



Ranger Alternative Management II, LP

2828 North Harwood Street, Suite 1600  
Dallas, Texas 75201

(214) 871-5200

[www.rangeralternatives.com](http://www.rangeralternatives.com)

October 30, 2013

Part 2A of the Form ADV (the "Brochure") provides information about the qualifications and business practices of Ranger Alternative Management II, LP ("Ranger" or the "Firm") If you have any questions about the contents of this Brochure, please contact us at (214) 871-5200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about the Investment Manager (CRD # 168942) is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about persons who are both affiliated with the Firm and registered as investment advisers with the SEC.

**REFERENCES AND DISCLOSURES RELATING TO A FUND PRESENTED HEREIN, INCLUDING BUT NOT LIMITED TO: (I) THE INVESTMENT OBJECTIVE, STRATEGIES, AND MANAGEMENT OF A FUND, (II) RISKS AND CONFLICTS OF INTEREST ASSOCIATED WITH AN INVESTMENT IN A FUND, (III) AND DESCRIPTIONS OF INVESTMENT PRODUCTS UNDERTAKEN WITHIN A FUND'S PORTFOLIO, ARE QUALIFIED IN THEIR ENTIRETY BY AND SHOULD BE READ IN CONJUNCTION WITH SUCH FUND'S PRIVATE PLACEMENT MEMORANDUM AND OTHER OFFERING DOCUMENTS. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO REVIEW APPLICABLE FUND MEMORANDUMS CAREFULLY, AND CONSULT THEIR INDIVIDUAL FINANCIAL, LEGAL OR TAX ADVISORS.**

## Item 2 – Material Changes

SEC rules require the Firm, and other registered investment advisers, to provide its Clients with a copy of the Brochure within 120 days of the close of its fiscal year, as well as on an ongoing basis when material changes make such disclosures necessary. The Firm's Brochure is intended to provide its Clients with a clearly written and meaningful disclosure, in plain English, about the Firm's business practices, conflicts of interest and advisory personnel.

The Firm's Form ADV is divided into two parts, *Part 2A* and *Part 2B*. The Brochure, or *Part 2A* of the Form ADV, provides information about a variety of topics relating to the Firm's business practices and conflicts of interest. *Part 2B* of the Form ADV 2 (the "Brochure Supplement") provides information about the Firm's advisory personnel.

The effective date of this, the Firm's initial Brochure, is October 30, 2013. Item 2 of this Brochure discusses only specific material changes made to the Brochure from the most recent prior filing date and provides clients with a summary of such changes. Accordingly, there are no material changes to the initial Brochure, as there are no prior versions.

## Item 3 – Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	2
Item 5 – Fees & Compensation .....	3
Item 6 – Performance-Based Fees & Side-By-Side Management .....	4
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies & Risk of Loss .....	5
Item 9 – Disciplinary Information .....	6
Item 10 – Other Financial Industry Activities & Affiliations .....	6
Item 11 – Code of Ethics, Participation/Interest in Client Transactions & Personal Trading .....	6
Item 12 – Brokerage Practices .....	8
Item 13 – Review of Accounts .....	8
Item 14 – Client Referrals & Other Compensation .....	8
Item 15 – Custody .....	9
Item 16 – Investment Discretion .....	9
Item 17 – Voting Client Securities .....	9
Item 18 – Financial Information .....	10

## Item 4 – Advisory Business

Ranger Alternative Management II, LP (“Ranger” or the “Firm”) is an investment adviser that commenced operations on November 1, 2013. The Firm was organized as a Texas limited partnership by Ranger Alternative Management (GP), LLC, a Texas limited liability company which serves as its general partner. Ranger Alternative Management (GP), LLC is controlled by (i) Ranger Capital Group Holdings, L.P., a Texas limited partnership which serves as its managing member, (ii) Ranger Capital Group, LLC, a Texas limited liability company which serves as the general partner of Ranger Capital Group Holdings, L.P., (iii) Jason Elliott, who serves as the manager of Ranger Capital Group, LLC, and (iv) Garrett Melara, who owns a greater than twenty five percent limited partnership interest in the Firm.

The Firm is currently in the process of registering with the United States Securities and Exchange Commission (the “SEC”), in accordance with the Investment Advisers Act of 1940, and expects to receive approval prior to January 1, 2014.

The Firm currently serves as adviser to and provides continuous investment advisory services on a discretionary basis to: (i) the Ranger Specialty Income Fund, LP, a Delaware limited partnership (the “Domestic Fund”), and (ii) the Ranger Specialty Income Fund, Ltd., a Cayman Islands exempted company (the “Cayman Fund”, and together with the Domestic Fund, the “Funds”). Each Fund is a private pooled investment vehicle which is exempt from registration as an investment company under the Investment Company Act of 1940. The Firm does not currently participate in wrap fee programs.

The Funds are exempt from registration pursuant to Section 3(c)-1 of the Investment Company Act of 1940. The Firm solicits investors for each of the Funds; and in accordance with Rule 506 of Regulation D, the Funds are available to a limited number of accredited and qualified investors who are knowledgeable and experienced in financial and business matters. In addition, current and prospective investors should be capable of evaluating the merits and risks of an investment in a Fund.

Fund portfolios invest in loans offered by peer-to-peer (“P2P”) lending platforms, including but not limited to Prosper.com and Lending Club.com (the “Lending Platforms”).

The Firm will generally adhere to the above objectives with respect to each of the Funds, subject to the specific investment strategies, restrictions or strategies further described in each Fund’s confidential offering memorandum (collectively, the “Offering Documents”).

**ALL DESCRIPTIONS AND REFERENCES TO THE FUNDS IN THIS BROCHURE ARE QUALIFIED IN THEIR ENTIRETY BY EACH FUND’S OFFERING DOCUMENTS, INCLUDING WITHOUT LIMITATION, WITH RESPECT TO OBJECTIVES, STRATEGIES, DISCLOSURES RELATING TO INVESTMENTS, AND TERMS OF INVESTMENTS. PROSPECTIVE INVESTORS ARE THEREFORE STRONGLY ENCOURAGED TO CAREFULLY REVIEW APPLICABLE OFFERING DOCUMENTS, RELATING TO THE FUNDS OR SEPARATE ACCOUNTS, AND CONSULT THEIR LEGAL AND/OR FINANCIAL REPRESENTATIVES PRIOR TO MAKING AN INVESTMENT.**

## Item 5 – Fees and Compensation

The Firm directly or indirectly charges Clients management fees which are a fixed percentage of assets under management (“Management Fees”), and performance fees or allocations which are a fixed percentage of profits realized by the Funds (or their Investors), after adjusting for expenses and high water marks (“Performance Fees”, and together with Management Fees, the “Fees”).

Fees are generally charged in accordance with the schedule set forth in this Brochure. However, the Firm reserves the right to negotiate Fees with the underlying investors in the Funds (the “Investors”) which differ from the standard schedule, based on specific circumstances and on a case by case basis. Examples of these circumstances include, without limitation: the relative size of an Investor’s account, an Investor’s affiliation to Ranger, and/or an Investor’s status as a seed investor. As such, Fees incurred by Investors may vary significantly.

### Management Fees

The Firm generally charges Management Fees at an annual rate of one percent (1%) of assets under management. Management Fees are generally calculated and payable quarterly in advance and accrued monthly (and a prorated Management Fee is charged on contributions made during a quarter).

### Performance Allocation

The Firm generally charges an annual Performance Fee equal to ten percent (10%) of a Fund’s or Investor’s allocable share of net profits for the fiscal year, as measured net of management fees, other expenses and default reserves. Performance Fees are generally charged on an annual basis. However, Performance Fees are also charged with respect to partially or fully withdrawn investment capital on the basis of net profits allocated to such Investor through the withdrawal date.

With respect to the Domestic Fund, Performance Fees may take the form of allocations whereby such performance allocation is debited against the capital account of a Fund’s limited partners and simultaneously credited to the capital account of the Firm.

Performance Fees are subject to a “high water mark” limitation. Thus, after the first year in which a Performance Fee is earned, the Performance Fee for subsequent years only applies to the extent that an investor’s net profits measured on a cumulative basis, net of any losses, for all years exceeds the highest level of such cumulative net profits achieved through the close of any prior year.

### Management Fees and Performance Allocation Exclusive of Expenses

Management Fees and the Performance Allocation are exclusive of expenses associated with investments in the Fund. Although, the Firm is responsible for its general overhead expenses, Investors bear the cost attributable to the Funds’ investment activities and operations, including without limitation, expenses associated with trading or transaction costs, administration/custody and operations.

Fees are generally referenced at an annual rate, but are generally calculated and charged in advance on a daily, monthly or quarterly basis. To the extent that an Investor redeems its investment, the Firm will promptly refund all fees paid in advance for periods after such applicable redemption date.

### Fees in Master Feeder Structure

The Firm currently employs a master-feeder structure between the Funds whereby the Cayman Fund participates in the Firm's portfolios through a limited partnership interest in the Domestic Fund. Although such master-feeder structure provides for greater flexibility and liquidity with respect to the Funds' investment program, it may subject the Cayman Fund to its pro-rata portion of certain expenses of the Domestic Fund. Notwithstanding the above: (i) Investors in the Cayman Fund will either be charged a Management Fee or Performance Allocation/Fee by the Cayman Fund or as an expense of the Domestic Fund, but will not be charged such fees on a duplicate basis, and (ii) the Firm has the right, at its sole discretion, to exempt or reduce the Cayman Fund's participation in any expenses of the Domestic Fund, to the extent it believes such exemption or reduction to be equitable, including (without limitation) with respect to expenses associated with any third party's services to the Domestic Fund or the Domestic Fund's audit.

### Compensation to Third Parties

Please see **Item 14 – Client Referrals and Other Compensation** for information regarding compensation received by or paid to affiliated and unaffiliated persons for the solicitation of Investors for the Funds.

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

As referenced in **Item 5 – Fees and Compensation** above, the Firm generally charges Performance Fees. Such Performance Fee arrangements may create an incentive for the Firm to invest in securities which may be riskier or more speculative than the securities it would invest in under a different fee arrangement. In addition, Performance Fee arrangements may create an incentive for the Firm to favor higher fee paying accounts over other accounts with respect to the allocation of investment opportunities.

The Funds invest through a master-feeder structure, and as such all Investors participate in each Fund investment on a pro-rata basis. However, to the extent that additional Clients are undertaken by the Firm, the Firm shall adopt compliance procedures to ensure that (i) all investors are treated equitably, and (ii) potential conflicts of interest that may influence the allocation of investment opportunities among Investors are mitigated.

## Item 7 – Types of Clients

The Firm will provide investment advisory services for the Funds. Investors in the Funds may include, but are not limited to, sophisticated qualified clients, including high net worth individuals, family offices, individual retirement plans, pension plans, endowments, fund-of-funds, trusts, insurance companies and other institutions or businesses.

Generally, the minimum subscription amount for an investment in a Fund is two hundred fifty thousand dollars (\$250,000). However, the Firm reserves the right to accept subscriptions of any lesser amount, at its sole discretion.

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

Fund portfolios invest in loans offered by peer-to-peer (“P2P”) lending platforms, including but not limited to Prosper.com and Lending Club.com (the “Lending Platforms”).

The Fund employs a unique and proprietary loan selection approach which uses proprietary software, known as TruSight Technologies (“TruSight”) to automatically generate a set of algorithms based upon available prior history of loans originated on the Lending Platforms. The resulting algorithms isolate borrower and loan characteristics which they deem most likely to provide the potential for the highest ROI on an aggregated basis. Guidance provided by the Credit Committee members and Portfolio Manager may influence the criteria TruSight uses to evaluate loans available for investment. Once new loans available on the Lending Platforms have been evaluated, the combined confidence from the set of algorithms selects loans or portions of loans for investment. While the loan selection process typically operates without the need for human interaction, performance is monitored by the Portfolio Manager and members of the Credit Committee.

***The information presented in Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss is qualified in its entirety by reference to the Fund’s Investment Program in the Private Placement Memorandum, a copy of which may be obtained by contacting the Firm at (214) 871-5200.***

### **RISK FACTORS**

THE FIRM’S AND THE FUNDS’ INVESTMENT PROGRAM ENTAIL A SIGNIFICANT DEGREE OF RISK, INCLUDING WITHOUT LIMITATION, THE RISK THAT A PROSPECTIVE INVESTOR MAY LOSE PART OR ALL OF ITS INVESTMENT CAPITAL. THERE CAN BE NO ASSURANCE THAT THE FIRM WILL BE ABLE TO AVOID LOSS, ACHIEVE ITS INVESTMENT OBJECTIVE OR RECEIVE A RETURN ON INVESTMENT CAPITAL. IN ADDITION, INTERESTS OR SHARES IN A FUND ARE HIGHLY ILLIQUID. AS SUCH, AN INVESTMENT IN A FUND SHOULD ONLY BE UNDERTAKEN BY INVESTORS CAPABLE OF (I) EVALUATING THE RISKS ASSOCIATED WITH SUCH INVESTMENT, (II) BEARING THE LOSS OF PART OR ALL OF THEIR INVESTMENT CAPITAL, AND/OR (III) BEARING THE ILLIQUIDITY OF A FUND’S SHARES OR INTEREST FOR AN UNFORESEEABLE PERIOD OF TIME.

AN INVESTOR WHO SUBSCRIBES FOR AN INVESTMENT IN THE FUND WILL ALSO BE SUBJECT TO A NUMBER OF INVESTMENT, STRUCTURAL, OPERATIONAL AND TAX RISKS, INCLUDING WITHOUT LIMITATION RISKS RELATING TO: THE UNDERLYING LENDING PLATFORMS, THE UNSECURED NATURE OF THE UNDERLYING INVESTMENTS, THE POTENTIAL FOR DEFAULTS OF UNDERLYING INVESTMENTS, POOR OR SUBPRIME CREDIT RATINGS WITH RESPECT TO CERTAIN BORROWERS ASSOCIATED WITH UNDERLYING INVESTMENTS, THE ILLIQUIDITY OF BOTH UNDERLYING INVESTMENTS AND THE FUNDS, MARKET CONDITIONS, SECURITY SELECTION, THE PARTNERSHIP’S TERMS, AND DOMESTIC TAX TREATMENT OF UNDERLYING NOTES. **DETAILED DISCLOSURES OF SUCH RISKS, OTHER RISKS AND ANY CONFLICTS OF INTEREST INHERENT TO THE FUNDS MAY BE FOUND IN EACH OF THE FUND’S PRIVATE PLACEMENT MEMORANDUM, COPIES OF WHICH ARE AVAILABLE UPON REQUEST TO THE FIRM. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO REVIEW SUCH RISK DISCLOSURES CAREFULLY, AND CONSULT THEIR INDIVIDUAL FINANCIAL, LEGAL OR TAX ADVISORS.**

## Item 9 – Disciplinary Information

This section requires registered investment advisers to disclose all material facts regarding any legal or disciplinary events that would be material to an investors' evaluation of the Firm or the integrity of its management. The Firm has no known legal or disciplinary events to disclose.

## Item 10 – Other Financial Industry Activities and Affiliations

Ranger Alternative Management II, LP is affiliated with four investment advisers by virtue of common control and ownership by Ranger Capital Group Holdings, L.P. The Firm and each of its investment advisory affiliates mentioned below maintain independent investment teams and processes; and focus on differing investment strategies.

- Ranger Alternative Management, L.P. serves as a sub advisor to and has day-to-day portfolio management responsibilities with respect to a short only actively managed Exchange Traded Fund. Portfolio investments generally include short sales of domestically traded mid- and large-cap U.S. exchange-traded equity securities.
- Ranger Investment Management, L.P. manages investment portfolios which consist of U.S. exchange traded equity securities of small and/or mid capitalization growth oriented companies.
- Ranger International Management, LP. manages long-only (i) international equity and (ii) global income and growth portfolios.
- Ranger Advisors, L.P. is a fund-of-funds which invests in Ranger affiliated investment advisers and an unaffiliated long-short hedge fund.

With the exception of the Firm, which is in process of application, each Ranger investment adviser is registered with the U.S. Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training.

## Item 11 – Code of Ethics, Participation/Interest in Client Transactions and Personal Trading

As a fiduciary, the Firm has an affirmative duty to act in the best interests of its investors and to make full and fair disclosure of all material facts, particularly where the Firm's interests may conflict with those of its investors. The Firm's Code of Conduct and Code of Ethics (the "Codes") serve as behavior benchmarks from which the Firm's compliance program is built. Briefly, the Codes require each Ranger employee to act with integrity, competence, diligence, respect, and in an ethical manner when dealing with current and prospective clients, the Firm, other employees, colleagues in the investment profession, and other participants in the global capital markets. Employees are expected to place the interests of clients and the Firm above their own personal interest and to avoid any actual or potential conflicts of interest. In addition, the Firm's Code of Ethics requires, among other things, that all employees to comply with applicable provisions of the federal securities laws and to promptly report



any potential violations of the Firm's compliance policies and procedures to the Chief Compliance Officer.

#### Personal Trading Policy

The Firm has implemented a personal trading policy which prohibits employees from purchasing individual P2P Securities (as defined below) which the Firm may invest in for the benefit of its clients. Employees may continue to hold investments initiated prior to the adoption of the policy or their employment with the firm, and may sell such securities only after all anticipated clients' purchases or sales of such securities are completed, if any. In addition, the Firm requires that all employees receive pre-clearance from the Chief Compliance Officer by submitting a written request prior to the sale of individual securities transactions. Employees may invest in pooled investment vehicles, ETFs, Closed End Mutual Funds and SEC non-restricted securities, such as open-end mutual funds, certain U.S. government securities and cash equivalents. Pre-clearance and reporting requirements vary for a number of these investments. The Firm's personal trading policy requires employees to provide the Chief Compliance Officer with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

In addition to personal trading activities, other policies and procedures found in the Code of Ethics provide guidelines the Firm and/or employees follow with respect to:

- Insider Trading
- Outside Business Activities
- Political Contributions
- Gifts and Entertainment

A copy of the Firm's Code of Ethics is available to current or prospective clients upon written request.

#### Master Feeder Structure

The Firm currently employs a master-feeder structure between the Funds whereby the Cayman Fund participates in the Firm's portfolios through a limited partnership interest in the Domestic Fund. Although such master-feeder structure provides for greater flexibility and liquidity with respect to the Funds' investment program, it may subject the Cayman Fund to its pro-rata portion of certain expenses of the Domestic Fund. Notwithstanding the above: (i) Investors in the Cayman Fund will either be charged a Management Fee or Performance Allocation/Fee by the Cayman Fund or as an expense of the Domestic Fund, but will not be charged such fees on a duplicate basis, and (ii) the Firm has the right, at its sole discretion, to exempt or reduce the Cayman Fund's participation in any expenses of the Domestic Fund, to the extent it believes such exemption or reduction to be equitable, including (without limitation) with respect to expenses associated with any third party's services to the Domestic Fund or the Domestic Fund's audit.

## Item 12 –Brokerage Practices

Generally, the Firm has complete discretion over the selection and amount of securities to be bought or sold for investor accounts without obtaining their consent or approval (within the parameters established by the Private Placement Memorandum or investment management agreement).

However, the Firm's investment strategies are currently limited to investments in loans offered by various peer-to-peer lending platforms (the "P2P Notes") and, may at any time, employ the use of other swaps, derivatives and other over the counter investment products used to gain or hedge exposures (together with the P2P Notes, the "P2P Securities"). P2P Securities are not publically traded securities, and as such the Firm (i) does not select or recommend broker-dealers for the purchase and sale of securities for its Clients, (ii) does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with Client securities transactions, (iii) does not receive or employ any "soft dollar" based benefits attributable to Client securities transactions, (iv) does not consider selecting or recommending broker-dealers, based on client referrals, and (v) does not permit a Client to direct brokerage.

The Firm indirectly aggregates all Client accounts by employing a master-feeder structure between the Funds. As such, each Client and Investor, directly or indirectly participates in each P2P Securities transaction on a *pari passu* basis.

## Item 13 – Review of Accounts

Each Client account will be reviewed and valued on a daily, weekly or monthly basis, as deemed appropriate by the Firm. The Firm's Portfolio Manager will review each account in a manner consistent with the investment goals of each Client. Under the supervision of the Chief Financial Officer, members of the Firm's accounting and operations staffs will review the accounts' valuation, including net asset value calculations, principal and interest accrual calculations, and cash balance reports from applicable lending platforms and/or the Firm's administrator.

The Firm and the Fund administrator will assist the Funds in preparing written quarterly reports to Fund Investors, on at least a quarterly basis. Such quarterly reports include (i) unaudited financial information to investors

## Item 14 – Client Referrals and Other Compensation

The Firm may enter into written agreements with an affiliated or unaffiliated marketing group or individuals that will solicit investors for the Funds. As compensation for their solicitation services, such marketing groups or individuals may receive a percentage of the Firm's Management Fee and/or Performance Fees as attributable to such investor or the Funds. The fees paid to such marketing groups or individuals are not charged back to the Clients or Investors who have been solicited by these groups or individuals. Clients and/or Investors pay the same fees to the Firm as they would have had they not been referred by such marketing groups or individuals.

The Firm's arrangements with an affiliated or unaffiliated marketing group or individuals may result in a potential conflict of interest by creating an incentive for the marketing group to recommend Ranger's investment advisory products and services based on compensation received rather than the investor's needs. The Firm has implemented procedures to ensure compensation arrangements with an affiliated

or unaffiliated third-party for client or investor referrals will comply with Rule 206(4)-3 under the Adviser's Act.

## Item 15 – Custody

The Firm does not take possession of investor funds or securities. However, the Firm serves as a General Partner and/or attorney in fact with full discretion over the portfolios of the Fund it advises. As a result, the Firm is considered to have indirect access to the funds and securities of investors in its Fund. Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, the Firm has custody of these assets.

Accordingly, the Firm implements certain policies and procedures which seek to safeguard investor assets on behalf of the Fund. The Firm must also comply with additional bookkeeping, audit and disclosure requirements, which includes providing investors in the Fund with audited financial statements on an annual basis.

***The Firm strongly encourages investors to closely monitor their account statements, audited financial statements, disclosure documents and important investment related materials they receive from the Firm. Any potential discrepancies should be promptly brought to the Firm's attention by contacting (214) 871-5200.***

## Item 16 – Investment Discretion

In general, the Firm has complete discretion over the selection and amount of securities to be bought or sold without obtaining consent or approval from Clients or investors (within the parameters established by each Fund's Private Placement Memorandum). Discretionary authority only occurs upon full disclosure to the Client or investor and authorization by such Client or investor pursuant to the operative documents and subscription agreement of the Fund or the investment management agreement of a Separate Account. Trades or transactions made by the Firm on behalf of Client accounts for which it has discretion will be in accordance with that Fund's investment objectives and goals.

## Item 17 – Voting Client Securities

With the exception of certain money market securities, the Firm does not generally invest in securities which solicit proxies. However, to the extent the Firm does receive a proxy ballot, the Firm would seek to vote such proxy in the interest of maximizing shareholder value. To that end, the Firm would vote proxies in the manner it believes is consistent with its fiduciary duty. It is the Firm's policy to review each proxy statement on a case-by-case basis and give consideration to both the short and long term implications of each proposal in which it votes.

The Firm's written proxy voting policies are set forth above. In addition, the Firm maintains a record of all proxy votes cast on behalf of Clients; such records are available for review by the Client upon written request.

## Item 18 – Financial Information

Ranger has no known financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. In addition, the Firm has never been the subject of a bankruptcy petition.