

Part 2A of Form ADV: Shellpoint Advisors LLC - *Brochure*

Item 1 - Cover

Page

April 5, 2016

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This Brochure provides information about the qualifications and business practices of Shellpoint Advisors LLC (the “Adviser” or the “firm”). If you have any questions about the contents of this Brochure, please contact us at (212) 850-7757. 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.

Shellpoint Advisors LLC has filed an SEC registration application as a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

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

Brochure Disclosure

In no event should this Brochure be considered to be an offer of interests in any of the various pooled investment vehicles advised by the Adviser or relied on in determining whether to invest in any such investment vehicles. This Brochure is also not an offer of, or agreement to provide, advisory services to any recipient of this Brochure. Rather, this Brochure solely provides information about the Adviser for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and, as such, it responds to relevant regulatory requirements under the Advisers Act. The information disclosed in this Brochure, as required by the Advisers Act, may differ from the information provided to potential investors in the Offering Documents (as defined below), and this Brochure is qualified in its entirety by reference to the Offering Documents.

Item 2 - Material Changes

On April 5, 2016, the firm submitted its Investment Adviser registration application to the Securities and Exchange Commission. As of March 31, 2015, the firm's regulatory assets under management were \$0. The firm is a newly formed adviser who expects to be eligible for SEC registration within 120 days.

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Item 4 - Advisory Business

- A. The Adviser is a Delaware limited partnership and has its principal place of business in New York City, New York. The Adviser will provide discretionary investment advisory services to various pooled investment vehicles operating as private funds for sophisticated, qualified investors including, high net worth individuals, retirement plans, trusts, partnerships, corporations, or other businesses. The Adviser may also provide sub-advisory services to pooled investment vehicles, including vehicles that have retail investors; however, the Adviser currently does not provide any such advisory services.

The principal owner (defined as any person who owns 25% or more) of the Adviser is Shellpoint Partners, LLC. Shellpoint Management Holdings LLC is a greater than 25% owner in Shellpoint Partners, LLC.

- B. The Adviser offers investment advisory services in the strategies more fully described in Item 8 below to private limited partnerships for which the Adviser or an affiliate acts as general partner and/or investment manager, including offshore “feeder” entities through which investors may invest and which will invest solely in such private limited partnerships) (each a “Client” or “Fund” and, collectively, the “Clients” or “Funds”), and the Adviser may provide additional advisory services in respect of different investment strategies in the future and will update this Brochure in connection with material changes to or expansions of its advisory services.
- C. While each of its Clients will follow the general strategy described in Item 8, the Adviser may tailor the specific advisory services with respect to each Client based on the particular investment objectives and strategies described in the applicable Client’s (i) confidential offering memorandum or separate account agreement (as applicable) and (ii) governing documents, including any private placement memoranda (referred to collectively as “Offering Documents”).

All discussion of the Clients in this Brochure, including but not limited to their investments, the strategies used in managing the Clients, and conflicts of interest faced by the Adviser in connection with the management of the Clients are qualified in their entirety by reference to each Client’s respective Offering Documents.

Given that the Adviser does not provide individualized advice to a Fund’s investors, such investors are encouraged to consider whether the investment objectives of a particular Fund are in line with their individual objectives and risk tolerance prior to investment.

- D. The Adviser does not participate in wrap fee programs.
- E. As of March 31, 2016, the Adviser manages \$0 in discretionary assets and \$0 in non-discretionary assets.

Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is generally compensated in connection with providing advisory services to its Clients. However, the Adviser may enter into different fee arrangements on a Client-by-Client basis. A potential investor should read and review any and all Offering Documents in their entirety before making any investment decisions.

Management and Performance Fees. As compensation for its services, with respect to the Funds initially managed, the Adviser will receive a fixed management fee equal to \$600,000 and a 15% carried interest fee, each of which will be paid out of distributions to be made by the Funds. .

Other Fees With respect to any special purpose investment entity, collateralized mortgage obligation, collateralized debt obligation, collateralized bond obligation, collateralized loan obligation, REMIC, ReREMIC or fund securitization transaction completed with fund assets sold by a Fund, the Adviser or any other affiliate of the Adviser may receive a servicing fee, a collateral administrator fee, a collateral management fee, or a collateral administration fee, or other similar fee, and any such fees will not be paid to the Fund.

Organizational Expenses. The Funds will bear all legal, accounting, filing and other organizational and offering expenses (including expenses incurred by the Adviser and its affiliates and out-of-pocket expenses of any third party consultants) incurred in the formation of the Funds, subject to such caps and limitations set forth in the Offering Documents.

Operating Expenses. The Funds will also be responsible for all expenses that are incurred by or arise out of the operation of the Funds (and shall reimburse the Adviser or the Funds' general partners and any of their affiliates for having actually incurred any such expenses), including, without limitation: (i) organizational expenses; (ii) the costs and expenses of identifying, investigating, negotiating, structuring, acquiring, conducting due diligence, owning, monitoring, financing, hedging, expanding, operating and disposing of fund assets, including but not limited to fees for inspections, appraisals, audits, fund administration and management expenses, finders, legal, modeling, auditing, consulting, financing, accounting and custodian fees and expenses (including compensation for in-house attorneys, accountants and other professionals to the extent such costs are generally consistent with costs customarily charged by third-party professionals); (iii) legal, auditing, accounting and consulting expenses in connection with the preparation of amendments, Schedule K-1s, fund statements, financial statements, tax returns, and reports to partners (including compensation for in-house attorneys, accountants and other professionals to the extent such costs are generally consistent with costs customarily charged by third-party professionals); (iv) other expenses associated with the acquisition, holding and disposition of a Fund's investments, including, without limitation, expenses relating to the analysis, formation and implementation of any special purpose investment entity and extraordinary expenses; (v) taxes, fees or other governmental fees and charges levied against the Funds and any special purpose investment entity; (vi) reasonable and necessary expenses of the members of the investment committee of a Fund; (vii) insurance costs; (viii) expenses incurred in connection with any litigation, claim or proceeding; (ix) damages or the amount of any judgments or settlements; (x) all principal and interest in connection with borrowing, financings or derivatives entered into in connection with a Fund or any special purpose investment entity; (xi) administrative expenses; (xii) out-of-pocket expenses incurred in connection with transactions not consummated; (xiii) expenses of

meetings of investors; (xiv) indemnification expenses; (xv) all expenses incurred in connection with any audit with respect to taxes; (xvi) all expenses incurred in connection with the liquidation of a Fund; (xvii) amounts incurred in connection with compliance-related matters and regulatory filings relating to a Fund's activities (including, without limitation, expenses related to the preparation of Form PF or reports filed with the U.S. Commodity Futures Trading Commission, meetings of the Investor Advisory Committee (including related out-of-pocket costs of the members thereof to attend such meetings); and (xviii) amounts to be contributed or advanced to any special purpose investment entity or fund asset for the purpose of such entity or investment paying any cost of the type described above. The final Offering Documents for each Fund (and any related feeder or parallel fund) will set forth in detail all of the operating and other expenses, including placement expenses, if any, payable by the applicable Fund (and any related feeder or parallel fund).

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

As stated in Item 5 above, the Adviser or its affiliates receive carried interest fees from certain Clients. These payments are subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that performance-based fees only be charged to “qualified clients” (as such term is defined in Rule 205-3).

Carried interest fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a carried interest fee. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest with respect to any future clients, the Adviser will implement policies and procedures to ensure that all clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

**Item 7 - Types of
Clients**

As mentioned in Item 4, the Adviser will provide investment advisory services to private funds for sophisticated, qualified investors, including high net worth individuals, retirement plans, trusts, partnerships, corporations, or other businesses. The Adviser may also provide sub-advisory services to pooled investment vehicles, including vehicles that have retail investors; however, the Adviser currently does not provide any such advisory services.

Generally, the minimum required investment in a Fund is \$30,000,000; however, such requirement does not apply to certain investors and is subject certain waivers, all as further described in the Offering Documents.

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

A. Investment Objective and Philosophy

The Funds, initially, primarily intend to invest (directly or indirectly) in pools of agency and non-agency first lien, residential mortgage loans which have a variety of compliance related origination flaws and other flaws which impede the immediate liquidity of the loans (collectively, the “Fund Assets”). The majority of these flaws are associated with issues relating to compliance with the TILA-RESPA Integrated Disclosure (“TRID”) rule of the Consumer Finance Protection Bureau (“CFPB”) that went into effect on mortgage loans with respect to applications taken after October 3, 2015. In addition, as described further in the Offering Documents, a portion of the Fund Assets may consist of loans that were rejected by third-party purchasers due to defects in originating such loans to the purchaser’s guidelines, rather than as a result of any compliance defects.

The Adviser will cause the Fund to acquire certain investments purchased by affiliates of the Adviser both prior to the closing of the Fund and during the term of the Fund. The Fund will be entitled to all distributions from such investments from and after the date of the original acquisition of the investment, and the Fund will pay to the affiliate of the Adviser, in connection with any such pre closing or post closing acquisition, a capital charge fee of 8% per annum for the period from the date of the original acquisition by the affiliate of the Adviser until the date of the actual purchase of the investment by the Fund.

B. Material Risks

The investment strategies employed by the Adviser entail substantial inherent risks. The following discusses certain material risks associated with the investment strategies and methods of analysis used by the Adviser. For a more complete discussion of the specific risk factors relevant to a decision to invest in a Fund, investors should refer to the Offering Documents specific to the relevant Fund. References to “the Fund” in the following risk factors is a reference to each Fund advised by the Adviser.

GENERAL RISK FACTORS

The Fund and the Adviser have no operating history or historical financial statements.

The Fund and the Adviser have no operating history or historical financial statements. Consequently, investors will not be able to predict the Fund’s future performance, or assess the quality of the Adviser, based on any past performance of the Fund or the Adviser.

The Fund may not be able to generate an investment return or return investor capital.

The Fund’s ability to generate investment returns is dependent on the Fund’s ability to achieve capital appreciation and produce sufficient cash flow to pay both operating expenses, including organizational expenses, and distributions to investors. There can be no assurance that the Fund

will be able to generate sufficient cash flows to pay operating expenses, including organizational expenses, and make or sustain distributions to the Fund for distribution to investors. The possibility of partial or total loss of capital will exist, and investors should not subscribe unless they can readily bear the consequences of such loss.

Dealings may not be arm's length.

The Adviser, its management team and the general partner of the Fund are affiliates of each other, and the management agreement between the Adviser and the Fund has not been negotiated on an arm's-length basis.

The Fund must rely on the Adviser.

The Fund's success depends, to a significant extent, upon the continued services of the personnel of the Adviser. Any of these individuals could be difficult to replace, and the loss of any one of them could have a material adverse effect on the Fund's business, financial condition, results of operations, and cash flow, and, accordingly, on returns to the limited partners.

RISKS ASSOCIATED WITH FUND ASSETS AND INVESTMENT STRUCTURE

There is a limited number of possible Fund Assets available to the Fund.

The Fund is dependent on the Adviser to initially acquire the Fund Assets. Following the Fund closing, the Fund will depend on the Adviser to source, select, price and acquire Fund Assets with the proceeds from the Fund offering, as well as with leverage employed by the Fund. There can be no assurance that the Adviser or its affiliates will be able to successfully source, select, price and acquire Fund Assets, or acquire the Fund Assets at appropriate price levels.

The Adviser may be wrong about its assumptions and projections.

The Adviser's projected and targeted returns on the Fund Assets (and the consequent returns to the investors) are based upon certain assumptions, including with respect to the effects on origination and compliance matters created by the TRID rules, as well as current and historical trends in the residential mortgage markets. Additionally, a key assumption underlying the Fund's investment strategy is that TRID-related origination and compliance flaws, as well as other defects, will result in discounts to the valuation of related loans, and that legal actions relating to such loans will not involve the Fund. There can be no assurances that such assumptions will hold true. Any inaccuracy in such assumptions may materially and adversely impact the business, financial condition, results of operations, and cash flow and returns of a Fund. For example, even if assumptions relating to the effect of the TRID rules are valid, in the event the mortgage market suffers a downturn, values of the Fund Assets would be unlikely to increase in accordance with the Fund's assumptions and, accordingly, returns would likely be materially and adversely affected. Values of Fund Assets may also decline because of the perceptions of their relative value by other financial market participants, including the views and assumptions of such participants regarding the anticipated effects of the TRID rules.

The Adviser may not be able to accurately value the Fund Assets.

The Fund's assets will be presented in its financial statements on a "fair value basis." In the case of many of the Fund's Assets, it is unlikely that readily available price quotations will exist.

Accordingly, investors will need to rely on the judgment of the Adviser, as well as the Adviser's and the Fund's accountants and third-party advisors, for valuing and pricing the Fund Assets.

The Fund Assets will be illiquid investments, and they may have to be held for indefinite periods of time.

Due to illiquidity in the markets, there is no assurance that there will be a ready market for resale of Fund Assets at prices that generate a positive return. Further, the Fund's investment strategy depends, in part, on the near-term illiquidity in certain residential mortgage loans caused by the TRID rules; namely, residential mortgage loans with TRID-related origination and compliance flaws may not be securitizable or otherwise disposed of during the period (generally a 12-month period) that related borrowers have the ability to exercise affirmative legal rights relating to the TRID flaws or during the period that the CFPB has the ability to pursue enforcement actions relating to the TRID flaws. Certain of the securities that the Fund may acquire may also include interests that have not been registered under applicable securities laws, resulting in a prohibition against transfer, sale, pledge or other disposition of those securities except in a transaction that is exempt from the registration requirements of, or otherwise in compliance with, applicable laws. Illiquidity may also result from contractual restrictions on the resale of Fund Assets. Accordingly, the Fund's ability to respond to changes in economic and other conditions (including, without limitation, the need to satisfy margin calls) by disposing Fund Assets may be limited or completely restricted, and this could have a material adverse effect on the business, financial condition, results of operations and cash flow of the Fund. There can be no assurance that the Fund will be able to realize on such Fund Assets in a timely manner, or at all. Upon the Fund's termination, the Fund may not be able to sell or finance Fund Assets that it has purchased and, therefore, may have to make "in-kind" distributions to the investors.

The Fund could suffer from its lack of asset diversification.

The Fund Assets will consist primarily of agency and non-agency loans with TRID-related origination and compliance flaws. As such, the risks relating to the Fund Assets will be concentrated in a single class of like assets, and the risks relating to the Fund Assets will not be diversified.

The Fund Assets are susceptible to leverage and interest rate risks.

The Fund anticipates using leverage to achieve its target rates of return, and the Fund will, directly or indirectly through one or more special purpose entities, borrow funds to make investments or otherwise in connection with the business of the Fund.

The amount of borrowings which the Fund may have outstanding at any time are expected to be approximately nine times total Commitments, which is significant. Although the use of leverage may enhance returns, it will also substantially increase the risk of loss. For example, under certain declining market conditions, the Fund's lenders could make margin calls that require the Fund to post additional cash or collateral as security for a loan. In addition, the Fund's lenders may have the ability to accelerate repayment of any of the borrowings if such lender determines that there has been a material adverse change in the financial or other condition of the Fund or the Fund Assets. In the event of any such acceleration, the Fund may not be able to sell the Fund Assets in a timely fashion and realize sufficient proceeds to repay any such accelerated obligations, and as a result, the Fund may sustain a loss which in turn would cause a reduction in the distributions to investors. Because many borrowings are subject to cross default safeguards, it is possible that the Fund could

experience concurrent foreclosures on multiple financed Fund Assets, accompanied by attendant losses upon lender liquidations.

In connection with debt financing obtained by the Fund, cash flow will be utilized first to pay principal and interest on the related debt. In the event that cash flows are insufficient to retire all of such debt, Fund equity, or the value of the Fund Assets, could be impaired. The Adviser will attempt to negotiate favorable cure rights in loan documents in order to avoid triggering multiple loan defaults, but there can be no guarantee any such terms will be obtained.

There can be no assurance that the Fund will be able to finance or refinance its borrowings at rates which result in acceptable interest rate spreads to the applicable Fund Assets. Increases in interest rates could narrow or eliminate the spread, or result in a negative spread, between the revenue the Fund realizes on its Fund Assets and the interest rate that the Fund pays on its loans. While it is likely that fixed interest rates will be available, there can be no assurance that the Fund's business, financial condition, results of operations and cash flow and, accordingly, returns to investors, will not be materially and adversely affected during any period of increases in interest rates.

As the Fund's repurchase agreements and other short-term borrowings mature, it will be required either to enter into new borrowings or to sell certain of its investments at times when it might not otherwise choose to do so. An increase in short-term interest rates at the time that it seeks to enter into new borrowings would reduce the spread between the Fund's returns on assets and the cost of its borrowings. This would negatively affect the Fund's returns on Fund Assets that are subject to prepayment risk, which might reduce earnings and, in turn, cash available for distribution to investors.

The Fund's investment in residential mortgage loans will involve risks.

General

The Fund's primary investment will consist of investments in pools of agency and non-agency first lien, residential mortgage loans. Residential mortgage loans are secured by single-family residential property and are subject to risks of delinquency and foreclosure and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, acts of nature, terrorism, social unrest and civil disturbances, may impair borrowers' abilities to repay their loans.

In the event of any default under a mortgage loan held directly by the Fund, the Fund will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on the Fund's business, financial condition, results of operations and cash flow. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Prepayment Risk

Residential mortgage loans are susceptible to prepayment risks as they often do not contain prepayment penalties and a reduction in interest rates will increase the prepayments on the

residential mortgage loan resulting in a reduction in yield to maturity for holders of such securities. Prepayments on the residential mortgage loans 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 residential mortgage loan.

Geographic Concentration May Increase Risk of Loss Because of Adverse Economic Conditions or Natural Disasters

The geographic concentration of the mortgaged properties acquired by the Fund may expose the investors to an increased risk of loss due to risks associated with certain regions. Certain regions of the United States from time to time will experience weaker economic conditions, higher unemployment and lower property values or might experience weaker housing markets or inflated housing prices and, consequently, will experience higher rates of delinquency, foreclosure and loss than on mortgage loans nationally. In addition, certain regions have experienced or may experience natural disasters, including earthquakes, fires, floods, hurricanes, oil spills and tornadoes, which may adversely affect property values. Any deterioration in economic conditions in the regions in which there is a significant concentration of properties, as well as the other regions in which the mortgaged properties are located, which adversely affects the ability of mortgagors to make payments on the mortgage loans, may increase the likelihood of delinquencies and losses on the mortgage loans. Mortgagors have been increasingly successful in challenging or delaying foreclosures based on technical grounds.

Real Estate Values May Fluctuate

No assurance can be given that values of the mortgaged properties will remain at their levels on the dates of origination of the mortgage loans. If the residential real estate market should experience an overall decline in property values, the actual rates of delinquencies, foreclosures and losses could be higher than expected. Mortgage loans with relatively higher loan-to-value ratios will be particularly affected by any decline in real estate values. Any decline in real estate values may be more severe for mortgage loans secured by high cost properties than those secured by low cost properties.

Certain Types of Mortgage Loans have Additional Risks.

Certain types of mortgage loans have additional risks, as follows.

- Adjustable-rate mortgage loans present increased risks as borrowers may be unable to make their monthly payments to the extent that the mortgage interest rates increase due to increases in the applicable index.
- Interest-only loans do not require the related mortgagor to make scheduled monthly payments of principal during the interest only period. After the initial interest only period, payments on these types of loan with an interest only period will be recalculated to amortize fully its balance over its remaining life and the mortgagor will be required to make

scheduled payments of both principal and interest. This increase resulting from the required payment of principal will increase the burden on the mortgagor and may increase the risk of delinquency, default or prepayment under the related loan.

- The rate of default on mortgage loans secured by investor properties or second homes may be higher than other loans. Because the mortgagor is not living on the property, the mortgagor may be more likely to default on the mortgage loan than on a comparable mortgage loan secured by a primary residence, or to a lesser extent, a second home.
- First-time homebuyers are often younger, have shorter credit histories, may be more highly leveraged and have less experience with undertaking mortgage debt and maintaining a residential property than other borrowers. The presence of mortgage loans to first-time homebuyers in any pool acquired by the Fund may increase the number of defaults.
- Mortgage loans that have second lien mortgage loans encumbering the same mortgaged property may have higher rates of delinquency and foreclosure relative to mortgage loans that do not have second lien mortgage loans behind them. This may be due to changes in the mortgagor's debt-to-income profile, the fact that mortgagors may then have less equity in the mortgaged property or other factors.
- Some of the loans acquired by the Fund may be nonrecourse loans or loans for which recourse may be restricted or unenforceable. As to those loans, recourse in the event of mortgagor default will be limited to the specific real property and other assets, if any, that were pledged to secure the mortgage loan. However, even with respect to those mortgage loans that provide for recourse against the mortgagor and its assets generally, there can be no assurance that enforcement of the recourse provisions will be practicable, or that the other assets of the mortgagor will be sufficient to permit a recovery in respect of a defaulted mortgage loan in excess of the liquidation value of the related mortgaged property.

Risk of Fraud in the Origination Process

Fraud committed in the origination process may increase delinquencies and defaults on the mortgage loans. For example, a mortgagor may present fraudulent documentation to a lender during the mortgage loan underwriting process, which may enable the mortgagor to obtain a mortgage loan in an amount or with terms for which the mortgagor would not otherwise qualify. In addition, increasingly frequent incidences of identity theft involving mortgagors may result in an increased number of fraudulent mortgage loans that are not secured by mortgaged properties.

Homeowner Association Super Priority Liens, Special Assessment Liens and Energy Efficiency Liens May Take Priority Over the Mortgage Liens.

In some states it is possible that the first lien of mortgage may be extinguished by super priority liens of homeowner associations, potentially resulting in a loss of the mortgage loan's outstanding principal balance. In at least 20 states, Homeowner Association ("HOA") assessment liens can take priority over first lien mortgages under certain circumstances. The number of these so called "super lien" states has increased in the past few decades and may increase further.

Mortgage Loan Modifications

To limit losses on mortgage loans a servicer may use loss mitigation techniques, including forbearance agreements and other modification agreements and pre-foreclosure sales. Modifications may have the effect of, among other things, reducing or otherwise changing the mortgage interest rate, forgiving payments of principal or interest, extending the final maturity date, capitalizing or deferring delinquent interest and other amounts owed under the mortgage loans, deferring principal payments, with or without interest, or any combination of these or other modifications which may result in losses.

Delays in Liquidation and Liquidation Proceeds May Be Less Than the Stated Principal Balance of the Mortgage Loans

Substantial delays could result in connection with the liquidation of defaulted mortgage loans due to factors such as evaluation for modification programs or governmental rules and regulations regarding the foreclosure process.

Appraisals May Not Accurately Reflect The Value or Condition of a Mortgaged Property.

Appraisals obtained in connection with the origination of mortgage loans are intended to establish the amount a typically motivated buyer would pay a typically motivated seller at the time they were prepared. Such amount could be significantly higher than the amount obtained from the sale of a mortgaged property under a distressed or liquidation sale. Property values may decline and, therefore, appraisals may not be an accurate reflection of the current market value of the mortgaged properties. The current market value of any mortgaged properties obtained by the Fund could be lower, and in some cases significantly lower, than the values indicated in the related appraisals.

Risks Relating to Mortgaged Properties Acquired in Foreclosure Proceedings

Mortgage loans that become seriously delinquent in payment may be subject to foreclosure proceedings. When a mortgage loan is foreclosed, title to the related mortgaged property passes to the bidder at a foreclosure sale; often, the bidder will be the holder of the related mortgage note. In many cases, real property that passes to the holder of the related mortgage note through foreclosure has been poorly maintained; routine property maintenance such as repair of water leaks or sheetrock damage, painting, replacement of damaged or worn flooring, and landscaping may not have occurred for a significant period of time prior to foreclosure. In addition, mortgagors sometimes damage the mortgaged property when they move or are evicted from the premises; this damage may include damage to sheetrock, windows, floors, appliances and fixtures (including removal of items normally considered to be permanently affixed to the property, such as kitchen appliances, air conditioning or heating units, or pipes). Such damage may not be evident from an observation of the exterior of the property. This type of deferred maintenance or damage is likely to have an adverse effect on the market value of the mortgaged properties securing the mortgage loans, when compared to the estimated valuation of the property based upon an appraisal made at the time of origination or a broker's price opinion based only upon exterior observation and performed prior to foreclosure.

Stricter Enforcement of Foreclosure Rules and Documentation Requirements May Cause Delays.

Recently courts and administrative agencies have been enforcing more strictly existing rules regarding the conduct of foreclosures and, in some circumstances, have been imposing new rules regarding foreclosures. Some courts have delayed or prohibited foreclosures based on alleged

failures to comply with technical requirements. State legislatures have been enacting new laws regarding foreclosure procedures. In some cases, law enforcement personnel have been refusing to enforce foreclosure judgments. In addition, more mortgagors are bringing legal actions, or filing for bankruptcy, to attempt to block or delay foreclosures. As a result, the applicable servicer may be subject to delays in conducting foreclosures and the expense of foreclosures may increase.

Recent Trends in the Residential Mortgage Market

Since late 2006, delinquencies, defaults and foreclosures on residential mortgage loans have been higher than prior to 2006, and they may increase in the future. These higher rates of delinquencies, defaults and foreclosures have not been limited to “subprime” mortgage loans, which are made to mortgagors with impaired credit, but have also affected “Alt-A” mortgage loans, which are made to mortgagors often with limited documentation, and “prime” mortgage loans, which are made to mortgagors with better credit who frequently provide full documentation. Current market conditions may impair mortgagors’ ability to refinance or sell their residential properties, which may also contribute to higher delinquency and default rates. In response to increased delinquencies and losses with respect to mortgage loans, many mortgage loan originators have implemented more restrictive underwriting criteria for mortgage loans, which will likely result in reduced availability of refinancing alternatives for mortgagors. Home price depreciation experienced to date, and any further price depreciation, may also leave mortgagors with insufficient equity in their homes to enable them to refinance. In response to these circumstances, federal, state and local authorities have enacted and continue to propose new legislation, rules and regulations relating to the origination, servicing and treatment of mortgage loans in default or in bankruptcy. These initiatives could result in delayed or reduced collections from mortgagors, limitations on the foreclosure process and generally increased servicing costs.

Potential Elimination or Reduction of the Mortgage-Interest Tax Deduction

Various tax reform proposals continue to circulate in Congress, some of which would change the manner in which home interest deductions are treated. It is unclear whether any of the pending tax reform proposals will be enacted, either piecemeal as revenue raisers or as part of a more comprehensive package of tax reforms. Elimination or further restrictions on the mortgage-interest tax deduction could negatively affect the U.S. housing market, the market value of residential mortgage loans.

Risk of Eminent Domain

Numerous cities and local governments throughout the United States have been considering programs to assist homeowners in their jurisdictions who are obligated on residential mortgage loans with outstanding balances in excess of the market value of the related mortgaged properties. The proposed programs include authorization to acquire any such mortgage loans by voluntary purchase or eminent domain and to modify those mortgage loans to allow homeowners to continue to own and occupy their homes, irrespective of whether the mortgage loans are actually in default or foreclosure. There is no certainty as to whether any other governmental entity will take steps to acquire any mortgage loans under such a program in the future and what purchase price would be paid for any such mortgage loan.

Regulatory Risks

Regulatory risks relating to real estate mortgage loans include the following.

- In response to the financial crisis, Congress passed the Dodd-Frank Act. The Dodd-Frank Act required the creation of new federal regulatory agencies, and granted additional authorities and responsibilities to existing regulatory agencies to identify and address emerging systemic risks posed by the activities of financial services firms. The Dodd-Frank Act also prohibits lenders from originating residential mortgage loans unless the lender forms an opinion that the mortgagor has a reasonable ability to repay the loan. Additionally, the Dodd-Frank Act established the CFPB within the Federal Reserve System, a new consumer protection regulator tasked with regulating consumer financial services and products. Further, the servicing rules promulgated by the CFPB to implement certain sections of the Dodd-Frank Act, require servicers to, among other things, make good faith early intervention efforts to notify delinquent borrowers of loss mitigation options and, to the extent that loss mitigation options are offered to borrowers by the owners of their loans, to implement loss mitigation procedures and if feasible, exhaust all loss mitigation options before going to foreclosure. It is possible that a servicer's failure to comply with the new servicing protocols could adversely affect the value of the mortgage loans acquired by the Fund. The impact of the Dodd-Frank Act will depend significantly upon the content and implementation of the rules and regulations issued on its mandate.
- Numerous federal, state and local consumer protection laws impose substantive requirements upon mortgage lenders and holders of mortgage loans in connection with the origination, servicing and enforcement of mortgage loans. Applicable state and local laws regulate, among other things, interest rates and other charges, closing practices, licensing of brokers, lenders, holders and individual loan originators; and may require certain disclosures. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair, deceptive and abusive practices and debt collection practices may be applied to the origination, ownership, servicing and collection of the mortgage loans. Such laws, include, but are not limited to TILA and Regulation Z, the Equal Credit Opportunity Act and Regulation B, the Real Estate Settlement Procedures Act ("**RESPA**") and Regulation X, the TRID rule for closed-end mortgage loans secured by real property where the applications were received on or after October 3, 2015 (as further described below), the Fair Credit Reporting Act and Regulation V and the Home Equity Loan Consumer Protection Act of 1988.
- Violations or alleged violations of federal, state or local laws could result in a reduction in the amounts available from the mortgage loan. In the past few years, a number of legislative proposals have been introduced or enacted at the federal, state and local level that are designed to discourage certain lending practices, including those now deemed abusive or predatory. Some states have enacted, or may enact, laws or regulations that prohibit inclusion of some provisions in mortgage loans that have mortgage interest rates or origination costs in excess of prescribed levels, and require that mortgagors be given certain additional disclosures prior to the consummation of such mortgage loans. In some cases, state law imposes requirements and restrictions greater than those in the Home Ownership and Equity Protection Act of 1994, as amended. Some of these state laws are extremely rigorous and a violation could lead to statutory, punitive, consequential, and actual damages and/or administrative enforcement. A mortgage loan may also be rescinded or voided in certain instances. 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 mortgage loans. Lawsuits have been brought in various states making claims against assignees of

high cost loans for alleged violations of both federal and state law. Named defendants in these cases include numerous participants within the secondary mortgage market.

Violations of TRID

As noted herein, the Fund anticipated investing in pools of mortgage loans which have a variety of compliance related origination flaws and other flaws which impede the immediate liquidity of the loans, including flaws associated with issues relating to compliance with the TRID rule of the CFPB that went into effect on mortgage loans with respect to applications taken after October 3, 2015. The purpose of the TRID rule was to reconcile overlapping disclosure obligations under TILA and RESPA and to provide for integrated closing disclosure and loan estimate forms that would satisfy those requirements under both TILA and RESPA. There are interpretive uncertainties under the TRID rule, both as to the liability associated with some of the violations, and whether and how some of the violations may be cured. Although the TRID rule provides for a mechanism to cure certain non-numerical “clerical” errors in the closing disclosure, uncertainties remain as to liability for violating other requirements in the closing disclosure and in the loan estimate, including some minor, or technical violations that may not be covered by the TRID rule’s cure mechanism.

While TRID provides for integration of disclosures previously required under TILA and RESPA, TRID did not amend the TILA or RESPA provisions governing liability for those disclosures. Liability under TRID will depend on the specific sections in either TILA or RESPA under which a particular disclosure was mandated. Assignees of the mortgage loan may be liable for violating the TRID rule where the violation is apparent on the face of the disclosure and the assignment was voluntary.

Failure to comply with certain disclosures mandated by TRID could result in liability to a creditor or an assignee for:

- Any actual damages sustained by the borrower;
- statutory damages as follows:
 - a. In the case of an individual action, twice the amount of the finance charge in connection with the transaction, with a minimum amount of \$400 and a maximum amount of \$4,000; or
 - b. In the case of a class action, such amount as the court may allow. Except that no minimum recovery applies as to each member of the class, and the total recovery in any class action or series of class actions arising out of the same failure to comply by the same creditor may not exceed the lesser of \$1,000,000 or 1% of the net worth of the creditor;
 - c. in the case of any successful action to enforce the foregoing liability or in any action in which a person is determined to have a right of rescission, the costs of the action, together with a reasonable attorney's fee as determined by the court;
 - d. in the case of a failure to comply with any high-cost loan disclosure requirements, prohibitions on loan originator compensation steering incentives, or the requirement to determine a consumer’s reasonable ability to repay the loan under the TILA, an amount equal to the sum of all finance charges and fees paid by the consumer, unless the creditor demonstrates that the failure to comply is not material; and
 - e. if the creditor fails to accurately provide the “material disclosures” (*i.e.*, the required disclosures of the annual percentage rate, the finance charge, the amount

financed, the total of payments, and the payment schedule), along with certain other disclosures and limitations on loan terms set forth in TILA, the borrower will also have an extended right to rescind the loan up to three years after consummation.

Under TILA, a borrower generally must bring suit within one year from the date of the occurrence of the violation. However, actions for violations of the high-cost mortgage requirements, (such as those described under clause e above), certain residential mortgage loan origination requirements (such as those described under clause d above), or certain minimum requirements for residential mortgage loans may be brought within three years from the date of the violation., However, a borrower may generally assert a violation of any of the disclosure requirements in an action to collect the debt, such as a foreclosure action, regardless of the above time limits as a matter of defense by recoupment or set-off in such action.

The Adviser does not intend to include in Fund Assets loans with defects of the types described in clauses d and e above, but there can be no assurance that the Adviser's due diligence process will uncover all TRID related flaws.

The Fund may make investments in high risk assets that are susceptible to unique risks.

The Adviser expects that the Fund Assets will not be rated by any nationally-recognized rating agency. Generally, the value of unrated assets is more subject to fluctuation due to economic conditions than those that are rated.

The Fund's investment in Residential Mortgage-Backed Securities will involve risks.

The Fund may invest in residential mortgage-backed securities ("RMBS"). RMBS include home equity loan securities, residential prime mortgage securities and residential B/C mortgage securities. RMBS are subject to various risks, including credit, market, interest rate, structural and legal risks. RMBS represent ownership or participation interests in pools of mortgage loans secured by one- to four-family residential properties. Such loans may be prepaid at any time. 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, particularly 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, the residential mortgage loans of the Fund may have a disproportionately large aggregate principal amounts secured by properties in only a few states or regions. For example, the Fund initially will acquire a significant portion of United States residential mortgages and RMBS through GMAP and the member institutions of the first FHLBank to obtain regulatory approval. As a result and because each FHLBank is a regional monopoly, the residential mortgage loans may be more susceptible to geographic risks relating to the geographical coverage area of the first FHLBank to obtain regulatory approval, 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.

The Fund's use of repurchase transactions will involve risks.

When the Fund engages in a repurchase transaction, it generally will sell securities to the transaction counterparty in exchange for cash. The counterparty will be obligated to resell the securities back to the Fund at the end of the term of the transaction, which is typically 30 to 90 days. Because the cash the Fund receives from the counterparty when it initially sells the securities to the counterparty is less than the value of those securities (typically in connection with residential mortgage loans, up to more than 95% of that value), if the counterparty defaults on its obligation to resell the securities back to the Fund, the Fund would incur a loss on the transaction. The Fund would also lose money on a repurchase transaction if the value of the underlying securities has declined as of the end of the transaction term, as the Fund would have to repurchase the securities for their initial value but would receive securities worth less than that amount. Any losses the Fund incurs on its repurchase transactions could negatively impact its earnings, and thus decrease the cash available for distribution to investors. If the Fund defaults on one of its obligations under a repurchase transaction, the counterparty can terminate the transaction and cease entering into any other repurchase transactions with the Fund. In that case, the Fund would likely need to establish a replacement repurchase facility with another repurchase dealer in order to continue to leverage its portfolio and carry out its investment strategy. There can be no assurance that the Fund would be able to establish a suitable replacement facility.

The Fund will obtain a portion of its funding through the use of repurchase facilities. Certain of the Fund's repurchase facility agreements will include negative covenants that, if breached, may cause transactions to be terminated early. We expect that the repurchase facility agreements will not include negative covenants other than those contained in the standard master repurchase agreement as published by the Bond Market Association, but there can be no assurance that this will be so. An event of default or termination event under the standard master repurchase agreement would give the counterparty the option to terminate all repurchase transactions existing with the Fund and make any amount due by the Fund to the counterparty payable immediately. If the Fund is required to terminate outstanding repurchase transactions and is unable to negotiate favorable terms of replacement financing, the Fund's cash flow will be negatively impacted. This may reduce the amount of capital available for investing and/or may negatively impact the Fund's ability to distribute dividends. In addition, the Fund may have to sell assets at a time when it might not otherwise choose to do so.

The Fund is susceptible to counterparty risks.

It is expected that many of the Fund's investment purchases and dispositions will transpire in private or over-the-counter markets. These transactions may include forward trades, options, swaps and financing trades, including reverse repurchase agreements, repurchase agreements, bonds borrowed and bonds loaned. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as members of exchange-based markets. Differing market standards for counterparty credit evaluation may expose the Fund to the risk that a counterparty will not complete or settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (irrespective of whether bona fide), counter-party default, or inability to perform, causing the Fund to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities or where the Fund has concentrated its transactions with a particular counterparty or group of counterparties. Neither the Adviser nor the Fund has any internal credit function which evaluates the creditworthiness of its counterparties, there can be no assurance that any such assessment that is made will be accurate and there can be no assurance that the Fund will transact with only high quality counterparties.

The Fund may suffer uninsured losses.

The Adviser will attempt to maintain insurance coverage against liability to third parties and property damage as is customary for funds similar to the Fund and the business operated by the Adviser. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Insurance against certain risks, such as earthquakes or floods, may be unavailable, available in amounts that are less than the full market value or replacement cost of underlying properties or subject to a large deductible. In addition, there can be no assurance that particular risks which are currently insurable will continue to be insurable on an economically affordable basis. Because the Fund are pooled investment funds, their respective assets, including the Fund Assets, may be at risk in the event of an uninsured liability to third parties.

The Fund may be subject to litigation.

Under the TRID rules, residential mortgage borrowers will have rights of action against mortgage originators and assignees of mortgage loans, including the the Fund and its affiliates. Also, the CFPB also has the ability to impose sanctions on mortgage originators and assignees of mortgage loans, including the Fund and its affiliates. While the Adviser currently believes that actions against it, the Fund or its affiliates by borrowers or the CFPB with respect to the TRID-flawed loans purchased by the Fund are not likely, there can be no assurance that such claims will not be made.

The Fund may be susceptible to environmental risks on real estate.

In the event the Fund owns an interest in an entity that becomes an owner of real estate, through purchase, foreclosure or otherwise, the Fund may be exposed to risk of loss from environmental claims arising with respect to such real estate and the potential losses may exceed the Fund's investment therein. Additionally, changes in environmental laws or in the environmental condition of an asset may create liabilities that did not exist at the time of acquisition and that could not have been foreseen.

The acquisition of Fund Assets may occur in expedited transactions.

Investment analyses and decisions by the Adviser may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time of an investment decision may be limited and the Adviser may not have access to detailed information regarding the investment opportunity. Therefore, no assurance can be given that the Adviser will have knowledge of all circumstances that may adversely affect a Fund Asset. In addition, the Adviser may rely upon independent consultants in connection with its evaluation of proposed investments; however, no assurance can be given that these consultants will accurately evaluate such investments, and the Funds may incur liability as a result of such consultants' actions.

RISKS ASSOCIATED WITH MARKETS AND THE ECONOMY

The Fund Assets are susceptible to downturns in the economy.

The Fund Assets are susceptible to economic slowdowns or recessions, which could lead to financial losses and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase the Fund's funding costs, limit its access to the capital markets or result in a decision by lenders not to extend credit to the Fund. These events could prevent the Fund from increasing investments and have an adverse effect on its target returns.

The Fund's use of hedging transactions will involve risks.

The Fund may, but is not obligated to, engage in certain hedging transactions to limit its exposure to changes in interest rates. The Fund may utilize instruments such as forward contracts and interest rate swaps, caps, collars and floors to seek to hedge against mismatches between the cash flows on the Fund's assets and the interest payments on its liabilities or fluctuations in the relative values of its portfolio positions, in each case resulting from changes in market interest rates. Hedging against a decline in the values of the Fund's asset positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. Such hedging transactions may also limit the opportunity for gain if the values of the portfolio positions should increase. Moreover, it may not be possible to hedge against an interest rate fluctuation that is so generally anticipated that the Fund is not able to enter into a hedging transaction at an acceptable price.

The success of the Fund's hedging transactions will depend on the effectiveness of the Adviser's hedging strategies and the instruments used to hedge. Therefore, while the Fund may enter into such transactions to seek to reduce interest rate risks, unanticipated changes in interest rates may result in losses. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. For a variety of reasons, the Fund may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent the Fund from achieving the intended hedge and expose the Fund to additional risk of loss.

The market for investment opportunities is very competitive.

The Fund will operate in a highly competitive market for investment opportunities. A number of entities compete with the Fund to make the types of investments that the Fund plans to make. Some competitors may have substantially more funds to invest, with considerably greater financial, technical and marketing resources than the Fund. Some competitors may have a lower cost of funds and access to funding sources that are not available to the Fund. In addition, some of the Fund's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more counterparties than the Fund. There can be no assurance that the competitive pressures the Fund faces will not have a material adverse effect on the Fund's business, financial condition, results of operations and cash flow. Also, as a result of this competition, the Fund may not be able to take advantage of attractive investment opportunities that arise from time to time and it can offer no assurance that the Fund will be able to identify and make investments that are consistent with the Fund's investment objective.

RISKS ASSOCIATED WITH POTENTIAL CONFLICTS OF INTEREST

Conflicts may arise in the allocation of personnel and other resources, and there may be potential conflicting fiduciary duties to other investment vehicles.

The personnel of the Adviser will allocate such time and attention as is deemed appropriate and necessary to carry out the operations of the Fund effectively. The personnel of the Adviser will work on other projects and conflicts may therefore arise in the allocation of certain personnel and other resources.

Conflicts of interest may also arise between the Adviser, its affiliates and Fund with respect to the management of the Fund. The personnel of the Adviser and its affiliates may invest in investments

that have rights and interests different from or adverse to the investment opportunities of the Fund for the Adviser's own account or the account of other funds under its or its affiliates' management. The Adviser's interests in such investments may conflict with the interests of the Fund in related investments at the time of origination or in the event of default or restructuring of the investment.

The Adviser and its affiliates contemplate organizing and sponsoring additional alternative investment funds that operate in the domestic and international capital markets. Although the Adviser intends that the targets and investment activities for such additional funds not conflict with the targets and investment activities of the Fund, it is nevertheless possible that conflicts may arise — and that the interests of the Fund may suffer. In addition, the members of the investment committee of the Fund contemplate serving in similar roles for additional investment funds to be organized by the Adviser and its affiliates. These principals may experience diversions of their attention and potential conflicts of interest in the event that the interests of the Fund run counter to the interests of other funds organized and managed by the Adviser and its affiliates.

Item 10 - Other Financial Industry Activities and Affiliations

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, Shellpoint Partners, LLC, an affiliate of the Adviser, has overlapping officers.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. The Funds are affiliates of the Adviser. Additionally, the Adviser, is entitled to receive a carried interest fee from one or more of the Funds, and this may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such arrangement was not in effect. However, as noted in Item 11, the Adviser has adopted a written Code of Ethics that contains policies and procedures to address conflicts of interest. Under such policies and procedures, the Adviser is required to make investment decisions for its Clients in a manner that is consistent with its fiduciary duties to its Clients.
- D. The Adviser is under common control with Shellpoint Capital LLC, a registered broker-dealer, Shellpoint Insurance LLC, a captive property and casualty insurer and Avenue 365 Lender Services, LLC, a title insurance broker. Such affiliated entities offer securities, insurance products and other services in exchange for compensation as result of offering such services. This presents a conflict of interest because the affiliates have an interest in earning commissions that may be adverse to a Funds' interest. However, as noted in Item 11, the Adviser has adopted a written Code of Ethics that contains policies and procedures to address conflicts of interest. Under such policies and procedures, the Adviser is required to make investment decisions for its Clients in a manner that is consistent with its fiduciary duties to its Clients. Additionally, Shellpoint Capital LLC maintains written supervisory procedures which, alongside the compliance program of the Adviser, are designed to mitigate such conflicts of interest.

The Adviser is also under common control with New Penn Financial, LLC, a mortgage originator and servicer. New Penn Financial, LLC, will be the servicer for the residential loans held by the Trust. The Servicer will be entitled to receive customary and market rate servicing and ancillary fees with respect to the Fund Assets pursuant to a servicing agreement approved by the Investor Advisory Committee. In connection with any disposition of the Fund Assets, the Servicer may continue to receive such servicing and ancillary fees with respect to such loans. In connection with any refinancing of a Fund Asset by New Penn, New

Penn will be entitled to customary and market rate origination fees from the applicable borrower and will not share any part of such fees with the Fund. The Manager and its affiliates will directly and indirectly benefit from all of the fees payable to the Servicer or to New Penn as refinancer, which may give rise to conflicts of interest. This presents a conflict of interest because the affiliates have an interest in earning commissions that may be adverse to a Funds' interest. However, as noted in Item 11, the Adviser has adopted a written Code of Ethics that contains policies and procedures to address conflicts of interest. Under such policies and procedures, the Adviser is required to make investment decisions for its Clients in a manner that is consistent with its fiduciary duties to its Clients. Describe the nature of conflict and how you address it.

- E. The Adviser does not recommend or select other investment advisers for its Clients.

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

The Adviser maintains a Code of Ethics (the “Code”) that all employees must subscribe to as a condition of employment. Violations of the Code could result in sanctions or possibly termination of employment. A copy of the Code is available upon request.

Each employee has access to the Adviser’s Code of Ethics and has signed an acknowledgement of receipt of the Code. The Code includes information on the Adviser’s duty to Clients, prohibited acts, privacy of information, disclosure to Clients of actual and potential conflicts of interest, the use of disclaimers, suitability of investment advice, prohibition of insider trading, and limitation on trading in personal accounts, among others.

Annually each employee must acknowledge their understanding and adherence to the Code, as well as provide to the Chief Compliance Officer a list of all brokerage accounts and holdings for which the employee has beneficial interest or control.

The Chief Compliance Officer receives and reviews original duplicate brokerage confirmations and statements from employee covered accounts.

Item 12 - Brokerage Practices

- A. The Adviser has complete discretion to determine, subject to each Client's disclosed investment objectives, policies and strategies, the securities to be purchased or sold and in what amounts, the broker-dealers and other financial intermediaries use in effecting the transactions for Clients, and the commission rates to be paid for such transactions.

Brokerage. The Adviser selects the broker-dealers and other financial intermediaries used to effect transactions on behalf of its Clients. The Adviser seeks to obtain "best execution" from these broker-dealers based on a variety of factors. In selecting broker-dealers to effect portfolio transactions, the Adviser may cause a Client to enter into arrangements pursuant to which the Client pays transaction costs in an amount greater than would be incurred if another broker-dealer were used. The Adviser is not required to solicit competitive bids or seek the lowest available commission or transaction costs. The transactions executed by a Client may be cleared through, and the Client's investment instruments may be held by, a number of financial institutions the Adviser selects on terms negotiated with each such financial institution individually. Subject to the Adviser's agreement with each Client, the Adviser generally will use a variety of financial institutions both to take advantage of differing expertise and capabilities and to avoid, due to credit concerns, having all investment instruments concentrated at one firm. The Adviser does not consider the receipt of Client referrals when selecting broker-dealers to execute transactions.

The Adviser does not permit clients to direct brokerage to a specified broker-dealer. All brokerage transactions will be executed through the broker-dealers selected by the Adviser.

Soft Dollars. The Adviser or its affiliates may receive from a Client's broker-dealers products and services in addition to brokerage services.

A portion of the commissions generated on a Client's brokerage transactions may generate "soft dollar" credits that the Adviser is authorized to use to pay for research and other non-research related services and products used by the Adviser or its affiliates. The Adviser may enter into "soft dollar" arrangements with one or more broker-dealers whereby the Adviser will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although the Adviser will use the research and services in making investment decisions for the applicable Client, the Adviser may use such research or services for other Clients and the applicable Client will generally pay more than the lowest available commissions for execution of these transactions. The Adviser may also enter into "soft dollar" arrangements to cover Client expenses or costs and expenses of the Adviser to the extent such arrangements are permitted by law.

The Adviser has authority to use "soft dollar" credits generated by a Client's securities transactions to pay for expenses that might otherwise have been borne by the Adviser. This may give the Adviser an incentive to select brokers or dealers for Client transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by the Adviser rather than giving exclusive consideration to the interests of the Clients.

In the event that the Adviser elects to use soft dollars, it intends to limit such use to services that fall within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of 1934, as amended, or such services that are otherwise reasonably related to the investment decision-making process.

The term “soft dollars” refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment adviser. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of the Adviser creates a conflict of interest between the Adviser and its Clients, because a Client may pay for such products and services that are not exclusively for the benefit of the Client and that may be primarily or exclusively for the benefit of the Adviser. To the extent that the Adviser is able to acquire these products and services without expending its own resources (including management fees paid by a Client), the Adviser’s use of “soft-dollars” would tend to increase the Adviser’s profitability. In addition, the availability of these non-monetary benefits may influence the Adviser to select one broker rather than another to perform services for its Clients. Certain of the Clients’ Offering Documents, including the Fund’s Offering Documents, specifically authorize these practices to the fullest extent permitted by law.

- B. In general (and when applicable), the Adviser attempts to aggregate multiple orders for the purchase or sale of the same instrument into block transactions, subject to the overall obligation to achieve best price and execution for its Clients.

Item 13 - Review of Accounts

- A. The Principals of the Adviser are responsible for reviewing Client investment portfolios on a daily basis relating to, among other factors, position sizes; exposure levels; margin requirements; and investment strategy compliance.
- B. See Item 13.A. above.
- C. The Adviser provides Fund investors with annual financial statements, periodic reports and other communications, and all tax information relating to their investments in the Fund necessary for U.S. federal income tax purposes.

Item 14 - Client Referrals and Other Compensation

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Fund.
- B. The Adviser may enter into agreements with persons who refer potential investors for the Fund to the Adviser. For their referral services, these persons may receive compensation from the Adviser in the form of a percentage of the Management Fee and/or Performance Allocation that the Adviser and its affiliates receive from the Fund with respect to the referred investors. All solicitation arrangements that the Adviser may enter into will be designed to be in compliance with Rule 206(4)-3 under the Advisers Act and any similar state regulations. The Fund and its underlying investors are not responsible for any of the fees paid to the referring persons.

Item 15 -
Custody

The Adviser is deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of the Fund by virtue of the common control of the Adviser and the general partner of the Fund. All assets and securities of the Fund are held by qualified custodians. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

Item 16 - Investment Discretion

The Adviser exercises discretion in managing the investments of the Fund based on the Fund's investment objectives, policies, and strategies disclosed in its Offering Documents.

The Adviser contractually assumes discretionary authority over the assets of the Fund under an investment management agreement entered into among the Adviser and the Fund.

The Adviser contractually assumes discretionary authority with each Account under an investment management agreement with the Account

Item 17 - Voting Client Securities

The SEC has adopted Rule 206(4)-6 under the Advisers Act (the “**Rule**”), which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Because the Adviser may be deemed to have authority to vote proxies relating to the Fund Assets, the Adviser has adopted a set of policies and procedures (together, the “**Policy**”) in compliance with the Rule. To the extent the Adviser exercises or is deemed to be exercising voting authority over Fund Assets, the Policy is designed and implemented in a manner reasonably expected to ensure that voting with respect to proxy proposals, amendments, consents or resolutions (collectively, “**proxies**”) is exercised in a manner that serves the best interests of the Fund, as determined by the Adviser in its discretion. Notwithstanding the foregoing, because proxy proposals and individual company facts and circumstances may vary, the Adviser may not always vote proxies in accordance with the Policy. Each proxy is voted on a case-by-case basis taking into consideration any relevant facts and circumstances at the time of the vote. In situations where the Adviser wishes to vote differently from what is recommended in the policy, or where a potential material conflict of interest relating to the proxy vote exists, the Adviser will take such actions as are required by the Policy. The investors in the Funds may request a copy of the Policy and the voting records relating to proxies as provided by the Rule by contacting the Adviser.

Item 18 - Financial Information

- A. The Adviser does not require or solicit prepayment of more than \$500, six months or more in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Fund.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.