any prospective investor. The Fund is now a closed offering and not accepting new investors.

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

#### Methods of Analysis and Investment Strategies

Recovery Partners was formed to deploy recovery capital and optimize the resolution of distressed CRE assets through collaborative joint ventures with and asset purchases from FIs and CRE owner/operators. We collaborated with stressed “survivor” banks and CRE owner/operators to solve CRE issues, not exploit their weaknesses. Our strategy was designed to address the distress in the CRE market through FIs with portfolios of troubled CRE assets that were not willing or able to sell them. The primary opportunity set was stressed but “survivor” banks – banks that were not likely to fail, but that would have continued to be stressed until they received capital and value-add asset management assistance to stabilize their balance sheets. The Manager and its affiliates’ extensive relationships within the banking industry and deep knowledge of new regulatory and accounting issues facing FIs provided a competitive advantage in terms of sourcing and executing investment opportunities. Helios AMC LLC, an affiliated CRE special servicer that is rated by S&P and Fitch, worked in an integrated, complementary format with the Manager to provide a full range of due diligence and workout services. By providing the liquidity, asset management and restructuring expertise to stabilize the underlying real estate and its capital structure, as well as the balance sheet of the stressed FI, Recovery Partners sought to maximize asset resolution value for the economic benefit of both the Fund and its Limited Partners.

We intended to apply a disciplined individualized asset-based approach which will prioritize the underlying value and fundamentals of the properties first and the structure of Investments second. Our two primary investment strategies included the following:

Bank Recovery Capital: We pursued pools of CRE assets held on the balance sheets of stressed but “survivor” FIs via newly formed joint ventures and asset purchases. In addition to contributing capital, which in some instances would have positively affected the FI’s capital ratios, the we would have provided the value-add asset management and restructuring services needed to achieve the optimal economic resolution of the underlying CRE asset.

Asset Recovery Capital: We would also seek to deploy capital to specific CRE assets or groups of CRE assets. These investments could have been sourced through the “survivor” banks referenced above or more directly through owner/operators. As with investments in FIs, it was expected that these investments would be executed in a collaborative format in order to optimally stabilize and create value in these undercapitalized assets. The approach would typically involve a tri-party agreement among the owner, lender and the Fund. While we would have the capability and expertise to operate real property, our primary objective was to recapitalize distressed owners/operators and function as a hands-on partner, versus pursuit of a “loan to own” strategy. Additional information regarding the Fund’s investment strategy, including portfolio composition, is found in the PPM.

On average, the holding period for investments in the Fund was expected to range from three to five years, though some investments could have been harvested within 12 months. The Fund intended to create a diversified portfolio of CRE investments to be comprised of the following types of assets:

**Non-Performing and Distressed Loans** - We expected that approximately 60-80% of the investments would consist of non-performing or distressed CRE loans diversified across property sectors. Particular sectors were more vulnerable to distress and tended to have greater rates of nonperformance, such as condominium construction loans, condominium conversion loans, hotel loans, single-family tract loans and highly leveraged loans used to fund portfolio purchases. The vast majority of these assets were expected to be acquired in connection with the Bank Recovery Capital investments (referred to above). We would seek to structure investments in these loans to provide unlevered gross internal rates of return (“IRRs”) in a range of approximately 20-30% with a holding period of three to five years.

**Sub-Performing and Mis-Priced Loans** - We expected that approximately 15-30% of the investments would consist of sub-performing and mis-priced CRE loans. These investments often consisted of acquiring underperforming loans at substantial discounts. We believed that we would find the greatest opportunities arising from loans in markets, and in specific asset types, that had fallen out of favor with mainstream investors resulting in mis-pricing of the assets relative to underlying value. We intended to gain access to these opportunities through our extensive network of FIs and CRE owner/operators. We believed that these loans should have been acquired at discounts to face value, at prices which reflected the scarcity of capital available in financial markets at the time of investment acquisition. We would seek to structure investments in these loans to provide unlevered gross IRRs in a range of approximately 15-20%

with a holding period of three to five years.

**Performing Loans** - We expected that approximately 10-20% of the investments would consist of performing loans, including Asset Recovery Capital investments (referred to above), refinancing, acquisition financing, standard performing loans, and transitional capital to renovate, reposition or redevelop assets. The terms of such loans were expected to take the form of first mortgage loans, mezzanine finance, participating debt, bridge loans or other means of subordinate debt. The debt would have been secured by a first mortgage lien or, with respect to subordinate debt, a pledge of the equity interests in the borrower, a second lien position or unsecured preferred equity. Standard performing loans would have been included because of borrower and/or sponsor associations with contributed non-performing and distressed loans and other operational issues. In our view, this strategy capitalized on our strength in identifying solid sponsors possessing the experience and wherewithal to execute the desired plan. We believed that we had the ability to devise tailored debt solutions through terms and structure to meet the specialized needs of a complicated transaction or a property in transition. We would seek to structure investments in these loans to provide gross IRRs in a range of approximately 15-20% for subordinate debt/equity participation investments, with a holding period of three to five years.

We expected to invest either directly or indirectly, or alongside third parties, including without limitation stressed FIs and CRE owners/operators in a collaborative and non-predatory manner.

The Managers and entities under their control would not have invested in any investment other than through the Fund or an Investor Vehicle (as described immediately below) except that co-investment would be made by one or more separate accounts managed by the Managers or any of its affiliates when and to the extent that such a co-investment opportunity arose.

The Managers or any of their affiliates could have established domestic or foreign parallel, feeder and/or subsidiary partnerships, corporations, group trusts or other investment vehicles, including a subsidiary real estate investment trust – referred to collectively as “Investor Vehicles” to address the tax, regulatory or other concerns of certain prospective investors, including members of the Managers and their affiliates. In doing so, the Managers could determine that such arrangements (i) would not have a material adverse effect on the Fund, the Managers, or the Limited Partners in the aggregate and (ii) were reasonably expected to preserve in all material respects the overall relationship of the Managers and the Limited Partners and the investors in such parallel or feeder investment vehicles.

In order to insulate the Fund’s assets against liabilities arising from particular Investments, to facilitate any financing to be incurred in order to acquire Investments and to



provide flexibility in disposing of Investments, the Fund could have used domestic and foreign special purpose vehicles to make investments. The Fund may guarantee certain of the financing incurred by such special purpose vehicles.

Investing in Fund investments involved risk of loss that the Fund for which investors should have been and continue to be prepared.

### Material Risks Related to Investment Strategies

**The investments are subject to the risks inherent in the real estate market** - We would be primarily investing in debt and equity investments related to commercial real estate and real estate-related assets. Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of the real estate-related investments. The performance and value of its loans and investments once originated or acquired depends upon many factors beyond the Manager's control. The ultimate performance and value of the investments is subject to the varying degrees of risk generally incidental to the ownership and operation of the properties in which the Manager invested or which collateralized or supported its investments. The ultimate performance and value of the investments depends upon, in large part, the property owner's ability to operate the property so that it produced sufficient cash flows necessary either to pay the interest and principal due on its loans and investments or pay the Fund as an equity investor. Revenues and cash flows would be adversely affected by:

- changes in national or local economic conditions;
- changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics;
- competition from other properties offering the same or similar services;
- changes in interest rates and in the state of the debt and equity capital markets;
- the ongoing need for capital improvements, particularly in older building structures;
- changes in real estate tax rates and other operating expenses;
- adverse changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses;
- adverse changes in zoning laws;
- the impact of present or future environmental legislation and compliance with environmental laws;
- the impact of lawsuits which could cause the Fund to incur significant legal expenses and divert management's time and attention from the day-to-day operations of the Fund; and
- other factors that are beyond its control and the control of the property owners.

In the event that any of the investments experiences any of the foregoing events or occurrences, the value of, and return on, such investments could be negatively impacted.

**The investments may be negatively affected by continued downturns in the U.S. and global**

**economies and real estate markets** - As a result of the credit crisis and a variety of other factors, the United States and global economies had experienced an economic recession. The effects of ongoing market challenges, combined with the ongoing correction in real estate market prices and reduced levels of real estate sales, could result in further price reductions in real estate values, potentially adversely affecting the value of the investments. In addition, the economic recession had an adverse impact on tenants' and potential tenants' businesses and their operating incomes, which in turn had directly affected such tenants' abilities to make their rental payments and meet other obligations with respect to their leases, which continued to result in increased vacancies, decreased demand for rental space and declining rental values with respect to such space. Declining real estate prices and higher interest rates had caused higher delinquencies and losses on certain mortgage loans, which had exacerbated the dislocation at the time of the recession in the credit markets. These trends were expected possibly to continue. Continued declines in real estate values, sales volumes and financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans or other factors could have had further adverse effects on buyers and sellers of real estate, which could adversely affect the investments. The investments may be exposed to weakness in the U.S. real estate markets and the overall state of the economy. Further declines in real estate prices coupled with the current economic recession and associated rises in unemployment levels could have a material adverse effect on the investments and on the performance of the Fund.

**The success of the investment strategy will be dependent on the availability of attractive investments and the Manager's ability to identify, structure, consummate, leverage, manage and realize returns on attractive investments** - The Manager's operating results are dependent upon the availability of, as well as the ability to identify, structure, consummate, leverage, manage and realize returns on, credit sensitive investment opportunities. In general, the availability of desirable credit sensitive investment opportunities and, consequently, the Fund's returns, will be affected by the level and volatility of interest rates, conditions in the financial markets, general economic conditions, the market and demand for credit sensitive investment opportunities, and the supply of capital for such investment opportunities. The Manager cannot make any assurances that it will be successful in identifying and consummating investments which satisfy its rate of return objectives or that such investments, once consummated, will perform as anticipated. The Manager expended significant time and resources in identifying and pursuing targeted investments, some of which were not consummated.

**The real estate investment business is highly competitive. The Manager's success depends on its ability to compete with other providers of capital for real estate investments** - Competition could cause the Manager to accept economic or structural features in its investments that it would not have otherwise accepted and it may cause the Manager to search for investments in markets outside of its traditional product expertise. The Manager would compete with traditional investors, as well as existing funds, or funds formed in the future, with

similar investment objectives. It would face competition from other companies, funds, real estate investment trusts and other entities engaged in the acquisition of real estate and other real estate-related businesses with similar investment objectives, which would have made it more difficult for it to consummate its target investments. Many competitors had greater financial resources and lower costs of capital than the Manager, which provided them with greater operating flexibility and a competitive advantage.

**The Manager's due diligence may not have revealed all of the factors affecting an investment and may not have revealed weaknesses in such investments** - There can be no assurance that the General Partner's and Manager's due diligence processes would uncover all relevant facts that would be material to an investment decision. Before making an investment, the General Partner and Manager would assess the strength of the underlying properties and any other factors that they believed were material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, the General Partner and Manager would rely on the resources available to them and, in some cases, investigations by third-parties.

**The commercial mortgage and mezzanine loans the Manager may have originated or acquired are subject to delinquency, foreclosure and loss which could result in losses to the Fund** - Commercial mortgage and mezzanine loans would be secured by commercial property and related assets and would be subject to risks of delinquency and foreclosure, and risks of loss that were greater than similar risks associated with loans made on the security of other assets, such as single-family residential property. The ability of a borrower to repay a loan secured by an income-producing commercial property typically would be dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property were reduced, the borrower's ability to repay the loan could be impaired. Net operating income of an income-producing property could be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expenses or limit rents that may have been charged, any need to address environmental contamination at the property, changes in national, regional or local economic conditions and/or specific industry segments; declines in regional or local real estate values and declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances. Commercial mortgage loans generally were not amortizing or did not fully amortize, which necessitated the sale of the property or refinancing of the "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors would bear the risk that the borrower would be unable to refinance or otherwise repay the mortgage at maturity, thereby defaulting on its obligation. There may have been limits to enforceability or to legal and financial recourse upon a default under the terms of the mortgage

loan or applicable state law. Most commercial mortgage loans provided recourse only to specific assets, such as the property, and not against the borrower's other assets. Exercise of foreclosure and other remedies could involve lengthy delays and unforeseen expenses in the face of declining property values. In certain circumstances, the creditor may also have incurred environmental liability for conditions existing at or on the property.

**The Fund will be exposed to the risks associated with investing in operating companies -**

The Manager may have made investments in real estate-related companies which were existing businesses. Accordingly, the Fund would assume various risks associated with the operations of such companies including, but not limited to, employee-related issues and operational liabilities. As the Fund would typically acquire shares of the portfolio companies, the Fund could have assumed various liabilities, which may have included tax, regulatory and environmental matters, and the Fund could have been subject to certain of these liabilities following the Fund's disposition of its interests in the respective portfolio companies. Furthermore, the portfolio companies would face many of the same risks that the Fund would face and that are described in these investment considerations. Additionally, the Fund would rely upon the portfolio companies' management teams to operate the companies on a day-to-day basis. There could be no assurance that such management would continue to operate the companies. The real estate-related companies in which the Fund intended to invest may have been smaller or early-stage companies, highly vulnerable to changes in markets and dependent on the skills and commitment of small management teams. The Fund may have invested in debt or equity securities of companies which may have been / continue to be undergoing restructuring or require additional capital and active management. These securities were and still are subject to various inherent risks, including the following: (a) equity and debt securities of these companies could fluctuate in value, often based on factors unrelated to the issuer of the securities, and such fluctuations could be significant; (b) such securities generally are subject to risks with respect to the issuing of equity; and (c) the market for these securities is less liquid than that of other higher rated or more widely followed securities.

**The Fund's investments are illiquid -** Real estate investments are relatively illiquid and some are highly illiquid. Such illiquidity could have limited the ability of the Manager to vary the portfolio of investments in response to changes in economic and other conditions. Illiquidity may have resulted from the absence of an established market for investments as well as the legal or contractual restrictions on their resale. In addition, illiquidity may have resulted from the decline in value of a property securing an investment. There can be no assurances that the fair market value of any of the real property serving as security would not decrease in the future, leaving the investment under collateralized or not collateralized at all, which could impair the liquidity and value, as well as the Fund's return on such investments.

**Certain of the Fund's investments have uncertain valuations -** In the case of certain investments, it is unlikely that readily available price quotations would ever exist. Accordingly,

Limited Partners must have relied on the judgment of the General Partner and the Manager for valuing and pricing such investments both for financial statement purposes and in connection with disposing of such investments. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions that are beyond the control of the Manager. Further, valuations do not necessarily represent the price at which an investment would sell since market prices of investments can only be determined by negotiation between a willing buyer and seller. If the Manager was to liquidate a particular investment, the realized value may be more than or less than the appraised valuation of such asset.

**The Fund is subject to risks associated with foreign investments and foreign currencies -**

The Manager could have made investments in foreign countries. Any fluctuation in currency exchange rates would affect the value of the Fund's investments in foreign securities or other assets and any restrictions imposed to prevent capital flight could have made it difficult or impossible to exchange or repatriate foreign currency. Among the factors that could 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. In addition, laws and regulations of foreign countries could impose restrictions that would have not existed in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S. Foreign countries which could also may have imposed taxes on the Fund and/or the Limited Partners. The Manager would analyze risks in the applicable foreign countries before causing the Fund to make such investments, but no assurance can be given that a change in political or economic climate, or particular legal or regulatory risks would not adversely affect the Fund. Each prospective investor should have consulted / continue to consult with its own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in the Fund. Investors subscribing for Interests in the Fund who are domiciled in any country in which United States dollars are not the local currency should have noted that changes in the value of exchange between United States dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. The Fund could incur costs in converting investment proceeds from one currency to another.

**The Fund may not be diversified in its investments -** Although diversification would be a factor in the Manager's investment decisions, originating and maintaining a diverse portfolio would not have been the Manager's primary focus. There was no assurance as to the degree of diversification by asset, property type, or other metrics that would actually be achieved. The Manager would not be able to invest in a diverse portfolio. Furthermore, the Manager could have made investments in contemplation of sales or refinancing transactions which did not occur as expected, resulting in the Fund having an unintended long-term investment and reduced diversification. Since the Manager could have made only a limited number of

investments and since many of the investments could have involved a high degree of risk, poor performance by a few of the investments can severely affect the total returns to investors.

**The Fund is subject to the risks of holding leveraged investments** - Leverage created an opportunity for increased return on equity, but at the same time created risk for the Fund. For example, leveraging magnifies change in the Fund's net worth. The Manager could leverage assets only when there was an expectation that leverage would provide a benefit, such as enhancing returns, although the Manager cannot assure that the use of leverage would prove to be beneficial. Increases in credit spreads in the market generally have adversely affected the market value of the investments. Because borrowings could have been secured by the investments, which may have been subject to being marked to market by the Fund's credit providers, the borrowings available could decline if the market value of the investments declines. Moreover, the Manager cannot not assure that it will be able to meet mark-to-market capital calls or debt service obligations in general and, to the extent such obligations are not met, there is a risk of loss of some or all of the investments through foreclosure or a financial loss if the Manager is required to liquidate assets, the impact of which could be magnified if such a liquidation were at a commercially inopportune time.

#### **Item 9: Disciplinary Information**

This item is not applicable.

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

This item is not applicable.

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

##### Code of Ethics

Recovery Partners has adopted a Code of Ethics (the "Code") in accordance with Section 206 of the Advisers Act and Rule 204A-1 under the Advisers Act setting forth rules of conduct for our employees. In summary, the Code prohibits insider trading, regulates personal securities trading activities in the accounts of employees, and prescribes standards for dealing with the Fund and its investors ethically. Potential or existing investors in the Fund may request a copy of the Code by contacting Recovery Partners' CCO, Stephen Hart, at (212) 829-4952 or by electronic mail at: [stephen.hart@cantor.com](mailto:stephen.hart@cantor.com).



Recovery Partners has not purchased or sold securities for its own account. Our employees may acquire, hold or dispose of the same investments for their own accounts as are held or were to be purchased or sold for the Fund. However, other than with respect to permitted transactions, no employee may purchase or sell any security (or a closely related security, such as an option) within seven (7) calendar days immediately before or after any calendar day on which that security (or a closely related security) has been purchased or sold on behalf of the Fund. Additionally, other than with respect to permitted transactions, no employee can engage in any transaction involving; (i) any securities issued by any registered investment company managed by Recovery Partners or affiliated with Recovery Partners; (ii) any securities issued by any other client of Recovery Partners; or (iii) any mortgage-backed securities without preclearance.

Generally, such restrictions also apply to certain members of the employees' family. These restrictions are monitored and reported to the CCO or his designee.

"Permitted transactions" include the following: (a) transactions by the Fund in securities by the Fund as to which the employee has beneficial ownership; (b) transactions in certain securities issued or guaranteed by any national government that is a member of the Organization for Economic Cooperation and Development, or any agency or authority thereof; (c) transactions that occur by operation of law or under any other circumstances in which the employee does not exercise any discretion to buy or to sell or make recommendations to a person who exercises such discretion; (d) purchases of certain securities under an automatic dividend investment plan; and (e) purchases under the exercise of rights issue pro rata to all holders of the class of securities held by the employee and received by the employee from the issuer.

As noted in Item 10 above, the Fund's Advisory Committee, whose members are Limited Partners, provides advice and counsel as is requested by the Managers in connection with potential conflicts of interest.

## **Item 12: Brokerage Practices**

As noted in Item 4, the Fund invested primarily in CRE-related assets through the acquisition of sub- and non-performing debt and strategic and opportunistic equity positions in direct CREs and/or FIs. Accordingly investments in publicly traded securities, which required the selection or recommendation of a broker-dealer, would generally be infrequent occurrences. However, to meet its fiduciary duties to the Fund, Recovery Partners has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

## Selection of Broker-Dealers

The Manager has, subject to the direction of the General Partner, sole discretion over the purchase and sale of Investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for the Fund involving a broker-dealer, the Manager will seek “best execution” of the transaction, as applicable. “Best execution” means obtaining for the Fund the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputation and reliability of the executing broker-dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Manager takes into account all factors that it deems relevant to the broker-dealer’s execution capability, including, for example, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker-dealer, and the quality of service rendered by the broker-dealer in other transactions.

The Manager does not receive “soft dollars” in connection with its use of broker-dealers.

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

### Oversight and Monitoring

The investment portfolio of the Fund is generally private, illiquid and long-term in nature, and accordingly, our review of the investments in the Fund is not directed toward a short-term decision to dispose of securities. However, we closely monitor the Fund’s investments and generally maintain an ongoing oversight position with respect to each investment. Each investment is reviewed at least quarterly by the Manager’s investment committee members and executive officers.

### Reporting

On an annual basis, and within 120 days of the Fund’s fiscal year end, each Limited Partner is furnished with audited financial statements in conformity with generally accepted accounting principles, including a balance sheet, income statement and statement of Limited Partners’ capital, and summary financial information with respect to and an annual review of, each Investment (including a valuation of each Investment). On a quarterly basis, each Limited Partner will be furnished with an unaudited balance sheet, income statement, valuation of each Investment (which will be updated from the annual valuation if there has been a material change in such Investment), capital account statement and a summary report



regarding the Fund's Investments, including descriptions of new acquisitions and dispositions made during such fiscal quarter.

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

RRP could have entered into compensation arrangements with solicitors to introduce new investors ("solicitor agreements") when the Fund was still accepting investors. RRP at the time, rather than such investors, would bear the costs and expenses associated with any such solicitors. Any such solicitation arrangements would comply with Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, if and to the extent applicable. Clients under these agreements would not be charged fees higher than the standard fees described in Item 5. RRP does not have any solicitor agreements in place.

#### **Item 15: Custody**

The Manager is considered to have custody of the Fund's financial assets. The Fund is audited annually and, as noted in Item 13, the audited financial statements, which are prepared in accordance with generally accepted accounting principles, are distributed to the Fund's Limited Partners within 120 days of the Fund's fiscal year end. Each Limited Partner should carefully review the Fund's audited financial statements.

#### **Item 16: Investment Discretion**

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

#### **Item 17: Voting Client Securities**

For the most part, Fund investments do not consist of voting securities. However, pursuant to its obligations under Rule 206(4)-6 of the Investment Advisers Act, Recovery Partners has adopted and implemented policies and procedures reasonably designed to ensure that proxies are voted in the best interest of the Fund. The guiding principle by which we vote all proxies is the maximization of the ultimate long term economic value of the Fund's holdings. We do not permit proxy voting decisions to be influenced in any manner that is contrary to this guiding principle, nor does RRP solicit proxies.

#### **Item 18: Financial Information**

This item is not applicable.